

The Fair Go Payment

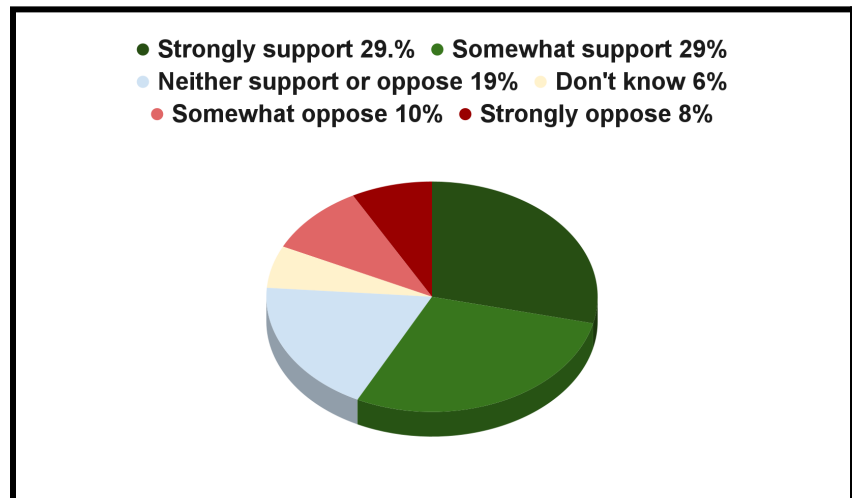
Most Australians Support a Basic Income.

In December 2020 a poll commissioned by The Green institute put the following question to a statistically valid sample of Australians:

Unconditional income support is sometimes called a Guaranteed Living Wage or a Universal Basic Income. This means that just as we can rely on basic health care and education, everyone in a society has a guaranteed minimum amount of money that they can rely on. Would you support or oppose a guaranteed living wage being introduced in Australia?

The data showed, an overwhelming majority of 58% support a universal, unconditional, income support payment to all Australian citizens and permanent residents. Only 18% oppose it.

A similar poll more recently asked simply "Should every Australian have an income above the poverty line?"



This proposal, which is authored by members of Basic Income Australia, a basic income advocacy organisation founded in Melbourne in 2017, aims to articulate a framework for the smooth introduction of such a payment and the abolition of poverty in Australia.

The essence of our proposal is a ramped implementation which we propose as a strategy to manage the inherent uncertainty of such a large undertaking. People may speculate about how a basic income would affect the economy, but no one knows the future. For this reason we propose a gradual shift in the balance between existing conditional welfare systems and the new universal payment, which will slowly increase, and be counted as taxable income, at least for welfare purposes - thereby automatically phasing out existing welfare payments as it increases. Unless, during the ramping process, we encounter an unforeseen problem with this plan. As we go we can gather more data about the effects on taxes, spending, inflation, house prices, interest rates and other key economic indicators.

This paper has three sections apart from this introduction. The first lays out our goals. The second lists our assumptions. The third explains the substance of our proposal.

There is also a set of slides [[link to deck or video](#)] which talks in more detail about the practicalities of implementation.

Goals

1. Abolish Poverty

In total there were around [2 million adults](#), with [around 1 million children](#), living in poverty in Australia at the start of 2020. This represents about 12% of the population; but 17% of children (mostly in single parent households) and 33% of pensioners (mostly renters). Most of the rest are single parents (mostly women), and a small percentage of people who are long term unemployed and disabled. Of this group, 24% of Aboriginal and Torres Strait Islander people living in cities live below the poverty line, while for those living in remote areas, the number is 54% ([ACOSS_Poverty-in-Australia-Report](#)).

During the coronavirus emergency, as welfare payments were increased, we actually saw poverty decrease - despite the biggest economic contraction on record. That demonstrates what many have long maintained: that poverty is not an inescapable economic reality, but rather a political choice.

2. Avoid welfare traps

Current welfare arrangements create perverse incentives, with payments reducing as wages are earned - reducing the reward for entering the workforce. Raising welfare payments, which are currently well below the poverty line, to a livable level would increase this effect. During the early days of the coronavirus emergency, the payment was raised above the poverty line, but this meant the income difference between those working full time at minimum wage, and those on unemployment benefits was little more than \$200 per week. This means the difference in income is only about \$5 per hour worked. And that is leaving aside the probability that this difference would be erased by commuting and other costs such as work clothes and takeaway meals; having a job is expensive.

Combined with the loss of conditional payments, and, of course, the requirement to perform work, low wage work can be a pretty bad deal.

3. Lessen Inequality

By lifting incomes across the board, a basic income levels the playing field, reducing inequality and giving those at the bottom a firm foundation upon which to build their lives. One state in the US, Alaska already has a basic income in the form of the Alaska Permanent Fund. This payment is below the poverty line but has important macroeconomic effects. Alaska is the most equal state in the Union.

4. Change the Labour Market to give workers more power.

Without the gun of poverty to their heads, workers would be better positioned to bargain for better wages and conditions. Some would work fewer years, hours, or jobs. So a household with two full time income earners may decide they only need one. Or someone working full time may choose a part time role. People might study longer, take a gap year to travel, or retire earlier. All this would tighten the labour market, further empowering the position of employees relative to their bosses.

There would also be those who chose a lower paying job, in an industry or area they prefer, since their income would be supplemented by the unconditional payment. In all cases the freedom for workers to choose the terms and nature of their employment is increased.

5. Facilitate a better work life balance

Most Australians would be happier if they could work less*. A basic income would help facilitate this, both directly and indirectly, through the mechanism described in 4. This would give people more time to spend with family, taking care of themselves through exercise, socialising, or simply enjoying themselves.

6. Increase people's personal security and therefore their health and safety outcomes

An unconditional income stream would provide a degree of psychological and physiological security the value of which cannot be calculated. Freedom from poverty, precarity, and dependence - on a potentially abusive employer, partner or family member, would provide a fundamental degree of well being to every member of the Australian community.

7. Promote creativity and lifelong education as well as personal and professional development

As mentioned in point 4., a basic income would allow people to take a temporary hit to their incomes while they transitioned from one role, industry or physical location to another. It would also allow them to pursue intellectual, creative or entrepreneurial ambitions outside the labour market. In the long term this would benefit not just the individuals in question but Australian society as a whole.

Indeed it is our intuition that the opportunity-cost to our nation of these *dreams deferred* is much greater than the financial outlay required to facilitate their pursuit.

8. Promote innovation, technological development and automation

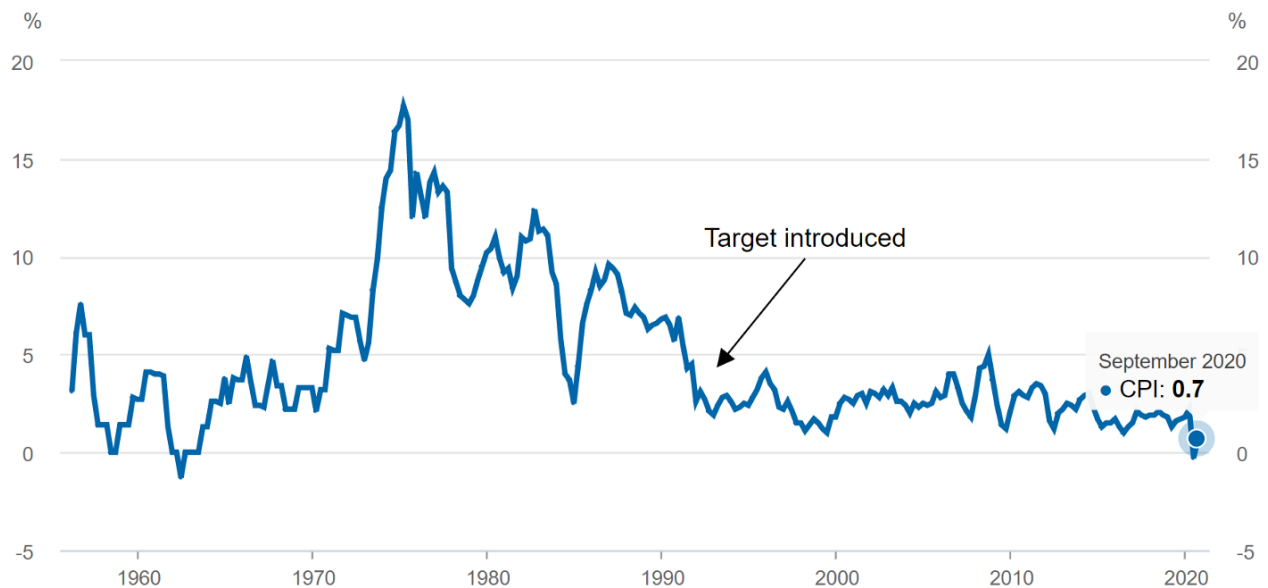
It's often pointed out that automation makes a basic income ever more necessary, as it reduces the need for labour, making it harder for people to find jobs. But the causality runs the other way too. A basic income would allow people to say no to repetitive low paying jobs, which would

incentivise the automation of those tasks. This automation would increase productivity and the supply of goods, meaning we can pay a higher basic income, which further encourages automation in a virtuous cycle that can propel us into an age of sustainable superabundance.

Assumptions

1. Latent capacity exists in our economy.

The Australian economy is capable of absorbing more spending. Decades of falling inflation and interest rates, which have hit record low after record low, are signs that the Australian economy is far from “overheating”. Indeed the long term trends and pressures are the opposite, tending towards the risk of a deflationary spiral like the great depression, which ad-hoc stimulatory spending and super-low interest rates are only just keeping at bay. Consider the following graph from the Reserve Bank’s website. It shows them successfully controlling inflation since the introduction of inflation targeting in the 90s.



While supply constraints imposed as a result of the dislocations caused by COVID-19 have led to a mild uptick in inflation - it remains at historic lows.

Now consider the following graph, showing the target interest rate used in that period. It also trends down. That means the reserve bank has calculated ever decreasing inflationary pressure, as austerity thinking gripped government fiscal policy. Rather than fending off inflation with high rates, the reserve bank, like central banks around the world, is keeping rates at historic lows to *prevent a deflationary spiral* (which was one of the key features of the great depression.)



2. Governments have significant unused fiscal headroom,

Given this latent capacity the government can run substantial deficits, supplementing revenues with bond sales, which are in turn supported by Reserve Bank purchases in the secondary markets. The chief danger of such a policy is that it might contribute to runaway inflation. But as the reserve bank has accurately calculated, that is not a credible danger in the current economic climate.

A recent IMF report on the Australian economy stated:

Fiscal policy should continue to support vulnerable households and viable businesses. COVID-19 Disaster Payments and business support grants are broadly adequate and appropriately targeted, contingent on pandemic triggers and loss of hours worked or revenue. Given their flexible design, these programs can be scaled up or reoriented rapidly as needed. If downside risks materialize that would endanger the broader economic recovery, the authorities should provide additional targeted fiscal support, taking advantage of Australia's substantial fiscal space, underpinned by robust public debt sustainability.

[-https://www.imf.org/en/News/Articles/2021/09/23/mcs092321-australia-staff-concluding-statement-of-the-2021-article-iv-discussions](https://www.imf.org/en/News/Articles/2021/09/23/mcs092321-australia-staff-concluding-statement-of-the-2021-article-iv-discussions)

We would quibble only with the mention of “targeted” support. Universal access is the best way to support vulnerable households. In their section on monetary policy they state:

the RBA has space to provide additional support by expanding its asset purchases, reinstating term funding facilities

This is an endorsement of financing government spending with money creation, which we also endorse as one tool among many to be used sensibly by the elected government of the day with reference to prevailing economic conditions of the moment.

3. Technology can drive prosperity.

Far from being a threat to people by 'taking jobs', technology can provide a better life for all, with menial, repetitive and dangerous tasks automated, people will be freed up for more exciting roles within and beyond the labour force while expanding the economy's capacity to provide goods and services.

4. All humans deserve dignity

In a modern economy people require a regular, sufficient income to live well. The stress and social dislocation that comes from being denied such an income is immeasurable.

5. There is a widespread intrinsic desire to contribute and better oneself.

People will work even if they don't have to to avoid destitution, both in order to advance their economic interests further, and because of the inherent desire to do good and the satisfaction of a job well done.

6. Employers increasingly require a skilled, engaged, enthusiastic workforce

In the 21st century, fewer and fewer jobs will be available which require someone to merely show up, clock in, and go through the motions. Employers don't want someone whose only reason for taking a job is to avoid poverty. An unconditional income shifts the balance away from extrinsic motivation, towards intrinsic motivation, helping people find the right job, and employers find the right person.

7. The Commons belong to all.

For most of human history, most people took their sustenance (through collective effort) directly from nature, without intermediation by either the state or the market. Slowly for some, quickly for others, this common access to natural resources has been eroded by the property system and government restriction that have, despite their high minded rhetoric, depended ultimately on the imposition of coercive force. In the case of Australia's indigenous people, this dispossession was recent, genocidal and apocalyptically violent, but the ancestors of the anglo-celtic soldiers and convicts experienced a similar dispossession, with the enclosure of common land forcing people into ever greater dependency on the landed aristocracy, then finally into the slums and factories of early capitalism. Settlers and migrants from around the world each have a version of this process in their histories, as a world was slowly transformed from primordial wilderness to a mosaic of legally defined and bureaucratically managed assets.

The centralisation and unequal distribution of this common-wealth by the state-corporate complex, should be compensated for (inadequately and imperfectly by an egalitarian universal payment. This would provide a baseline and a floor of dignity for people which will empower

them not only to negotiate better pay and conditions in the workplace, but also to pursue fuller redress for the injustices of history, as well as to focus on proactively building a future for all, rather than scrambling to survive the artificial scarcity which defines the present.

Proposed Implementation

1. Gradual introduction, initially to complement rather than replace existing welfare payments

Rather than aiming to immediately replace existing welfare systems with a new universal payment, we advocate introducing the new payment at a less-than-poverty level, while leaving current welfare payments in place, then ramping it up to a livable amount over time, phasing out welfare as we go.

2. Counted towards total taxable income for welfare purposes.

By counting this new payment as taxable income, at least for welfare purposes, we can facilitate the gradual reduction of these means tested welfare payments, which will automatically decrease as the universal payment increases.

3. No withdrawal or marketisation of public services

Education and healthcare services would remain in public hands and be expanded. The government would continue and expand its provision of housing and other market interventions designed to promote equality and reduce poverty. Basic Income would not be used as an excuse to justify cuts elsewhere.

4. The basic income as stimulatory lever

The payment would thus join wages, taxes, government spending more generally and interest rates as one of the major macroeconomic levers used to manage the economy. Therefore we need to adjust it and these other levers in real time based on economic conditions. The goal of this adjustment would be to raise the *Fair Go* payment as high as possible, without triggering undue inflationary pressures which could undermine the underlying goal of rising living standards.

5. Managing inflationary pressures

When these inflationary pressures do arise reducing this payment or halting its growth would be one potential response. But a better one, depending on the economic conditions at that moment, could be raising interest rates from zero, or taxing medium-to-high income earners more. Inversely, when deflationary pressures prevail, as is the long term trend, an increase to the basic income would be a better response than dramatic interest rate cuts, which can overstimulate the financial sector relative to the real economy, causing private debt bubbles, asset price spikes, and instability. Once the recently untapped deflationary power of interest

rates is reactivated the government's fiscal headroom (limited by inflation, not tax receipts) is increased substantially. So, therefore is the ability of the government to pay a generous basic income to all permanent members of the Australian community.