

From CERB to a Guaranteed Basic Income?

Are you one of the roughly 9 million Canadians who received the Canada Emergency Relief Benefit or CERB, as it is better known? If you didn't, then perhaps you are one of the roughly 700,000 Canadians who received the Emergency Student Benefit. Both of these temporary income support programs were put in place by the federal government as part of the COVID-19 Emergency Response Plan announced in April of 2020. CERB, in particular, was seen as a key step toward ensuring the incomes of the millions of Canadian workers and their dependents affected by the shut down or other restrictions placed on many sectors of the economy.

Even before the first CERB payments were made, the unprecedented scale and rapidity of job losses in Canada and in countries across the world set in motion a conversation on an idea that has been advocated by some and disparaged by others for decades. This involves a guaranteed basic income.

To be clear, hardly anyone disagrees that it was absolutely necessary for the Canadian, American, British and other governments to protect personal income as the COVID pandemic swept across the world. By doing so these governments also prevented what would have been a calamitous drop in consumer spending and in the tax revenues that depend on this spending and on the taxation of personal and business incomes, and that help pay for public services from health care and education to the maintenance of roads and community safety.

So the justification for CERB and programs like it in other countries was widely accepted. The severity and suddenness of the employment losses brought on by the spread of the

Coronavirus disease required extraordinary state measures in order to mitigate the pain experienced by persons and to prevent longer term damage to businesses and the overall economy.

From this to the idea that something like CERB should be made permanent in the form of a guaranteed basic income has been supported by some and reviled by others. The precise features of a guaranteed basic income program vary. Some argue for a targeted basic income that would essentially be a negative income tax. University of Manitoba economist Gregory Mason explains how this would work. He says,

While an income tax requires people to pay money to the government, a negative income tax uses an individual's most recent tax return to verify eligibility for the basic income and to calculate the monthly payment which is distributed to recipients by direct deposit.

A negative income tax would offer a guaranteed payment for those whose income is below a certain level. For every dollar earned above this guaranteed amount, the basic income payment falls by a percentage until earnings reach a level sufficient to eliminate any payments. (<https://theconversation.com/how-to-build-a-better-canada-after-covid-19-transform-cerb-into-a-basic-annual-income-program-140683>)

A different model was tried recently in Finland, where 2,000 unemployed persons were chosen at random to each receive the equivalent of about CAN\$800 per month over two years with no strings attached. They didn't have to pay some it back or receive less if they found work and began to earn money. It was a guaranteed sum to be paid monthly over the two years of this experiment that ended in 2018.

There are other models too, including an experiment with a Basic Annual Income that operated in Dauphin, Manitoba from 1974 to 1979.(

<https://www.bbc.com/worklife/article/20200624-canadas-forgotten-universal-basic-income-experiment>) Unlike the recent Finnish experiment and most other guaranteed basic income programs that have been tried in countries across the world, the Manitoba model based eligibility on both income and net worth, the latter including the value of savings, equity in a home, cars and other vehicles, etc.

Some advocates argue for a universal basic income that would provide every adult with a specific sum of money every year, regardless of their earned income or net worth. Andrew Yang, who was a candidate for the 2020 Democratic Party presidential nomination, calls this a Freedom Dividend. His plan would involve the payment of \$1,000 per month to all American citizens over the age of 18.(<https://www.yang2020.com/policies/>)

Guaranteed basic income proposals usually are thought of as left wing ideas, supported by progressives and those friendly to big government. In fact, however, one of the earliest and most famous advocates of such policies was the Nobel Prize-winning economist Milton Friedman, how argued for such a policy back in 1962. Many conservatives continue to support the idea of some form of a basic income, whether targeted or universal, on the grounds that it would replace and simplify the existing complex web of income support programs and thereby reduce the intrusiveness of government.(

<https://www.theatlantic.com/politics/archive/2014/08/why-arent-reformicons-pushing-a-guaranteed-basic-income/375600/>) Yuval Levin of the conservative American Enterprise

Institute argues that a basic income guarantee, "gives people more resources and authority and greater freedom to find new and effective ways up from poverty." (Ibid.)

But if there are folks on both the right and the left of the political spectrum who are on board for a guaranteed basic income, then why has the idea not achieved more policy traction in countries throughout the world?

Perhaps the principal reason is that many believe, rightly or wrongly, that it will disincentivize work. Well, does it? Here again is economist Gregory Mason: "We don't know how a basic income would affect a person's incentive to find work, which is shocking considering the many millions of dollars consumed by studies since the mid-1970s to settle this very question." (<https://theconversation.com/how-to-build-a-better-canada-after-covid-19-transform-cerb-into-a-basic-annual-income-program-140683>) A report on the recent Finnish experiment with a guaranteed basic income concluded that it had minimal effects on recipients moving from unemployment into the labor force.

Some argue, however, that focusing on the employment effects of a guaranteed basic income program misses the point. The person who was in charge of implementing the Finnish program says, "It's fair to say that the result is that we can't see a very big employment effect, that's true. But the comment that it's a failure, I would say that's not fair." She notes that those who were in the experimental group, that is those who received the monthly guaranteed payments, reported much lower levels of insecurity and stress compared to those in the control group, i.e. those who were unemployed at the beginning of the experiment but did not receive the guaranteed monthly payments. One of the recipients of the guaranteed payments wrote a

book on his experience and those of others in the program. He writes that, "The main important thing is that those who received the basic income felt better, mentally. When you are secure and free, you feel better." (<https://www.dw.com/en/does-finland-show-the-way-to-universal-basic-income/a-53595886>) Advocates of such a program argue that this translates into better health outcomes and therefore lower health care costs for society.

So, will we see a guaranteed basic income program in Canada anytime soon? Canadians seem to like the idea, sort of. An Angus Reid poll conducted in June 2020 found that 60 percent of respondents supported the idea of a universal basic income. The same poll found that almost two-thirds said that they would not be willing to pay more taxes in order to fund such a program. So who would pay for it? Well, six out of ten Canadians agreed that the wealthy--wealthy wasn't defined for those who took the survey--should pay more taxes to support some kind of guaranteed income. (<http://angusreid.org/universal-basic-income-covid19/>)

The Liberal Party of Canada, which as you know currently forms the government, will be holding a national convention this November. The proposal for a guaranteed income for all Canadians will be debated and a vote will be held on whether to add it to the party's policy platform. Indeed the guaranteed basic income is the top policy priority among Liberal MPs heading into the convention. (<https://www.cbc.ca/news/politics/guaranteed-basic-income-priorities-liberals-1.5721943>) But even if the proposal is passed at the party's convention, there would still be many steps to take and obstacles to overcome before it became a reality.

So here's a question. Do you think that Canada should move toward creating a basic guaranteed income? What are your reasons?