

A 'basic income' system could be feasible in Spain, but only by reframing the current debate

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Several academics and politicians have argued in favour of a so called 'basic income' system, which would provide an unconditional payment to every citizen within a given country to cover basic living costs. [José A. Noguera](#) writes on the potential for such a system to solve some of the current issues in Spain. He argues that while the goal of a basic income system is legitimate, it would be extremely difficult to implement this model in practice. Instead he advocates a package of four key reforms which would have the potential to provide most of the benefits of a basic income system for Spanish citizens without alienating those who would be obliged to pay higher taxes.



The concept of a 'basic income' is now at the centre of the political agenda in Spain: at least since the left-wing party [Podemos](#), which has surged to the top of Spanish opinion polling in recent months, included the proposal in its political programme for the last European election. Under different names ('Citizens Income', 'Universal Basic Income', 'Basic Income Guarantee'), the idea essentially involves paying an unconditional minimum income to all citizens.

It has been widely discussed and debated on television talk shows, as well as by political and economic analysts in the media. Strangely, however, the social scientists who have carefully studied the proposal for many years feel uncomfortable with the situation, largely because most of the references to providing a basic income in the public debate are misleading.

The basic income

The theory behind the basic income proposal has been analysed and discussed in the academic literature on welfare reform for decades (see, for instance, [the anthology](#) that has recently been published by Wiley-Blackwell, or the scholarly journal [Basic Income Studies](#)). Winners of the Nobel Prize in Economics, such as James Meade, Jan Tinbergen, James Tobin, Gunnar Myrdal, Friedrich Hayek, Milton Friedman and Herbert A. Simon, have carefully considered – if not clearly supported – the basic income concept, or very similar ideas.

Many other renowned economists, such as John K. Galbraith, Robert Theobald and Anthony B. Atkinson, as well as political thinkers like Bertrand Russell, Erich Fromm, Philippe van Parijs, Claus Offe, Thomas Pogge and Philip Pettit, have been highly sympathetic to the proposal. Several governments and parliaments across the European Union, including the European Parliament, have requested official reports on the concept over recent decades. All this illustrates that while the idea of a basic income is contestable and would potentially be difficult to implement, it cannot be regarded simply as a utopian idea backed by those on the fringes of the political mainstream.

A common mistake in Spain is to confuse the basic income with some form of means-tested minimum income programme, which is targeted only at those families whose income level falls below the poverty line. It can be [shown](#) that under certain conditions of tax-benefit integration, the distributional outcome of both proposals would be similar. However the individual and unconditional nature of the basic income generates two particular innovations.

First, unlike a conventional benefit programme, recipients should be individuals, not families or households. Second, citizens would not be subject to conditions or tests to establish their eligibility. The basic income is built on the principle of ensuring progressive outcomes through the tax system, rather than through benefits: in other words, eligibility requirements are applied to those who already earn an income rather than those who lack an income of their own.

Assessing the feasibility of a basic income system in Spain

With this stated, is a basic income a realistic reform for Spain? If so, how should its supporters frame the issue in order to win sufficient backing from the country as a whole? Setting to one side the ethical debates and the implications for work behaviour (see my opinion [here](#) and [here](#)) a core problem relates to the economic and political feasibility of the concept (see more about this [here](#)).

The question of whether Spain can afford the basic income is in many respects simply too vague to answer: the correct response is, in essence, that it depends on the level at which the basic income is set. A very low basic income would be somewhat trivial in cost terms and would be affordable simply by integrating the present minimum income benefits and tax deductions/exemptions. A basic income which reaches the poverty line, however, is a very different matter.

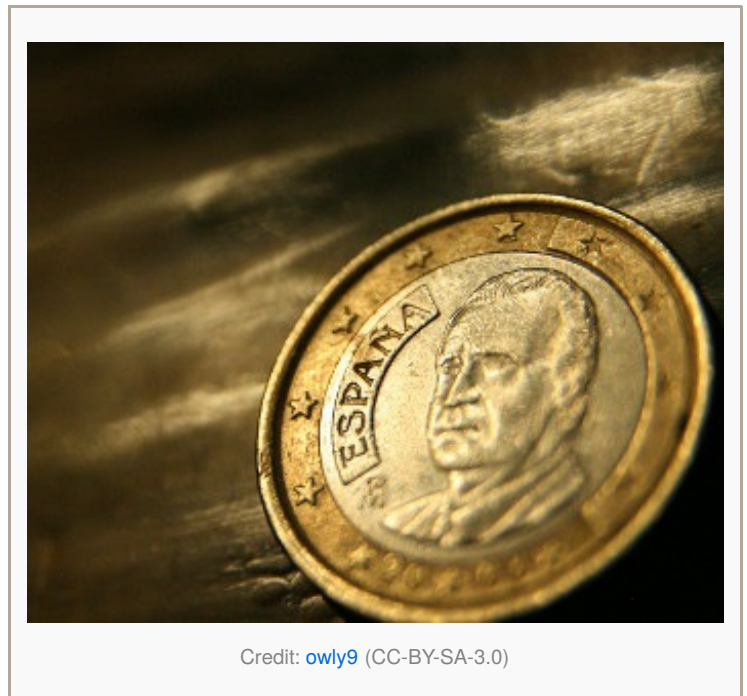
To implement a basic income on this level in Spain today would entail a substantial net cost, albeit one that is lower than many critics of the concept would anticipate, given all minimum non-contributory benefits below the level of the basic income, including tax exemptions and deductions, would be abolished. Making reliable calculations of this cost is complex in Spain given the available data, but a good estimate is that in order to fund the entire reform, a flat-tax of 50 per cent on all incomes, no matter their source, would be required. Alternatively, raising marginal tax rates to 45-50 per cent for middle income bands and 80-90 per cent for top income bands would achieve the same goal.

Such tax rates have existed in other countries at other times. It is also true that 'real' tax rates, once the basic income payment is discounted, would be much lower. So in the end 'only' one out of three taxpayers would be net losers from this system. But this is still a very high number of losers, most of whom are not rich oligarchs, but just conventional middle-class families. In Spain, the top third of income tax payers starts around the level of a 24,000 euro annual salary; in fact, few of those who are genuinely rich pay a lot through income tax. Such a strategy would therefore seriously undermine the proposal and would not be politically viable, even under a situation of greater economic prosperity.

A more practical approach to the basic income debate

Does this mean that the basic income itself is not a realistic goal? On the contrary. Political goals of this nature are more or less realistic depending on how feasible the route to implementation is. In fact, it would be possible to move toward a scenario approximating the basic income, provided that sustained economic growth returns. However this would require a different path to implementation.

The aim in this sense is essentially to grant income security for all citizens without imposing stigma and demeaning controls on the poor. The basic income is simply one possible instrument of social policy for achieving that aim, among many others. It would be advisable for the proposal's supporters, therefore, to adopt a strategy which avoids generating strong political opposition. Instead of pushing for a universal and unconditional basic income, it would be better to frame the discussion around the principles of welfare reform, income guarantees, the simplification of minimum income benefits, fostering personal autonomy, and poverty relief (without the stigma that comes with blaming the poor and the unemployed for their situation).



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By adopting this strategy, we would quickly find ourselves in a situation where different sides of the debate would be defending the same goals that the basic income is intended to achieve, but within a frame that does not generate the same degree of opposition and which connects far more readily with citizens' conceptions of 'common sense'. We could also leave to one side the somewhat mundane debates over what is 'truly' a basic income – a purely ideological question that is largely irrelevant given the chances of implementing a 'pure' basic income at the level of the poverty line are essentially zero.

Moreover, we would be able to identify specific steps with the capacity to bring us closer to the overall goal: steps which, at the same time, are popular enough to be supported by many citizens and organisations who would stop short of backing a full basic income of the kind currently envisaged. In this sense, there are at least four clear options, all of which already exist in certain developed countries.

First, there is the option of implementing a universal, non-contributory *basic pension*, covering all citizens over 67 (the official retirement age in Spain). Note that the vast majority of this age group is already receiving some type of pension or other benefits, and that income tax deductions for family members over 67 would be abolished, so the net cost of this measure would be easily affordable, and political opposition much weaker than in the case of the basic income.

Second, a *universal child benefit* could be created. Many developed countries, but not Spain, already have a programme of universal child benefits. Under this programme all of the population under the age of 18 would be covered, and arguably the amount of the standard benefit would not need to be at the poverty line, but would follow some scale of income equivalence for additional household members. In the Spanish case, this policy would be funded by integrating all present means-tested child benefits with all income tax reductions and deductions for taxpayers' descendants. In fact, the benefit could be delivered as a negative income tax, which would make it politically more palatable.

Third, there is a means-tested *minimum income guarantee* for households with members of working age, but whose income is under the poverty line. While many developed countries have had such a programme for decades, Spain still lacks an integrated minimum income guarantee at the national level. This programme would generate all minimum income guarantees at the regional level, as well as non-contributory unemployment benefits and other similar monetary aids. It would also expand coverage to all families under the poverty line. The main innovation of such a system would be that eligibility for the benefit would not be strictly linked to a procedure for placing people into employment; this does not mean that training or activation measures are suppressed, but just that they would be separate programmes. In this case, however, means-testing would subsist.

Finally, a *refundable tax credit* for working families below a certain income level could be put in place. Unlike many developed countries, Spain has not introduced any tax credit for low income workers until now. This policy would work at the same time as an incentive for labour supply in low wage jobs, and as income support for the working poor – a social group that is growing in Spain. It would be funded again by integrating several deductions and exemptions in income tax, and by applying the same income tax rates on capital rents as exist on wages. Low income workers would get the credit directly through their wage package. As a further element, the tax credit would be easily integrated with the minimum income guarantee and with the rest of these measures in order to facilitate a comprehensive negative income tax system. This would practically eliminate means-testing for the poor in the tax system.

A strategy along these lines would create a feasible path toward a basic income style system, module by module. Moreover, each 'module' by itself may gather wider support than the basic income concept could manage. Even if a proper basic income is not achieved in the end, nothing would be lost for pursuing this type of system: on the contrary, substantial progress in improving the coverage of the Spanish welfare state would be made. The country would have put in place some avenues through which the flow of resources could be adjusted and among which useful connections could be made.

There is little doubt that the economic net cost of this package of policies, even if it was implemented gradually over time, would be significant. But it would nevertheless be light-years away from the economic and political costs associated with introducing a 'pure' basic income in one stroke. If one accepts that a basic income style system, such as the one depicted above, is feasible, then the burden of proof would shift to those who oppose it: they would be obliged to propose an alternative package capable of establishing an income floor for all citizens in an equitable way and without stigmatising the poor. Of course, some would say that full employment is that policy. I strongly doubt it, but that is another discussion.



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