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The Answer to Poverty: A Universal Basic Income in Canada

By

Patrick Clark

A Major Research Paper
Submitted to the Faculty of Graduate Studies
through the Department of Political Science
in Partial Fulfillment of the Requirements for
the Degree of Master of Arts
at the University of Windsor

Windsor, Ontario, Canada

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The Answer to Poverty: A Universal Basic Income in Canada

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ABSTRACT

This paper provides an examination of the persistent issue of poverty within Canada, recognizing the various causes and the previous attempts to solve it, before concluding that the key failure of all prior poverty reduction strategies is a focus on poverty alleviation, rather than poverty eradication. This paper suggests that an alternative method would be to implement a Universal Basic Income, presenting an examination of prior research in the field, comparing it to similar models and addressing the various criticisms that have been raised against it.

Finally, this paper utilizes statistics provided by the Canadian government to determine what the impact of a UBI would be on all Canadians who report income. A simplistic model is set out with a level of \$18,000 per year, and including a flat 50% tax rate, with a break-even point of \$36,000. Using a model like this, Canada would ensure that no person would have an income of less than \$18,000, while nearly half of all Canadians would see their incomes rise. Those who make more than the break-even point would see a manageable increase in taxes though when compared to current tax rates in Canada's four most populated provinces, the decrease in income these individuals would see is relatively insignificant.

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CHAPTER 1

Introduction

Recent years have seen the discussion over the idea of a universal basic income (UBI) once again become relevant. In the face of the COVID-19 pandemic, which essentially brought the world to a halt in the spring of 2020, millions of people around the world suddenly found themselves unemployed and searching for ways to pay their bills.¹ In response to the economic freeze caused by the government's response to the spreading virus, the Canadian government rolled out the Canada Emergency Response Benefit (CERB) in an attempt to keep Canadians afloat. Yet the CERB faced heavy criticism due to the eligibility criteria required to access it. Jagmeet Singh, leader of the federal New Democratic Party (NDP) repeatedly called for all criteria to be removed,² arguing that a universal program that "[clawed] back the money from those who don't need it at tax time"³ would have been a better solution. And he was not alone, as a group of fifty Senators also petitioned for the program to transition into a universal model.⁴ While the Liberal government, headed by Prime Minister Justin Trudeau "[scrambled] to include one forgotten group after another,"⁵ they steadfastly rejected making the program

¹ Matt Stevens and Isabella Grullon Paz, "Andrew Yang's \$1,000-a-Month Idea May Have Seemed Absurd Before. Not Now." *New York Times*, March 18, 2020, <https://www.nytimes.com/2020/03/18/us/politics/universal-basic-income-andrew-yang.html>

² The Canadian Press, "Singh Calls for Universal Access to CERB," *CTV News*, April 11, 2020, <https://www.ctvnews.ca/politics/singh-calls-for-universal-access-to-cerb-1.4892157>

³ Teresa Wright, "Trudeau Rejects Turning CERB's \$2,000 a Month Into a Universal Benefit for Canadians," *National Post*, April 23, 2020, <https://nationalpost.com/news/universal-benefit-minimum-basic-income-justin-trudeau-cerb>

⁴ *Ibid.*

⁵ John Ibbitson, "Why Canada's Emergency Response Benefit Rollout Might Be a Mistake," *The Globe and Mail*, April 8, 2020 <https://www.theglobeandmail.com/politics/article-what-if-cras-emergency-response-benefit-amid-pandemic-is-a-mistake/>

universal. The position of the government was that the program is intended for those who lost their jobs because of the pandemic.⁶ Yet, the constant attempts by the government to ensure inclusion for those who did not initially qualify provides evidence that a universal program may have been more effective.

While the coronavirus pandemic has revitalized the idea of a universal basic income, the history of the concept can be traced back centuries, including works by Thomas More, Charles Fourier, and John Stuart Mill, among others.⁷ However it was only in the latter half of the twentieth century that the concept truly began to blossom.⁸ The past fifty years have seen experiments conducted in countries around the world.⁹ Academics and various committees on poverty throughout have published papers recommending some form of universal basic income.¹⁰ More recently, trials have been conducted in Ontario¹¹ and Finland,¹² and in the 2020 American Presidential Election,

⁶ Wright, “Trudeau Rejects...”

⁷ Basic Income Earth Network, “History of Basic Income,” <https://basicincome.org/basic-income/history/>; Philippe Van Parijs, “A Basic Income for All,” *Boston Review*, 25 no 5, (2002) 4

⁸ David Floyd, “The Long, Weird History of Universal Basic Income – And Why It’s Back,” *Investopedia*, updated Aug 10, 2021, <https://www.investopedia.com/news/history-of-universal-basic-income/>

⁹ Malte Neuwinger, “The Revolution Will Not Be Randomized: IUniversal Basic Income, Randomized Controlled Trials, and ‘Evidence-Based’ Social Policy,” *Global Social Policy*, (2021), 2

¹⁰ Harvey Stevens and Wayne Simpson, “Toward a National Universal Guaranteed Basic Income,” *Canadian Public Policy*, 43 no. 2, (2017), 120

¹¹ “Ontario Basic Income Pilot,” *Government of Ontario* April 24, 2017 <https://www.ontario.ca/page/ontario-basic-income-pilot>

¹² Olli Kangas, Signe Jauhiainen, Miska Simanainen, Minna Ylikännö, “The Basic Income Experiment 2017-2018 Preliminary Results,” *Ministry of Social Affairs and Health*, February 8, 2019, <https://julkaisut.valtioneuvosto.fi/handle/10024/161361>

presidential candidate Andrew Yang campaigned on a form of UBI called the Freedom Dividend.¹³ Clearly, the concept has an enduring appeal.

But what is that makes this concept so appealing so appealing to so many thinkers? On the surface, one could suggest that the idea of ‘free money’ is always appealing, but there is more to such a program than such a simplistic explanation. Rather, one must consider the persistence of poverty. In Canada, even before the pandemic, millions of Canadians struggled to meet their basic needs,¹⁴ and social assistance programs that seek to assist have been historically criticized for being inefficient,¹⁵ expensive,¹⁶ and for amounting to poverty alleviation, rather than reduction or elimination.¹⁷ Perhaps more concerning is that the eligibility criteria of these programs may result in some families able to access multiple aid programs, while others qualify for none.¹⁸ For those who do qualify, many find themselves in a situation that may penalize them for working, known as the ‘welfare trap,’ or the ‘poverty trap.’¹⁹ Further, it has been recognized that selective programs, such as many of the current social assistance

¹³ Ben Mitchell, “The ‘Freedom Dividend’: Inside Andrew Yang’s Plan to Give Every American \$1,000,” *CBS News*, Nov. 15, 2019 <https://www.cbsnews.com/news/the-freedom-dividend-inside-andrew-yangs-plan-to-give-every-american-1000/>

¹⁴ Jordan Press, “3.2M Canadians, Including Over 560,000 Children Living in Poverty: Stats Canada,” *Global News*, Feb. 24, 2020, <https://globalnews.ca/news/6590433/statistics-canada-poverty-report-2020/>

¹⁵ Charles Murray, “Guaranteed Income as a Replacement for the Welfare State,” *Basic Income Studies*, 3 no.2, (2008). 2

¹⁶ Lydia Miljan, “Social Policy,” in *Public Policy in Canada – An Introduction*, 7th ed. (Don Mills Ontario: Oxford University Press, 2018), 187

¹⁷ David Hulme, “Introduction,” in *Global Poverty: How Global Governance is Failing the Poor*, (London, Routledge, 2010) 10

¹⁸ Evelyn L Forget, “The Town with No Poverty: The Health Effects of a Canadian Guaranteed Annual Income Field Experiment,” *Canadian Public Policy*, 37 no.3, (2011), 285

¹⁹ *Ibid.*, 284

programs, enjoy less popular support than universal programs, such as Canada's health care system.²⁰

This paper will examine the issue of poverty, and how it has been addressed up to this point in time in Canada and answer how a Universal Basic Income may act to improve the lives of Canadians. But what is a UBI? What is the current state of knowledge? And more importantly, how can it act to improve the lives of Canadians? To answer these questions, this paper undertook a literature review of academic and grey literature.

This paper is structured into six chapters. Chapter 2 examines the causes and effects of poverty, as well as prior approaches to address the issue. Chapter 3 will begin with a review of the existing literature regarding universal basic income as well as similar programs. This will be followed by an examination of various proposals and methods, and comparing the potential results, allowing for a comparative look into how to reduce poverty. Chapter 4 will provide the methodology of how a simplistic Canadian UBI model could be developed, and then Chapter 5 will discuss how it can be applied and whether a UBI could provide a method to effectively end poverty. The final chapter will contain the conclusion and will address the challenges and limitations of this paper and make suggestions for future research.

²⁰ J. Scott Matthews and Lynda Erickson, "Welfare State Structures and the Structure of Welfare State Support: Attitudes Towards Social Spending in Canada, 1993-2000," *European Journal of Political Research*, 47, (2008), 414

CHAPTER 2

The Issue of Poverty in Canada

Canada ranks among the wealthiest and most developed countries in the world. Indeed, Canada is a member of the G8, boasting a GDP of over \$1.6 trillion (USD).²¹ Further, The United Nations Human Development of 2020 ranks Canada 16th out of nearly two hundred countries, ahead of other wealthy and developed countries like the United States, Japan and France.²² Yet, despite such impressive economic metrics and high praise, even before the COVID-19 pandemic, millions of Canadians continue to struggle financially.

How is poverty defined in Canada?

Before delving into the causes and effects of poverty, it is important to determine exactly what poverty means. Finding a definition has often been a complicated process, as there are many ways to conceptualize and measure poverty. A part of the problem is the difference between “absolute” and “relative” poverty.²³ Absolute poverty, is the “inability to have one’s basic needs met,”²⁴ and, according to the World Bank, is less than two dollars per day.²⁵ In 2016,, the World Bank introduced poverty measurements for

²¹ GDP (current US\$) *World Bank*, https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?most_recent_value_desc=true

²² Human Development Report 2020, “Chapter 7- Towards a New Generation of Human Development Metrics for the Anthropocene,” in “The Next Frontier: Human Development and the Anthropocene,” *United Nations Development Programme* (2020), 241, <http://hdr.undp.org/sites/default/files/hdr2020.pdf>

²³ Amartya Sen, “Poor, Relatively Speaking,” *Oxford Economic Papers*, 35. No. 2 (1983) 153

²⁴ Dennis Raphael, Toba Bryant and Zsofia Mendly-Zambo, “Canada Considers a Basic Income Guarantee: Can it Achieve Health for All?” *Health Promotion International*, 34, (2019) 1027

²⁵ “FAQs: Global Poverty Line Update,” *The World Bank*, September 30, 2015. <http://www.worldbank.org/en/topic/poverty/brief/global-poverty-line-faq>

several categories of countries, from low-income to high-income, with high-income countries, including Canada having a median poverty level of \$21.70 per day.²⁶

Relative poverty, on the other hand, is “the inability to afford to ‘Do the things that most people take for granted.’”²⁷ Determining the exact number of Canadians living in poverty was difficult until 2019, when the Liberal government adopted a formal poverty line as part of their poverty reduction strategy.²⁸ Using this new poverty line the government determined that in 2015, the poverty line for a family of two adults and two children was an average income \$37,452 or below.²⁹

Having set out this official poverty line, the government also laid out an official definition of poverty, defining it as “the condition of a person who is deprived of the resources, means, choices and power necessary to acquire and maintain a basic level of living standards and to facilitate integration and participation in society.”³⁰ This definition provides some insight into how the government conceptualizes poverty, while also providing justification for the criteria the government has used to measure poverty, setting out that the plan must be about ensuring that Canadians have dignity; opportunity and inclusion; and resilience and security.³¹ These three ‘categories’ are set in place to

²⁶ Dean Jolliffe and Espen Beer Prydz, “Estimating International Poverty Lines from Comparable National Thresholds,” *World Bank Group*, (2016)

²⁷ Raphael et al, “Canada Considers a Basic Income...”, 1027

²⁸ Bill C-97, *An Act to implement certain provisions of the budget tabled in Parliament on March 19, 2019 and other measures*, 1st Sess, 42nd Parl, 2019, s315 (assented to 21 June 2019) SC 2019, c.29

²⁹ Government of Canada, “Opportunity for All – Canada’s First Poverty Reduction Strategy,” *Employment and Social Development Canada*, (2018), 11

³⁰ Government of Canada, “Opportunity for All...,” 7

³¹ *Ibid.*, 10

provide a method of tracking progress.³² The plans put in place by the government appear to have had some improvement, with poverty rates falling over 2.5% between 2016 and 2019.³³ However, the impacts of the coronavirus pandemic remain unclear.

Costs, Causes and Effects of Poverty

While the downward trend prior to coronavirus pandemic was undoubtedly a positive sign, why are over three million Canadians still unable to meet their basic needs? While the government of Canada's document does not address such a question, it is at the very heart of the problem. Poverty has been viewed as a problem related to development, something that would be solved through economic growth,³⁴ which clearly has not occurred. The 1970s saw a shift towards neoliberal ideology³⁵ that resulted in governments choosing to focus on the needs of the labour market, believing that the benefits of economic growth would 'trickle down' to improve the situation of the impoverished.³⁶ While this neoliberal ideology has made countries more competitive, it has also weakened the welfare state through spending cuts.³⁷ Rather than eradicating poverty, this simply resulted in labourers increasingly working poorly paid, precarious

³² *Ibid.*, 13

³³ Canada's Official Poverty Dashboard, March 2021, <https://www150.statcan.gc.ca/n1/pub/11-627-m/11-627-m2021010-eng.htm>

³⁴ Jacqueline Best, "Redefining Poverty as Risk and Vulnerability: Shifting Strategies of Liberal Economic Governance," *Third World Quarterly*, 34 no. 1 (2013) 111

³⁵ Charles M.A. Clark and Catherine Kavanagh, "Basic Income, Inequality and Unemployment: Rethinking the Linkage Between Work and Welfare," *Journal of Economic Issues*, 30 no.2, (1996) 399

³⁶ Best, "Redefining Poverty..." 112

³⁷ Andrew White, "A Universal Basic Income in the Superstar (Digital) Economy," *Ethics and Social Welfare*, (2018) 6

employment.³⁸ However, economists now see poverty as an indicator that markets are not working correctly, and, thus, solving poverty is important to achieving economic growth.³⁹

Yet, despite this relatively hands-off approach, reports of combined government spending show that expenditures for social welfare programs reached \$184.7 billion dollars in 2018, nearly 25 per cent of total spending.⁴⁰ As of 2015, this spending resulted in an average of \$2,426 for all adults, including those who received none.⁴¹ Of this spending, the majority goes to the elderly,⁴² and only a very small amount goes to individuals of working age.⁴³

When Canada's social expenditures are compared to other developed nations, however, Canada's welfare system is shown to be relatively underfunded, falling well below the OECD average, and significantly below similar countries including the US, UK and France. Current expenditures in Canada fall below even its own 1990 levels.⁴⁴ The comparably low level of social spending in Canada can be explained by several

³⁸ Shauna MacKinnon, "The Politics of Poverty in Canada," *Social Alternatives*, 32 no. 1 (2013) 22

³⁹ Best, "Redefining Poverty...", 111

⁴⁰ "Canadian Classification of Functions of Government, 2018," *The Daily*, Nov. 27, 2019 <https://www150.statcan.gc.ca/n1/daily-quotidien/191127/dq191127b-eng.htm>

⁴¹ Stevens and Simpson, "Toward a National Universal...", 122

⁴² *Ibid.*, 122; "Annual Financial Report of the Government of Canada Fiscal Year 2019-2020," *Government of Canada*, <https://www.canada.ca/en/departement-finance/services/publications/annual-financial-report/2020/report.html#expenses>

⁴³ Stevens and Simpson, "Toward a National Universal...", 122; OECD "Social Expenditure Update 2019, Public Social Spending is High in Many OECD Countries," *OECD Publishing*, (Paris, 2019) 2 <https://www.oecd.org/social/expenditure.htm>

⁴⁴ OECD, "Social Expenditure...", 1

factors. Firstly, there is the welfare system model that Canada employs. In terms of developed countries, Esping-Andersen has identified three forms of welfare states: social democratic, conservative and liberal.⁴⁵ The Canadian welfare system is an example of the latter, “where governments exhibit a preference for market solutions to welfare issues”⁴⁶ This form of social welfare system only provides assistance when the market is unable to do so, resulting in a system that is less developed and rife with higher levels of poverty and the aforementioned wealth disparity.⁴⁷ The relative underfunding of Canada’s system may be attributed to, at least in part, the absence of a strong, national, left-wing political party and a weaker labour movement compared with that of many of its peer countries.⁴⁸ Additionally, another factor may simply be the opinions of Canadians, who tend to value self-reliance,⁴⁹ opposing the concept of an obligation to fulfill the needs of the unemployed,⁵⁰ and thus, are less likely to support high levels of spending for selective social welfare programs.⁵¹ This negative perception of the welfare state is furthered by the notion that welfare systems negatively impact the labour market and are abused by the undeserving.⁵² Indeed, public opinion of these programs informs government action, and how government acts further affects how the public sees these programs, and, more

⁴⁵ Raphael, et. al, “Canada Considers a Basic Income...,” 1026

⁴⁶ Matthews and Erickson, “Welfare State Structures...,” 415

⁴⁷ Raphael, et. al, “Canada Considers a Basic Income...,” 1026

⁴⁸ Miljan, “Social Policy,” 190

⁴⁹ Linda I. Reutter, Margaret J. Harrison, Anne Neufeld, “Public Support for Poverty-Related Policies,” *Canadian Journal of Public Health*, 93 no.4 (2002) 301

⁵⁰ Miljan, “Social Policy,” 186

⁵¹ Matthews and Erickson, “Welfare State Structures...,” 414

⁵² Miljan, “Social Policy,” 186

importantly, how recipients see themselves.⁵³ Rather than attempt to eradicate poverty, governments have generally chosen to address only the results of poverty, rather than its causes.

Yet how to address poverty remains a difficult question. Centuries ago, rulers saw the poor as an admonishment of their rule, frequently imprisoning them as a result.⁵⁴ Even centuries later imprisoning the ‘lazy’ poor allowed governments to force them into work projects, claiming that it would change their “idle” ways.⁵⁵ This continued view that the poor are lazy has resulted in stigmatization of poverty,⁵⁶ which results in a feeling of powerlessness⁵⁷ for those who are impoverished. And there is an argument that the persistent stigmatization of poverty and the poor plays a part in their continued existence. Some may believe that poverty only affects those who are impoverished, but this is not true. As the Liberal government’s *Opportunity for All* states, “while poverty affects everyone differently, when some Canadians are left behind, all Canadians are impacted”⁵⁸ Setting aside moral justifications for eradicating poverty, there remain many practical reasons to do so. The continued existence of poverty contradicts the “rising tide will lift all boats” myth,⁵⁹ and evidence shows that it may, in fact, harm economic

⁵³ Suzanne Mettler and Joe Soss, “The Consequences of Public Policy for Democratic Citizenship: Bridging Policy Studies and Mass Politics,” *Perspectives on Politics*, 2 no. 1 (2004) 61

⁵⁴ Grégoire Chamayou, “Hunting the Poor,” in *Manhunts: A Philosophical History*. (S. Rendall Trans.) (Princeton, NJ: Princeton University Press 2012) 78., 83

⁵⁵ *Ibid.*, 83

⁵⁶ James P. Mulvale and Sid Frankel, “Next Steps on the Road to Basic Income in Canada,” *Journal of Sociology and Social Welfare*, 43 no.3, (2016), 28

⁵⁷ Reutter, Harrison, and Neufeld, “Public Support for...,” 298

⁵⁸ Government of Canada, “Opportunity for All...,” 8

growth.⁶⁰ The economic costs of poverty include the costs of social programs, costs of health care, and increased rates of crime.⁶¹ Furthermore, there is evidence that shows that “poverty limits the ability of low-income individuals to develop the skills, abilities, knowledge, and habits necessary to fully participate in the labor force, in turn leading to lower incomes.”⁶² Those who live in poverty tend to have less education and poorer health, both of which negatively impact their ability to find work.⁶³

Another reason to work towards the eradication of poverty is its impact on health outcomes. Poverty has long been correlated to poorer health outcomes, regardless of how it is measured,⁶⁴ so much so that the World Health Association has called poverty “the world’s biggest killer, and the greatest cause of ill-health and suffering.”⁶⁵ Poverty has been associated with countless health problems, including increased rates of mental illness, addiction, and other common illnesses such as cancer and sexually transmitted

⁵⁹ Best, “Redefining Poverty...,” 109

⁶⁰ Harry J. Holzer, Diane Whitmore Schanzenbach, Greg J. Duncan, Jens Ludwig, “The Economic Costs of Poverty in the United States: Subsequent Effects of Children Growing Up Poor,” *Center for American Progress*, 2007, 1 https://cdn.americanprogress.org/wp-content/uploads/issues/2007/01/pdf/poverty_report.pdf

⁶¹ *Ibid.*, 3

⁶² Sigurd R. Nilsen, “Poverty in America: Consequences for Individuals and the Economy,” *United States Government Accountability Office*, (Testimony, Jan 24. 2007) 16

⁶³ *Ibid.*, 17

⁶⁴ Reutter, Harrison, and Neufeld, “Public Support for...,” 297

⁶⁵ Chris D. Simms and D. David Persaud, “Global Health and Local Poverty: Rich Countries’ Responses to Vulnerable Populations,” *Canadian Journal of Public Health*, 100 no. 3 (2009) 176

infections and diseases,⁶⁶ as well as earlier death.⁶⁷ Dr. Gary Bloch, a physician in Toronto, claims that poverty is more harmful to health than obesity, smoking or high blood pressure.⁶⁸ While there are a number of possible explanations relationship between poverty and health, the most commonly accepted is the *structural* explanation, which states that the relationship is the result of the inability for the poor to access the “material conditions and resources that facilitate health,”⁶⁹ such as proper nutrition as well as safe housing, neighbourhoods and safe work conditions.⁷⁰ This relationship is particularly important in Canada, as the impact of negative health outcomes puts a heavy strain on the universal health care system, causing health care costs to rise. As the situation stands right now, the health care system is being used to “treat the consequences of poverty [...] in an inefficient and expensive way,”⁷¹ by being reactive to the problem rather than being proactive and preventing the problem in the first place.⁷² Dealing with the issue of

⁶⁶ Jeff Turnbull and Tiina Podymow, “The Health Consequences of Poverty in Canada,” *Canadian Journal of Public Health*, 90 no. 6, (2002), 405

⁶⁷ Peggy McDonough, Amanda Sacker, Richard D. Wiggins, “Time on My Side? Life Course Trajectories of Poverty and Health,” *Social Science and Medicine*, 61 (2005), 1797

⁶⁸ Andrew Duffy, “Toronto Doctor ‘Prescribes’ Income to Poor Patients,” *Ottawa Citizen*, July 4, 2014, <https://ottawacitizen.com/news/local-news/toronto-doctor-prescribes-income-to-poor-patients>

⁶⁹ Reutter, *et. al.* “Public Support...,” 297

⁷⁰ *Ibid.*, 297

⁷¹ David Cox, “Canada's Forgotten Universal Basic Income Experiment” *BBC*, (June 24, 2020) https://www.bbc.com/worklife/article/20200624-canadas-forgotten-universal-basic-income-experiment?fbclid=IwAR2Pd5Tm1aSuAlmeilQK7GLlgMJgzzGY-5_GaFYiUkWiI6i9BETZRqyOwAU

⁷² *Ibid.*,

poverty is likely to help improve health results and reduce demand on the system,⁷³ decreasing the financial burden on the health care system.⁷⁴

Further, poverty correlates to higher rates of crime,⁷⁵ yet again increasing costs to all Canadians as the criminal justice system must deal with this situation. The John Howard Society of Ontario states that “poverty prevention is crime prevention.”⁷⁶ The cost of crime affects society in both a direct and indirect way. Those who are harmed by the criminal act are directly affected, but all society is affected indirectly by the costs required to hold incarcerated individuals.⁷⁷ As of 2017, the cost for housing inmates in Canada was \$1.63 billion, or \$114,587 per prisoner.⁷⁸

Those who grow up in poverty are frequently categorized as being “at risk”⁷⁹ of becoming involved in criminal activity, and are more likely to commit property crime.⁸⁰ When arrested, poor individuals are more likely to be detained, denied bail and be convicted, while also being more likely to struggle once they are released, and thus are

⁷³ Forget, “The Town with No Poverty...,” 294

⁷⁴ Duffy, “Toronto Doctor...”

⁷⁵ “Poverty and Crime Is there a Connection,” *John Howard Society of Ontario*, Jan. 1, 2014, <https://johnhoward.on.ca/wp-content/uploads/2014/09/counter-point-1-poverty-and-crime-is-there-a-connection.pdf>

⁷⁶ *Ibid.*

⁷⁷ Haiyun Zhao, Zhilan Feng, Carlos Castillo-Chavez, “The Dynamics of Poverty and Crime,” *Journal of Shanghai Normal University*, 43 no.5 (2014)486

⁷⁸ “Update on Costs of Incarceration,” *Office of the Parliamentary Budget Officer*, (Ottawa, Canada, 2018)

⁷⁹ “Poverty and Crime...” *John Howard Society of Ontario*

⁸⁰ Zhao, *et. al.* “The Dynamics of...,” 486

more likely to re-offend.⁸¹ While it would not be fair to say that only the poor become criminals, the vast majority of inmates have come from poverty.⁸² To address the problem of crime, either poverty must be reduced, or the severity of punishment must be increased to deter criminal acts.⁸³

Taken together, the effects of poverty affect all Canadians, whether these effects be direct or indirect. Reducing poverty, should, in theory, reduce the costs of social assistance programs, reduce strain on the health care system, increase labour force participation, and even reduce crime. Thus, eradicating poverty should be at the forefront of the political agenda.

Who Suffers from Poverty in Canada?

There has been much discussion about the causes and effects of poverty, but who are these Canadians who are so frequently impoverished and left behind? Single-parent households, especially those led by single mothers, are among the most likely to be poor, while those who live with disabilities, aboriginals, immigrants, seniors and racialized people also being at high risk.⁸⁴ Many of these people are employed, but find themselves working too few hours, or working low-wage, precarious jobs.⁸⁵ For those who are disabled and unable to work find themselves in a difficult position as well. Disability

⁸¹ "Poverty and Crime..." *John Howard Society of Ontario*

⁸² Senator Hugh Segal, "Tough on Poverty, Tough on Crime," *Toronto Star*, Feb. 20, 2011, https://www.thestar.com/opinion/editorialopinion/2011/02/20/tough_on_poverty_tough_on_crime.html

⁸³ Zhao, *et. al.* "The Dynamics of..." 487

⁸⁴ "Poverty Trends 2018," *Citizens for Public Justice*

⁸⁵ *Ibid.*

payments are rarely enough to cover their needs, and, worse, these payments are reduced if the beneficiary lives with a spouse.⁸⁶

Perhaps even more concerning is that, even accounting for the decreases seen in recent years, more than half a million children remain in poverty.⁸⁷ This represents a persistent failure for Canada, as, over thirty years ago, Canada pledged to eradicate child poverty by the year 2000.⁸⁸ There have been some programs put in place to attempt to rectify this situation, yet, the poverty rate among children remains at 10.8%.⁸⁹ Children who grow up impoverished tend to suffer from worse mental and physical health development outcomes,⁹⁰ and are more likely to remain impoverished for life.⁹¹ Further, children who grow up in poverty frequently experience hunger, are more likely to struggle in school and more likely to drop out, and may struggle to find employment.⁹² Some have even gone so far as to say that those children “who grow up in poverty forfeit

⁸⁶ Sarah Trick, “How the Ontario Disability Support Program Makes Falling in Love a Challenging Proposition,” *TVO*, Aug 24, 2018, <https://www.tvo.org/article/how-the-ontario-disability-support-program-makes-falling-in-love-a-challenging-proposition#:~:text=If%20a%20recipient%20is%20part,when%20both%20spouses%20are%20disabled.>)

⁸⁷ Press, “3.2M Canadians...,”

⁸⁸ “Canada’s Real Economic Action Plan Begins with Poverty Eradication – 2013 Report Card on Child and Family Poverty in Canada,” *Campaign 2000*. (Toronto: Campaign 2000, 2013)

⁸⁹ “Building Understanding: The First Report of the National Advisory Council on Poverty,” *Government of Canada*, 2021, <https://www.canada.ca/en/employment-social-development/programs/poverty-reduction/national-advisory-council/reports/2020-annual.html#h2.03>

⁹⁰ McDonough, Sacker, and Wiggins, “Time on My Side...,”

⁹¹ R. Brian Howe and Katherine Covell, “Child Poverty in Canada and the Rights of the Child,” *Human Rights Quarterly*, 25 no. 4, (2003) 1071; *Opportunity for All*, 9; Holzer, *et. al.* “The Economic Costs...,” 1

⁹² “Poverty and Crime...,” *John Howard Society of Ontario*

the chance to prosper as adults, or to become productive workers.”⁹³ The results of this persistent problem continue to bear costs for all Canadians.

Additionally, current programs have created the ‘poverty trap,’ a bleak situation for recipients. In this, as a result of the means-tested nature of the welfare system,⁹⁴ recipients face a high tax rate for returning to work, as their benefits are lost as income increases.⁹⁵ In some cases, welfare recipients face as much as 100% tax, as their “benefits are reduced by \$1 for every \$1 additional earned income.”⁹⁶ Ontario’s social assistance program, for instance, sees benefits reduced by fifty cents for each dollar earned after the first \$200 each month, harshly cutting into the meager \$733 monthly benefit.⁹⁷ This reduction of benefits acts as a significant disincentive to work, as a low-paying job may result in a loss of income,⁹⁸ or, at best, a minimal increase. This trap not only affects the difference of income between working and not working, but also the concern of a lag in time between the loss of benefits and the beginning of regular payments.⁹⁹ Additionally, taking a job may bring with it costs that unemployment does not.¹⁰⁰

⁹³ “Mean Streets; Poverty in Canada,” *Economist*, 27 (2010) 47

⁹⁴ L.F.M. Groot, “An Alternative Route to Basic Income: The Transition from Conditional to Unconditional Social Security,” *De Economist*, 145 no 2, (1997), 205

⁹⁵ Clark and Kavanagh, “Basic Income, Inequality...,” 400-401

⁹⁶ Robert A Moffitt, “The Negative Income Tax and Evolution of U.S. Welfare Policy,” *Journal of Economic Perspectives*, 17 no 3, (2003), 119

⁹⁷ Noah Zon and Thomas Granofsky, “Resetting Social Assistance Reform,” *Ontario 360 Policy Papers*, Oct.29, 2019. [https://on360.ca/policy-papers/resetting-social-assistance-reform/#:~:text=For%20example%2C%20people%20receiving%20social,first%20%24200%20earned%20each%20month\).](https://on360.ca/policy-papers/resetting-social-assistance-reform/#:~:text=For%20example%2C%20people%20receiving%20social,first%20%24200%20earned%20each%20month).)

⁹⁸ Clark and Kavanagh, “Basic Income, Inequality...,” 400-401

⁹⁹ Van Parijs, “A Basic Income for All...,” 6

Another growing concern is that more people may soon find themselves unemployed and, potentially, at risk of joining the impoverished. As automation technology improves, many jobs could be eliminated entirely. A possible method to combat this trend may be to reduce the cost of labour, however, this would lower the standards of living for many.¹⁰¹ Further, if this path were to be taken, “a reduction of wages would require an equal reduction in unemployment benefits to preserve work incentives.”¹⁰² Another possibility would be to shorten the work week for each worker, allowing for more jobs offering fewer hours. However, while this may reduce unemployment, it may also result in lower wages, which would be counterproductive to the goal of reducing poverty.¹⁰³ To reduce unemployment and poverty requires some form of subsidization, either to the employers or the employees.¹⁰⁴

Already, successful tech companies tend to employ far fewer employees than other corporations, resulting in lower labour costs, and, therefore, higher profits.¹⁰⁵ There remains debate over whether or not there will be enough newly created jobs to replace these lost jobs. Some argue that the fear is overblown, as mass unemployment has never been a result of technological advancement in the past,¹⁰⁶ however, as Yuval Harari

¹⁰⁰ Groot, “An Alternative Route...,” 205

¹⁰¹ Van Parijs, “A Basic Income for All...,” 6

¹⁰² *Ibid.*, 6

¹⁰³ *Ibid.*, 6-7

¹⁰⁴ *Ibid.*, 7

¹⁰⁵ White, “A Universal Basic Income in the Superstar...,” 7

¹⁰⁶ David Iglesias and Walter E. Block, “Universal Basic Income: A Critique,” *Romanian Economic and Business Review*, 13 no 3, (2019), 9

states, this is “not a law of nature, and nothing guarantees it will continue to be like that in the future.”¹⁰⁷ Indeed, this argument ignores that many of these older forms of technological advancement saw new forms of human labour replacing old. Take, for instance, the development of the automobile, making the horse carriage makers obsolete.¹⁰⁸ The exact job may have changed, but human jobs still remained, and often increased. However, while this was true for prior technological advances, there is no guarantee that the advancements in automation technology will follow this precedent.

Those who are displaced from their current roles may find themselves in a position where they “will not merely be unemployed – [they] will be unemployable.”¹⁰⁹ Those who find themselves in this position could create a new class of individuals, those who are, as Harari calls them, “useless” to the political and economic systems.¹¹⁰ If such a class of unemployable individuals were to come into existence, current social assistance systems will be woefully underequipped. While there may be some benefit to re-training workers as early as possible,¹¹¹ there is no guarantee that this will be enough, even if displaced workers are able to develop the more advanced skill sets required for future work. The new jobs that will inevitably emerge from technological advances will almost

¹⁰⁷ Yuval Noah Harari, “The Rise of the Useless Class,” *Ideas.Ted.Com*, Feb. 24, 2017 <https://ideas.ted.com/the-rise-of-the-useless-class/>

¹⁰⁸ Iglesias and Block, “Universal Basic Income: A Critique,” 9

¹⁰⁹ Harari, “The Rise of the Useless Class,”

¹¹⁰ Ian Sample, “AI Will Create ‘Useless Class’ of Human, Predicts Bestselling Historian,” *The Guardian*, May 20, 2016, <https://www.theguardian.com/technology/2016/may/20/silicon-assassins-condemn-humans-life-useless-artificial-intelligence#:~:text=Harari%20calls%20it%20E2%80%9Cthe%20rise,out%20of%20the%20job%20market.>

¹¹¹ “Robot Automation Will ‘Take 800 Million Jobs by 2030,’ – Report,” *BBC News* Nov. 29, 2017, <https://www.bbc.com/news/world-us-canada-42170100>

certainly require higher levels of skill, leaving out a significant portion of the population. Rather than finishing education at a set point and then entering a field, the future may require constant re-educating and re-training.¹¹²

Having examined the causes and effects of poverty and recognized who lives in poverty, there can be no argument that it remains a pertinent problem for Canada. So, what could Canada do to truly eradicate poverty? Any attempt to eradicate poverty must result in a drastic change to the systems that are currently in place, and possibly may require reducing the stigmatization of welfare and poverty.

If the best way to eradicate poverty is to increase the incomes of the poor, it may be that a Universal Basic Income is the best option. While unquestionably an ambitious idea, research into the topic has demonstrated that such a program would be one of the best ways to eradicate poverty,¹¹³ while potentially ending the questions of who deserves assistance.¹¹⁴ As the economy continues to become less dependent on human labour, it may become necessary to put in place a program that ensures the continued survival of the consumerist market.¹¹⁵ This topic will be the focus of the remainder of this paper, as the costs and benefits of various forms of basic income programs will be examined.

¹¹² Harari, “The Rise of the Useless Class,”

¹¹³ Murray, “Guaranteed Income...,” 7

¹¹⁴ Mulvale and Frankel, “Next Steps on the Road...,” 28

¹¹⁵ *Ibid.*, 31

CHAPTER 3

A Universal Basic Income

Having discussed the causes and effects of poverty, it is now important to examine the research that has been done about universal basic income. Both the claims of proponents, as well as the criticisms that have been levied against a UBI program will be addressed.

One issue that must be addressed immediately is that there are a number of different names for similar programs, which is often a source of confusion.¹¹⁶ These names include: basic income, universal basic income, negative income tax, citizen's dividend, guaranteed income, guaranteed annual income, minimum income, and many others.¹¹⁷ For the purposes of this article, the term universal basic income, or UBI, will be used. If other terms are used, it is only in reference to the terminology cited in the original source.

What exactly is a Universal Basic Income? With so many other terms being used, with varying meanings, what defines such a program? And, further, what differentiates a UBI from similar programs such as a Negative Income Tax program, advocated for by those such as Milton Friedman;¹¹⁸ or a lump-sum style program, such as the Stakeholder concept advocated by Thomas Paine, Bruce Ackerman and Anne Alstott?¹¹⁹ Indeed, the

¹¹⁶ David Piachaud, "Basic Income: Confusion, Claims and Choices," *Journal of Poverty and Social Justice*, 26 no 3, (2018) 300

¹¹⁷ *Ibid.*, 300

¹¹⁸ Nizamul Islam and Ugo Colombino, "The Case for NIT+FT in Europe. An Empirical Optimal Taxation Exercise," *Economic Modelling*, 75, (2018), 39

¹¹⁹ Van Parijs, "A Basic Income for All," 6

concept of a UBI is, at times, vague, with numerous areas of confusion, ranging from its name to its very implementation.¹²⁰

The Basic Income Earth Network (BIEN) has identified five key characteristics which define a Universal Basic Income, being **periodic, cash payment, individual, universal, and unconditional**.¹²¹ Of course, one can take issue with any number of these characteristics, and there are numerous types of plans that have been advocated for that do not satisfy all five of these characteristics.¹²² Phillippe Van Parijs, one of the most influential proponents of a UBI since the 1980s, and one of the best sources to begin with explains that a UBI is “an income paid by a government, at a uniform and at regular intervals, to each adult member of society. The grant is paid, and its level is fixed, irrespective of whether the person is rich or poor, lives alone or with others, is willing to work or not. In most versions [...] it is granted not only to citizens but to all permanent residents.”¹²³ Van Parijs also notes that a UBI is not necessarily enough to meet the basic needs of an individual, though this is ideal; rather, it is considered to be a foundation, which allows individuals to work for additional earned income.¹²⁴ Others disagree with this and maintain that a UBI must be enough that one can live a “dignified life [...] from a financial, intellectual and political point of view.”¹²⁵ Indeed, in his key work, *Real*

¹²⁰ Piachaud, “Basic Income: Confusion...,” 300

¹²¹ Basic Income Earth Network, “About Basic Income,” <https://basicincome.org/about-basic-income/>

¹²² Piachaud, “Basic Income: Confusion...,” 300-301

¹²³ Van Parijs, “A Basic Income for All...,” 4

¹²⁴ *Ibid.*, 4

¹²⁵ Annamaria Artner, “Is Unconditional Basic Income Feasible in Capitalism?” *Critique*, 47 no 4, (2019), 532

Freedom For All, Van Parijs argues that ‘real’ freedom is “‘having the right to do what one might want to do’ with ‘having the means for doing it.’”¹²⁶ Thus, the exact level – that is, the amount of money given – must be determined by those who introduce the program. This decision too is crucial in the fight against poverty, as a UBI set at, or above the poverty line will unquestionably end poverty, but a UBI set below that line will not, though it may still reduce it.¹²⁷

Yet, if one were to look at a UBI from the frame of egalitarian justice, such a program is aimed at providing true freedom, as alluded to in Van Parijs’ title. “Real” freedom is the result of both the formal freedoms of society, as well as the ability to utilize this freedom.¹²⁸ Those who are least advantaged by the circumstances of ones birth should have the same opportunities as those who are most advantage.¹²⁹ The universal nature of a UBI sets it apart from current, conditional need systems, and eliminates the current issues with some families qualifying for more than one program, while some in need qualify for none.¹³⁰ It is also set apart from current programs such as Employment Insurance (EI) as it requires no contributions through past paid employment, while also differing from social assistance programs that have strict requirements for those seeking

¹²⁶ Henderson, “Real Freedom for All Revisited...,” 2

¹²⁷ Piachaud, “Basic Income: Confusion...,” 302

¹²⁸ Van Parijs, “A Basic Income for All...,” 6

¹²⁹ *Ibid.*, 8

¹³⁰ Forget, “The Town with No Poverty...,” 284-285

aid.¹³¹ However, if the concept of ‘real freedom’ is the goal, there should be alternative options available, such as a deferral of payments to receive a lump sum at a later date.¹³²

The current system is based on a concept that basic needs will be met, primarily through the market, and those that the market cannot meet will be provided by the government.¹³³ This reflects the “residual” view of social policy, more so than the “institutional” view.¹³⁴ The residual view assumes that the ‘basic’ institutions - the market and the family - will satisfy basic needs, and government only need to step in when they fail.¹³⁵ The institutional view, however, holds that these basic institutions are incapable of fulfilling the needs of society, and thus the government must play a bigger role.¹³⁶ The current system demands that citizens be self-sufficient, and rely on assistance only temporarily, when they are truly in need.¹³⁷ Yet this has resulted in many social ills, from long-lasting unemployment and the poverty trap,¹³⁸ to the derogatory views of the deservingness of welfare recipients.¹³⁹ A UBI, on the other hand, better reflects the

¹³¹ Van Parijs, “A Basic Income for All...,” 5

¹³² Henderson, “Real Freedom for All Revisited...,” 3

¹³³ Groot, “An Alternative Route...,” 204

¹³⁴ *Ibid.*, 204

¹³⁵ *Ibid.*, 204

¹³⁶ *Ibid.*, 204

¹³⁷ *Ibid.*, 204-205

¹³⁸ *Ibid.*, 205

¹³⁹ Reutter, Harrison, and Neufeld, “Public Support for...,” 298; Mulvale and Frankel, “Next Steps on the Road...,” 28

institutionalist view, recognizing that the market has failed to provide for society, and aims to put in place a permanent and universal “floor” which no one can fall below.¹⁴⁰

The concept of a UBI is also unique in that it is supported by thinkers from a wide range of political and ideological positions. While this may seem opportune for some form of compromise,¹⁴¹ their goals and aims differ, and the seeming agreement between right and left may actually be more harmful than not.¹⁴² Indeed, the aims of Conservatives, such as Milton Friedman, is to replace the welfare state with a system that reduces government bureaucracy and would not create inflation.¹⁴³ Conservatives also believe that a UBI program would allow for a more flexible labour market.¹⁴⁴ Indeed, traditional economics suggest that high minimum wages are the cause of unemployment, and a UBI would allow for the minimum wage to be abolished.¹⁴⁵ Furthermore, in times of economic recession, there is an argument that it is rigid wages that cause unemployment to rise.¹⁴⁶ Having a UBI in place, then, would theoretically allow workers to accept wage reductions, allowing for more flexible and efficient labour markets.¹⁴⁷

However, these positions are somewhat suspect, and whether they are socially desirable or not is questionable. Abolishing the minimum wage may make some jobs

¹⁴⁰ Groot, “An Alternative Route...,” 205.

¹⁴¹ Murray, “Guaranteed Income...,” 2

¹⁴² Henderson, “Real Freedom for All Revisited...,” 1

¹⁴³ Clark and Kavanagh, “Basic Income, Inequality...,” 401-402; Murray, “Guaranteed Income...,” 2

¹⁴⁴ Clark and Kavanagh, “Basic Income, Inequality...,” 401

¹⁴⁵ Groot, “An Alternative Route...,” 206

¹⁴⁶ Clark and Kavanagh, “Basic Income, Inequality...,” 401

¹⁴⁷ *Ibid.*, 401

unattractive, even with a guaranteed income, while increasing the flexibility of wages may also create more problems, as decreased wages would likely result in lower consumer spending, worsening the downturn.¹⁴⁸ Additionally, labour markets have grown more flexible over the past forty years, yet there has been an increase in unemployment rates.¹⁴⁹ Further, there is no evidence that labour markets tend to respond to changes of supply and demand that other markets do.¹⁵⁰

While conservatives aim to replace the welfare state, progressives see the UBI as a way to end poverty, eliminate the poverty trap, and can avoid falling through the cracks of the current network of overlapping systems.¹⁵¹ Furthermore, a UBI may improve labour's bargaining power,¹⁵² potentially removing the necessity of work,¹⁵³ and allow for an "exit option" from abusive or exploitative workplaces.¹⁵⁴

Yet these potential positives also bring a very serious concern. While a UBI could improve labour's position, it may act as a subsidy for employers, allowing for them to

¹⁴⁸ *Ibid.*, 403

¹⁴⁹ *Ibid.*, 403

¹⁵⁰ *Ibid.*, 403

¹⁵¹ *Ibid.*, 402

¹⁵² *Ibid.*, 402

¹⁵³ Artner, "Is Unconditional Basic Income Feasible...", 537

¹⁵⁴ Henderson, "Real Freedom for All Revisited...", 3

decrease wages.¹⁵⁵ Preventing a UBI being used in this way will require maintaining a minimum wage, and allowing for the development of a stronger labour movement.¹⁵⁶

Arguments in favour of a UBI are also attractive to the feminist movement, women are significantly more likely to be working unremunerated jobs, such as childcare.¹⁵⁷ Furthermore, women are more likely to be dependent upon a working partner, and a UBI provides a way to reduce this dependency.¹⁵⁸

The History of Universal Basic Income

Having recognized that there is a wide range of ideological support for such a program, this paper suggests that Canada can, and should, implement a Universal Basic Income. However, this is obviously not the first time that this concept has been proposed. Historically, the concept has been traced back as far as Thomas More's 1516 *Utopia*, where the idea of a "minimum income" was discussed as a way to combat crime.¹⁵⁹ Johannes Ludovicus Vives took this concept further, and the BIEN goes so far as to name him the "true father of the idea of a guaranteed minimum income."¹⁶⁰ Vives proposed that government should provide for the basic needs of all residents. However, to be able to receive this assistance, one must be willing to work.¹⁶¹ Thomas Paine, too, is given

¹⁵⁵ Clark and Kavanagh, "Basic Income, Inequality...", 402; Raphael, et. al, "Canada Considers a Basic Income...", 1026

¹⁵⁶ Clark and Kavanagh, "Basic Income, Inequality...", 403-404

¹⁵⁷ Van Parijs, "A Basic Income for All...", 7

¹⁵⁸ Henderson, "Real Freedom for All Revisited...", 3; Van Parijs, "A Basic Income for All...", 7

¹⁵⁹ BIEN, "History of Basic Income,"

¹⁶⁰ *Ibid.*

¹⁶¹ *Ibid.*

credit for the concept, in that he argued for “unconditional basic endowments,” even without work conditions.¹⁶² Later thinkers, such as Joseph Charlier and John Stuart Mill, also proposed a minimum level of guaranteed subsistence within a system that allowed for private property ownership.¹⁶³ However, there are those who question whether or not these writers truly endorsed the concept. David Piachaud, for instance notes that Thomas More endorsed work requirements, abolition of private property, and slavery; while Thomas Paine only suggested a “one-off capital grant,”¹⁶⁴ a concept that more accurately reflects the concept of a Stakeholder Society.¹⁶⁵ However, Piachaud’s views on the history of UBI seem to assume that these works must fall in line with the modern definition and fails to recognize that these ideas may be influences.

As early as the 1930s, the concept first emerged in Canada, with Alberta’s Social Credit Party proposing a dividend for residents.¹⁶⁶ However, the Federal government fought against this, arguing that the concept overstepped “into federal jurisdiction over currency and banking.”¹⁶⁷ Over thirty years later, the concept once again emerged as a potential answer to poverty in Canada and the United States.¹⁶⁸ Through the 1960s and 70s, a number of government organizations proposed some form of guaranteed income.

¹⁶² Artner, “Is Unconditional Basic Income Feasible...,” 533; BIEN, “History of Basic Income,”

¹⁶³ Van Parijs, “A Basic Income for All...,” 4-5; Artner, “Is Unconditional Basic Income Feasible...,” 533

¹⁶⁴ Piachaud, “Basic Income: Confusion...,” 301

¹⁶⁵ BIEN, “History of Basic Income,”; Van Parijs, “A Basic Income for All...,” 6

¹⁶⁶ Mulvale and Frankel, “Next Steps on the Road...,” 34

¹⁶⁷ *Ibid.*, 34

¹⁶⁸ Forget, “The Town with No Poverty...,” 284

Some of these programs, such as the 1970s Royal Commission on the Status of Women and the 1971 Special Committee on Poverty of the Senate of Canada were not true UBI proposals, as they excluded many, and were in the form of a Negative Income Tax (NIT).¹⁶⁹ By the end of the 1970s discussion of the concept died down for some time, before the Macdonald Commission issued its 1985 Royal Commission on the Economic Union and Development Prospects for Canada, which included the implementation of a Universal Income Security Program (UISP)¹⁷⁰ The program was intended to reduce social security spending by replacing the various programs into one. However, the levels of benefits were to be kept low to not act as a disincentive to work and expected that the provinces would provide additional assistance.¹⁷¹ For younger beneficiaries, between eighteen and thirty-five there would have been a requirement to be seeking work, and benefits may have been limited to only half of what others received.¹⁷² By the mid-1990s, discussion of a UBI program had once again quieted, and Lloyd Axworthy, Minister of Human Resources even went so far as to claim that “Canada’s mix of social assistance and tax credit programs was a ‘de facto guaranteed minimum income.’”¹⁷³ However, in recent years, the concept has once again returned, as the Senate in 2009 recommended that the government undertake an examination of a basic income.¹⁷⁴ Further, the Senate

¹⁶⁹ Mulvale and Frankel, “Next Steps on the Road...,” 34-35

¹⁷⁰ *Ibid.*, 36

¹⁷¹ *Ibid.*, 37

¹⁷² *Ibid.*, 37

¹⁷³ *Ibid.*, 38

¹⁷⁴ *Ibid.*, 39

and a House of Commons Committee called on Steven Harper's Conservative government to implement a guaranteed income program for those with disabilities.¹⁷⁵

The Dauphin Experiment

While the discussion over UBI ebbed and flowed throughout the past sixty-odd years, a number of experiments were undertaken in Canada and the United States. The results of these experiments are somewhat questionable as they failed to meet the characteristics of a UBI.¹⁷⁶ These programs generally worked on the NIT model,¹⁷⁷ and were targeted at randomly selected subjects, rather than universal.¹⁷⁸ However, one experiment, MINCOME, in the small town of Dauphin, Manitoba, was unique in that it was a "saturation" site, with the entire population able to participate.¹⁷⁹ The program was put in place primarily to examine how a guaranteed source of income would effect the work response.¹⁸⁰ The program offered sixty percent of the LICO for a participating family with no other source of income, which would vary depending on the size of the family.¹⁸¹ A family of four, then, with no other income, could expect the annual amount

¹⁷⁵ *Ibid.*, 39

¹⁷⁶ Neuwinger, "The Revolution...", 2

¹⁷⁷ Forget, "The Town with No Poverty...", 284

¹⁷⁸ *Ibid.*, 288

¹⁷⁹ *Ibid.*, 289

¹⁸⁰ *Ibid.*, 288

¹⁸¹ *Ibid.*, 289

of around \$16,000 today.¹⁸² Earned income saw the MINCOME benefits reduced by fifty cents per dollar.¹⁸³

What the program found was, like what experiments in the US found, that the labour supply remained relatively unchanged for primary earners, while secondary and tertiary earners saw a moderate reduction.¹⁸⁴ Yet Dauphin also revealed a number of other benefits. Hospitalization rates in the town fell 8.5%,¹⁸⁵ high school completion rates increased,¹⁸⁶ and many new businesses were opened as people were more willing to take risks and banks were more willing to give loans with the assurance of payments guaranteed.¹⁸⁷ These benefits can all be connected to the guaranteed income. The decrease in health care costs can be attributed, at least in part, to a decrease in work injuries, as many are a result of one feeling economically pressured to work unsafe jobs, or work while ill or tired.¹⁸⁸ Additionally, the fact that everyone in Dauphin was able to receive the guaranteed income resulted in a “total treatment effect,” where “people receive additional health benefits when their neighbours’ health improves.”¹⁸⁹ This effect also helps to explain why high school completion rates increased during the course of the

¹⁸² Sarah Gardner, “On the Canadian Prairie, a Basic Income Experiment,” *Marketplace*, Dec 20, 2016, <https://www.marketplace.org/2016/12/20/dauphin/>

¹⁸³ Forget, “The Town with No Poverty...,” 289

¹⁸⁴ *Ibid.*, 289

¹⁸⁵ *Ibid.*, 300

¹⁸⁶ Cox, “Canada’s Forgotten...,”

¹⁸⁷ *Ibid.*,

¹⁸⁸ Forget, “The Town with No Poverty...,” 296

¹⁸⁹ Neiloy R. Sircar and Eric A. Friedman, “Financial Security and Public Health: How Basic Income & Cash Transfers Can Promote Health,” *Global Public Health*, 13 no 12, (2018), 1881

experiment. Students are more likely to continue their education if their friends do, and thus are more likely to continue on if many of their friends are.¹⁹⁰ However, by the end of the 1970s the program's cost and national economic challenges resulted in the cancellation of the experiment.¹⁹¹ In the years following the experiment's end, everything returned to pre-experiment levels.¹⁹²

The results of the Dauphin experiment are encouraging; its cost, however, is concerning. Indeed, the cost of a UBI has always been its largest criticism. Yet, the cost for the Dauphin experiment is one aspect that may not reflect what a full-scale UBI would cost. In a full-scale program, much of the money being given out is also being paid back,¹⁹³ contrary to the current system where recipients are, generally speaking, not paying any taxes.¹⁹⁴ Further, the cost itself cannot be determined without answering a number of related questions. Firstly, if a UBI were to be implemented, what level will it be set at? How will these benefits be affected by earned income? How will the programs that currently exist be affected? The answers to these and other questions will come down to the chosen design and the political and ideological preferences of those who develop and implement the policy.

¹⁹⁰ Forget, "The Town with No Poverty...", 291-292

¹⁹¹ *Ibid.*, 289-290

¹⁹² Cox, "Canada's Forgotten...",

¹⁹³ ¹⁹³ Karl Widerquist, "The Cost of Basic Income: Back-of-the-Envelope Calculations," *Basic Income Studies*, 12 no.2, (2017), 1

¹⁹⁴ *Ibid.*, 2

Universal Basic Income Design

The first, and likely most prominent question that must be addressed will be the level and the rate of reduction, or ‘marginal tax rate’.¹⁹⁵ The variety of options that have been proposed can be staggering. The MINCOME experiment offered a flexible amount, set to the predetermined amount of sixty percent of the LICO,¹⁹⁶ or, about \$16,000 per year.¹⁹⁷ However, this seems to be delivered to families, rather than individuals. Should the design follow the individualistic characteristic that the BIEN has identified, this number is able to change. A key note to remember is that a grant level set at the poverty line, or higher, is considered a ‘full’ basic income, while a grant level set below that is considered ‘partial basic income.’¹⁹⁸ If the grant level is to be set to the highest possible level¹⁹⁹ that can be sustained over the long-term,²⁰⁰ then the choice between ‘full’ and ‘partial’ can be decided. Charles Murray, in 2008, suggested that the amount be set at \$10,000USD for adults exclusively,²⁰¹ an amount closer to \$12,000USD today, the number that Karl Widerquist proposed.²⁰² For Canada, this would be nearly \$16,000, lining up closely with the Dauphin grant. However, this number does not necessarily

¹⁹⁵ *Ibid.*, 4

¹⁹⁶ Forget, “The Town with No Poverty...,” 289

¹⁹⁷ Gardner, “On the Canadian Prairie...,”

¹⁹⁸ Clark and Kavanagh, “Basic Income, Inequality...,” 400; Piachaud, “Basic Income: Confusion...,” 303

¹⁹⁹ Henderson, “Real Freedom for All Revisited...,” 3

²⁰⁰ Groot, “An Alternative Route...,” 205

²⁰¹ Murray, “Guaranteed Income...,” 4

²⁰² Widerquist, “The Cost of Basic Income...,” 4

need to be predetermined as an exact figure. The MINCOME experiment, as mentioned, used a percentage of the LICO, and a similar proposal in Quebec in 2009 would have set the level at eighty percent of the MBM.²⁰³ Using a percentage, rather than a fixed amount could allow for a program to account for the size of families and locale. In a country as large as Canada, the variance between cost of living is, at times, extreme, and granting the same amount to someone living in Toronto, Ontario, as someone living in Windsor, Ontario, is somewhat difficult to justify. On the one hand, there is the argument that providing the same amount to each will encourage people to move to more affordable areas, causing the higher-COL areas to decrease in price. But on the other hand, there may be fewer job opportunities within a field and may need to live in a higher-COL area.

The level of the grant also correlates to how it will be funded, and how it can be reduced by market income. Proposals for marginal tax rates which reduce benefits range from as high as seventy-five percent, to as low as fifteen percent,²⁰⁴ with MINCOME's fifty percent being a common middle ground.²⁰⁵ Another potential is to only put in place a surtax between certain income levels, such as Murray's proposal which taxes income between \$25,000USD and \$50,000USD at a rate of twenty percent.²⁰⁶ Having the UBI reduced in this way could counteract any potential disincentive on labour.²⁰⁷ Yet these

²⁰³ Stevens and Simpson, "Toward a National Universal..." 120

²⁰⁴ *Ibid.*, 128

²⁰⁵ Forget, "The Town with No Poverty..." 289; Widerquist, "The Cost of Basic Income..." 4

²⁰⁶ Murray, "Guaranteed Income..." 4

²⁰⁷ *Ibid.*, 10

rates need not be the same for all members of society, nor is it necessary to be an income tax.²⁰⁸

Another question that must be addressed is who would be included in such a scheme. While the concept of a UBI is universal, and thus, intended to be granted to everyone, there are still some questions about implementation. Additionally, a UBI is generally planned to be individual, but this conflicts with the measurement of poverty at the household level.²⁰⁹ Some proposals grant individual benefits only to adults, with some sort of child-benefit included,²¹⁰ while others, such as Murray's proposal, would grant no benefits for children.²¹¹ Others still may offer a smaller amount to children,²¹² or people under a specified age.²¹³ Yet, how children will be affected may have other impacts on society, as it may impact birth rates. For example, Murray suggests that having a UBI that does not grant any benefits for children would act as a financial penalty for single mothers, especially those who are under 21 and/or low-income.²¹⁴ However, this penalty would affect all parents by reducing their income, effectively punishing procreation. Alternatively, setting a UBI that gives full grants to children would potentially act as an

²⁰⁸ Widerquist, "The Cost of Basic Income...", 4

²⁰⁹ Mulvale and Frankel, "Next Steps on the Road...", 41

²¹⁰ Philippe Van Parijs and Yannick Vanderborght, "The Instrument of Freedom," in *Basic Income*, (United States: Harvard University Press, 2017), 9; Miljan, "Social Policy," 187

²¹¹ Murray, "Guaranteed Income...", 4

²¹² Artner, "Is Unconditional Basic Income Feasible...", 533; Widerquist, "The Cost of Basic Income...", 4

²¹³ Mulvale and Frankel, "Next Steps on the Road...", 34; 37

²¹⁴ Murray, "Guaranteed Income...", 8

incentive for low-income families to have additional children. Thus, any UBI plan must be aware of this issue, and act accordingly.

How will a UBI affect other social programs? Will it completely replace them, or only partially?

A further question regarding the implementation of a UBI program is how it would affect the current system. Though it is a universal program, in practice, it may act as a subsidy for lower-income working families.²¹⁵ There are some who support adding the UBI on top of the current programs, while others advocate for a UBI as a complete replacement of existing policies.²¹⁶ Indeed, for conservatives, there can be no way, financially or politically,²¹⁷ to implement a UBI without replacing the current, ineffective network.²¹⁸ However, some current programs, such as disability assistance, may still be required, though these programs could be reduced.²¹⁹ Indeed, combining all programs into one will certainly make the program more manageable, and affordable.²²⁰ A full UBI could justify removing or reducing most, if not all, programs,²²¹ as it, theoretically, would be a more generous program.²²² However, some government transfers must still remain,

²¹⁵ Widerquist, “The Cost of Basic Income...,”9

²¹⁶ Piachaud, “Basic Income: Confusion...,” 302

²¹⁷ Murray, “Guaranteed Income...,” 4-5

²¹⁸ *Ibid.*, 2

²¹⁹ Van Parijs, “A Basic Income for All...,” 5

²²⁰ Sircar and Friedman, “Financial Security and Public Health...,” 1881; Murray, “Guaranteed Income...,” 5

²²¹ Dennis Raphael, et. al, “Canada Considers a Basic Income...,” 1026

²²² Artner, “Is Unconditional Basic Income Feasible...,” 533

such as health care and education, as removing these programs will cause more harm than good.²²³ If, instead, a partial UBI is decided upon, many of these social welfare programs will need to remain to aid those who are worst off.²²⁴

How will this affect Canada's health care system?

One area that is frequently missed in much of the research is how this will affect the universal health care system in Canada. This omission can be explained as the focus of most research pertains to the United States. In the case of the US, some of the UBI grant can be put towards health insurance,²²⁵ yet this is unnecessary in Canada currently. It is unlikely that many Canadians would support a program that grants income but removes their access to health care, and thus, a program must be able to work alongside the existing health care system. Yet a UBI promises to not only retain the health care system, but potentially decrease its costs, as health outcomes generally improve as income increases.²²⁶ Much of this health improvement can be attributed to reductions of stress and improved mental health,²²⁷ as individuals have less fear of job loss and poverty,²²⁸ and have the freedom to engage in activities that are beneficial to social and emotional wellbeing.²²⁹ Indeed, during the MINCOME experiment in the 1970s,

²²³ Widerquist, "The Cost of Basic Income...",⁹

²²⁴ Van Parijs, "A Basic Income for All...",⁵

²²⁵ Murray, "Guaranteed Income...",⁶

²²⁶ Raphael, et. al, "Canada Considers a Basic Income...",¹⁰²⁸

²²⁷ Sircar and Friedman, "Financial Security and Public Health...",¹⁸⁸¹

²²⁸ Widerquist, "The Cost of Basic Income...",⁹

²²⁹ Sircar and Friedman, "Financial Security and Public Health...",¹⁸⁷⁹

hospitalization rates fell significantly.²³⁰ Should this result be replicated on a national scale, the decrease costs of the health care system would help reduce overall government spending, or would allow for greater investment in health care services.²³¹ Increased health also means that more people will be healthy enough to enter the labour market or to complete higher levels of education,²³² which will increase the tax pool for the government.²³³ Higher education also correlates to higher incomes, which further increases the taxes.²³⁴ Further, the aforementioned “total treatment effect”²³⁵ will help improve the overall wellbeing of communities by reducing issues directly related to poverty..²³⁶ However, a UBI will not solve all health ills, as many will still face difficulties that cause deleterious health outcomes, such as the inability to access crucial prescription drugs and lack of affordable housing and childcare, among others.²³⁷ Yet, if health rates improve and government spending is reduced, these issues may become politically desirable and financially feasible.

²³⁰ *Ibid.*, 1881

²³¹ *Ibid.*, 1879

²³² *Ibid.*, 1879

²³³ *Ibid.*, 1879

²³⁴ *Ibid.*, 1879

²³⁵ *Ibid.*, 1881

²³⁶ Evelyn L. Forget, “New Questions, New Data, Old Interventions: The Health Effects of a Guaranteed Annual Income,” *Preventative Medicine*, 57, (2013), 927

²³⁷ Raphael, et. al, “Canada Considers a Basic Income...,” 1028

How will it affect poverty rates?

One of the primary benefits that advocates point out is that a UBI can help the end the persistence of poverty. The traditional belief that economic growth will solve poverty has been proven false,²³⁸ and with the advance of autonomous technology, the rate of growth that would be required to maintain employment rates, or to increase them, may cause more harm than it solves.²³⁹ Of course, the implementation of the program will determine how effective it will be, with the level, marginal tax rate and labour market response all playing a role. With a full basic income with a low marginal tax rate, a UBI could end the worst poverty²⁴⁰ for the working poor, or “involuntary poverty,”²⁴¹ at a potentially lower cost.²⁴² More, it would help to end the poverty trap, by removing the disincentive to work caused by high marginal tax rates.²⁴³ A Canadian UBI would help lift working age adults out of poverty in a similar sense to how the Old Age Security (OAS) program has aided the elderly.²⁴⁴ The installation of a UBI would, as mentioned previously, help to reduce the stress caused by the threat of poverty,²⁴⁵ improving the health of recipients and of communities.²⁴⁶ Even if a partial UBI is chosen that gives

²³⁸ Best, “Redefining Poverty...,” 111

²³⁹ Van Parijs, “A Basic Income for All...,” 6

²⁴⁰ Clark and Kavanagh, “Basic Income, Inequality...,” 400

²⁴¹ Murray, “Guaranteed Income...,” 7

²⁴² Widerquist, “The Cost of Basic Income...,” 2

²⁴³ Clark and Kavanagh, “Basic Income, Inequality...,” 401; Artner, “Is Unconditional Basic Income Feasible...,” 533

²⁴⁴ Mulvale and Frankel, “Next Steps on the Road...,” 28-29

²⁴⁵ Widerquist, “The Cost of Basic Income...,” 9

²⁴⁶ Raphael, et. al, “Canada Considers a Basic Income...,” 1028

relatively low benefits, it is likely that it will help reduce poverty,²⁴⁷ though it is unlikely that it will be eliminated.

Criticisms

Cost

Despite the numerous benefits that a UBI promises, there remain several criticisms that must be addressed. The first, and most prominent is the cost of the program, especially from conservative critics.²⁴⁸ Indeed, if one were to multiply the grant level by the population, the cost appears to be truly astronomical,²⁴⁹ however, this is not how a UBI should be calculated, and misrepresents and overestimates the true cost significantly.²⁵⁰ The true cost must take into account the fact that much of the given money will be paid back by the same people who received it.²⁵¹ Unlike current programs, a UBI grants benefits to everyone, many of whom are paying taxes, and are, therefore, paying for at least a portion of their own UBI.²⁵² While implementing a UBI may require some “new revenue generation,”²⁵³ much of the cost could be covered by the removal or reduction of other programs.²⁵⁴ In fact, it may be possible to fund a UBI entirely simply

²⁴⁷ Henderson, “Real Freedom for All Revisited...,” 3

²⁴⁸ Clark and Kavanagh, “Basic Income, Inequality...,” 402

²⁴⁹ Van Parijs, “A Basic Income for All...,” 7

²⁵⁰ Widerquist, “The Cost of Basic Income...,” 1

²⁵¹ *Ibid.*, 1

²⁵² *Ibid.*, 2

²⁵³ Sircar and Friedman, “Financial Security...,” 1882

²⁵⁴ Van Parijs, “A Basic Income for All...,” 7

by changing the current tax system.²⁵⁵ As it is now, many in the middle-class oppose increased spending on welfare programs as they do not expect to ever benefit from them,²⁵⁶ yet by changing the tax system, a universal program could ensure that benefits aid those most in need,²⁵⁷ while also providing a universal system that may see greater middle-class support.²⁵⁸ A flat tax with no deductions is another possible method of funding the program, as is an alternative form of taxation, such as the carbon tax.²⁵⁹ This latter option may also become more attractive should automation result in mass job loss, as a tax on “surplus wealth,” may be possible.²⁶⁰

There are two potential routes that will be examined to estimate the cost of a UBI. The first, is to set out the grant level and marginal tax rate first and determine funding later.²⁶¹ The second is to determine the budget first, and then select the grant level and marginal tax rate to work within that.²⁶² For the first, Karl Widerquist has developed a basic equation to estimate cost. For each individual the cost will be the grant of the UBI minus the amount of earned income after being multiplied by the chosen marginal tax rate.²⁶³ For a family, the grant level must be multiplied by the number of adults and

²⁵⁵ Stevens and Simpson, “Toward a National Universal...,” 121

²⁵⁶ White, “A Universal Basic Income in the Superstar...,” 9

²⁵⁷ Stevens and Simpson, “Toward a National Universal...,” 121

²⁵⁸ White, “A Universal Basic Income in the Superstar...,” 9

²⁵⁹ Clark and Kavanagh, “Basic Income, Inequality...,” 400

²⁶⁰ White, “A Universal Basic Income in the Superstar...,” 12

²⁶¹ Widerquist, “The Cost of Basic Income...,” 3-4

²⁶² Stevens and Simpson, “Toward a National Universal...,” 124-125

²⁶³ Widerquist, “The Cost of Basic Income...,” 5

children within the household.²⁶⁴ Those who end up paying more in taxes than they receive from the UBI are considered to be “net contributors,” while those who receive more than they pay are “net recipients.”²⁶⁵ The marginal tax rate is in place only until an individual earns enough market income to reach a “breakeven point,” where they no longer receive more than they are contributing.²⁶⁶ For example, Widerquist sets out a theoretical grant level of \$12,000USD and a marginal income tax rate of fifty percent, resulting in a breakeven point of \$24,000USD.²⁶⁷ Using his calculation formula, Widerquist estimates that the program would end up being approximately one quarter of current US welfare spending.²⁶⁸ The decrease in program costs is attributed to the fact that most Americans will not end up as net recipients, and those who do will still pay for some, if not most, of their benefits through their income taxes.²⁶⁹ For this method, any additional funding could be covered through the reduction of other areas of government spending,²⁷⁰ as well as potentially increasing taxes on the wealthiest.²⁷¹ However, while this method does provide a simplistic calculation of what a UBI may cost, it ignores other tax revenues, and, more egregiously, may place a heavier burden on those middle class who fall just past the “breakeven point,” and may be required to pay additional taxes.

²⁶⁴ *Ibid.*, 5

²⁶⁵ *Ibid.*, 3

²⁶⁶ *Ibid.*, 4

²⁶⁷ *Ibid.*, 6

²⁶⁸ *Ibid.*, 9

²⁶⁹ *Ibid.*, 8

²⁷⁰ *Ibid.*, 9

²⁷¹ *Ibid.*, 10

The second option is directly concerned with how to implement a UBI in Canada. Harvey Stevens and Wayne Simpson have set out a different proposal which makes changes to the current Canadian tax system to define a pre-determined budget for a UBI program. By removing many of the Non-Refundable Tax Credits (NRTC) and the Goods and Services Tax Credits (GSTC) from the system, a UBI can be funded without any additional taxes.²⁷² In effect, these credits act as government expenditures, and thus converting their costs into a UBI may mean there would be no new costs associated with the program.²⁷³ This proposal would remove the Basic Personal Amount (BPA) credit, the age and pension income credits, education credits, family tax cut credit, as well as the fitness as transit tax credits.²⁷⁴ The BPA is especially important to cut in this proposal, as it is the largest credit,²⁷⁵ accounting for nearly \$37 billion in 2015.²⁷⁶ Removing these credits would provide nearly \$47 billion dollars, and cutting the GSTC will provide another \$4 billion, freeing up approximately \$51 billion.²⁷⁷ These numbers are from 2015 and may need minor adjustments to make it accurate for 2021, but are close enough to make an estimation. Using this budget allows for a UBI plan to be made with a benefit reduction rate, going up to a break-even point. A higher UBI requires a higher reduction rate, and a lower break-even point, targeting a smaller number of families, while a less

²⁷² Stevens and Simpson, "Toward a National Universal...", 137

²⁷³ *Ibid.*, 124

²⁷⁴ *Ibid.*, 125

²⁷⁵ *Ibid.*, 125

²⁷⁶ *Ibid.*, 123

²⁷⁷ *Ibid.*, 125

generous UBI sees the opposite.²⁷⁸ However, this proposal may also suffer from a similar flaw as Widerquist's, as it may also place a heavier burden on the middle class. However, if the UBI were to set off the amount of the tax credit, it may result in a benefit, rather than a burden

Considering that the federal government spends around \$107 billion currently,²⁷⁹ removing these credits gets nearly halfway there, before considering the reductions of costs in health care, crime, and bureaucratic administration for the various social programs that could now be removed. Further, there must be some consideration for how the provinces will be affected in this scenario. The federal government has the greater financial ability to pay for such a program, but the provinces will benefit more from the reductions in health, crime rates and social service costs.²⁸⁰ It is expected that the provinces will participate in some way, likely by eliminating the provincial NRTCs and Provincial Sales Tax Credits,²⁸¹ as well as increasing the marginal tax rate.²⁸²

These two methods are not necessarily exclusive, nor are they exhaustive. Yet, regardless of how one chooses to examine the cost, it appears that the implementation could work with no additional costs, or, in fact, decrease the costs currently spent by the government.

²⁷⁸ *Ibid.*, 125-126

²⁷⁹ "Annual Financial Report of the Government of Canada Fiscal Year 2019-2020," *Government of Canada*, <https://www.canada.ca/en/department-finance/services/publications/annual-financial-report/2020/report.html#expenses>

²⁸⁰ Mulvale and Frankel, "Next Steps on the Road..." 41

²⁸¹ Stevens and Simpson, "Toward a National Universal..." 132.

²⁸² *Ibid.*, 129

Effects on Labour Force

If the costs remain the same, then one of the greatest criticisms against a UBI is effectively negated. The second major criticism is the potential disincentives to work, and the negative effect that may have upon the labour force.²⁸³ Indeed, it seems to make sense that if you make it possible to live without working, people will choose not to work.²⁸⁴ This has long been the logic to keeping welfare benefit rates low as well, as generous benefits are believed to reduce the incentive to seek new work.²⁸⁵ However, this is debateable and, evidence has shown that, contrary to belief, those who receive benefits tend to look harder to find new jobs.²⁸⁶ In UBI field experiments in the US, rather than fewer people working,²⁸⁷ there was a slight reduction of hours worked by primary earners, while secondary and tertiary earners saw more moderate decreases,²⁸⁸ results that were also seen in the MINCOME experiment discussed previously.²⁸⁹ In an experiment in Finland, employment rates actually increased as recipients were able to find more secure employment.²⁹⁰ If there is any disincentive to work, it is likely minimal, as very

²⁸³ Clark and Kavanagh, “Basic Income, Inequality...,” 402

²⁸⁴ Murray, “Guaranteed Income...,” 9

²⁸⁵ Jason Faberman and Ali Haider Ismail, “How do Unemployment Benefits Relate to Job Search Behaviour?” *Chicago Fed Letter*, 441, June 2020, <https://www.chicagofed.org/publications/chicago-fed-letter/2020/441>

²⁸⁶ *Ibid.*

²⁸⁷ Murray, “Guaranteed Income...,” 10; Groot, “An Alternative Route...,” 208

²⁸⁸ Forget, “The Town with No Poverty...,” 286; Clark and Kavanagh, “Basic Income, Inequality...,” 403

²⁸⁹ Forget, “The Town with No Poverty...,” 288-289

²⁹⁰ Olli Kangas, Signe Jauhiainen, Miska Simanainen and Minna Ylikännö (ed.) “Evaluation of the Finnish Basic Income Experiment,” *Ministry of Social Affairs and Health*, May 6, 2020, <https://julkaisut.valtioneuvosto.fi/handle/10024/162219>

few people will be satisfied living with the bare minimum.²⁹¹ It seems likely that many of those who will refrain from working with a UBI in place are those who are currently not working.²⁹² Those who leave the labour force are likely to be secondary workers, often parents choosing to stay home with children rather than work; and tertiary workers, teen or adult children who can now choose to stay in school longer and possibly seek further education,²⁹³ or take time off between completing school and finding work or continuing further.²⁹⁴ If work requirements are considered, these would only serve to punish those who are unable to work. Attempting to counter work disincentives with work stipulations may penalise those who cannot work, such as those with a disability.²⁹⁵

Yet despite these results from experiments, the overall effect remains ambiguous. Offering a UBI may allow working to become a choice, rather than a requirement,²⁹⁶ which could potentially increase wages and labour quality.²⁹⁷ Such a program could have the added benefit of allowing for people to escape abusive work environments,²⁹⁸ and incentivize unremunerated work, such as childcare,²⁹⁹ volunteer work,³⁰⁰ or lower-paid

²⁹¹ Sircar and Friedman, “Financial Security...,” 1884

²⁹² Murray, “Guaranteed Income...,” 10

²⁹³ Sircar and Friedman, “Financial Security...,” 1881

²⁹⁴ Forget, “The Town with No Poverty...,” 286; Murray, “Guaranteed Income...,” 10

²⁹⁵ Sircar and Friedman, “Financial Security...,” 1884

²⁹⁶ Artner, “Is Unconditional Basic Income Feasible...,” 537

²⁹⁷ Artner, “Is Unconditional Basic Income Feasible...,” 537; Widerquist, “The Cost of Basic Income...,” 10-11; Van Parijs, “A Basic Income for All...,” 7

²⁹⁸ Henderson, “Real Freedom for All Revisited...,” 3

²⁹⁹ Artner, “Is Unconditional Basic Income Feasible...,” 538

³⁰⁰ White, “A Universal Basic Income in the Superstar...,” 11

careers.³⁰¹ Furthermore, a UBI may also allow for a sense of security removing the fear of job loss,³⁰² and allowing for greater risks to be taken, such as opening a business.³⁰³ The research indicates that it is likely that the majority of people will either continue working, or spend their time on other beneficial activities.³⁰⁴ Indeed, work may be incentivized as the poverty trap would be eliminated,³⁰⁵ and families would find themselves better off by working and receiving a benefit, rather than choosing between one or the other.³⁰⁶ This is even more likely if the marginal tax rate is only incurred after reaching a certain level of income,³⁰⁷ or is kept low.³⁰⁸ Indeed, any decrease in the labour market may be, as Murray concludes, “acceptable.”³⁰⁹

However, the opposite result may still be true. With a UBI in place, work may become undesirable and many idle “free riders” will emerge.³¹⁰ Wages may see downward pressure³¹¹ if the UBI is seen as a subsidy for employers.³¹² If this happens, a

³⁰¹ Sircar and Friedman, “Financial Security...,” 1881

³⁰² Sircar and Friedman, “Financial Security...,” 1881; Artner, 537

³⁰³ Forget, “New Questions...,” 925

³⁰⁴ Artner, “Is Unconditional Basic Income Feasible...,” 538; Van Parijs, “A Basic Income for All...,” 7

³⁰⁵ White, “A Universal Basic Income in the Superstar...,” 10

³⁰⁶ Widerquist, “The Cost of Basic Income...,” 9

³⁰⁷ Murray, “Guaranteed Income...,” 10

³⁰⁸ Widerquist, “The Cost of Basic Income...,” 10-11

³⁰⁹ Murray, “Guaranteed Income...,” 10

³¹⁰ White, “A Universal Basic Income in the Superstar...,” 10

³¹¹ Raphael, et. al, “Canada Considers a Basic Income...,” 1026

³¹² Van Parijs, “A Basic Income for All...,” 7; Clark and Kavanagh, “Basic Income, Inequality...,” 402; Raphael, et. al, “Canada Considers a Basic Income...,” 1026

UBI may become unaffordable, especially if built on a system such as Simpson and Stevens'.³¹³ Reductions in the labour force reduce the size of the tax base, increasing the rate of taxes on those who work and those who own the means of production.³¹⁴ It is unlikely that these individuals will be willing to pay higher taxes to support those who do not work.³¹⁵ While automation may reduce jobs, it is also likely to result in lower prices, which allows for money to be spent elsewhere, creating new areas of demand.³¹⁶

Yet the concern over people choosing to be entirely idle may not be justified, as it is highly unlikely that a UBI will give enough to live a comfortable life on its own.³¹⁷ and, in reality, there are few who would enjoy doing absolutely nothing.³¹⁸ However, should automation result in mass job loss, the argument that labour will see major reductions loses its merits,³¹⁹ as even if costs decrease and new areas of demand open, it may be that there are not enough new jobs to fill the void.

Other Concerns

The concerns over cost and effects on labour are, of course, not the only potential areas of criticism, and many critics have raised a number of others. Some critics note that

³¹³ Stevens and Simpson, "Toward a National Universal...", 126-127

³¹⁴ Piachaud, "Basic Income: Confusion...", 309; Joze Mencinger, "Universal Basic Income and Helicopter Money," *Basic Income Studies*, (2017), 1

³¹⁵ Piachaud, "Basic Income: Confusion...", 309; Mencinger, "Universal Basic Income and Helicopter Money," 1

³¹⁶ Iglesias and Block, "Universal Basic Income: A Critique," 10

³¹⁷ Van Parijs, "A Basic Income for All...", 7

³¹⁸ *Ibid.*, 8

³¹⁹ White, "A Universal Basic Income in the Superstar...", 11

the very concept of a UBI is flawed, as unconditionality may not in fact be just.³²⁰ Indeed, as addressed previously, there may be those who choose to be idle.³²¹ Those who do choose such a life are enjoying benefits and leisure time that they have not earned, which is arguably unjust.³²² To rebut this, Phillippe Van Parijs has noted that a UBI is “ethically indistinguishable from the undeserved luck that massively affects the present distribution of wealth, income, and leisure.”³²³ There are many attributes that one has no choice over, and these attributes, or “gifts of luck” are unfairly distributed.³²⁴ Thus, while a UBI could allow for one to choose not to work and live comfortably, how is that different than the child of a wealthy family who chooses to do the same? A UBI, then, emulates a situation where these attributes are granted evenly and grants everyone the same freedom to make choices.³²⁵

If a UBI is granted as a single predetermined amount, this implies that the needs of all must be the same, which is clearly not true.³²⁶ Those who live in higher cost of living areas may require additional funding to cover their basic needs, or choose to share a house.³²⁷ Yet the individualistic nature of a UBI may result in some households having significantly more income than others, simply due to the number of occupants, and thus it

³²⁰ Piachaud, “Basic Income: Confusion...,” 305

³²¹ White, “A Universal Basic Income in the Superstar...,” 10

³²² Piachaud, “Basic Income: Confusion...,” 305

³²³ Van Parijs, “A Basic Income for All...,” 8

³²⁴ *Ibid.*, 8

³²⁵ *Ibid.*, 8

³²⁶ Sircar and Friedman, “Financial Security...,” 1882

³²⁷ Piachaud, “Basic Income: Confusion...,” 306

may be preferable to provide a UBI at a household level.³²⁸ Furthermore, removing the current social programs, such as disability, may be unjust, yet to retain these payments contradicts universality.³²⁹ And even if it does remove all current systems, there is a concern that the result may not be better than it is now, and the possible reduction of labour could cause economic contraction.³³⁰

However, many of these criticisms focus on the actual implementation of a program, and, as such, must be addressed with the actual implementation. There is nothing to say that other programs **MUST** be removed if a UBI is adopted, all that is required is that the UBI is universal and unconditional. Other programs may remain in place as supplements, such as disability, to ensure that all can meet their needs. Nor is there any requirement that the UBI be granted as a single, predetermined amount for everyone. A UBI based on a percentage of the MBM or LICO could be used to ensure that those in higher cost of living areas are receiving enough to survive, just as those living in lower cost of living areas are.

Another criticism focuses on the claim that a UBI will end poverty. Critics will argue that simply handing out money does not solve poverty, and that poverty can only be solved through increasing wealth, not the amount of currency.³³¹ This argument holds that it is a lack of goods and services that results in poverty,³³² rather than a lack of access

³²⁸ *Ibid.*, 306

³²⁹ *Ibid.*, 306

³³⁰ Iglesias and Block, "Universal Basic Income: A Critique," 11

³³¹ *Ibid.*, 9

³³² *Ibid.*, 9

to said goods and services.³³³ Yet this argument is intimately tied to the concept that the market will provide for the poor, and argues that as long as there is scarcity, there will be demand for these goods and services, and thus even the threat of automation is “stuff and nonsense.”³³⁴ However, these arguments misinterpret the problem of poverty, and the very point of a UBI. Indeed, the wealth of a country is not the issue, rather, the distribution of that wealth is, and the past decades have shown that economic growth has done little to alleviate poverty, if it has not worsened it.³³⁵ Furthermore, claiming that there will always be demand for goods and services ignores the fact that market competition requires the reduction of labour costs,³³⁶ and if these goods and services can be produced cheaper without human labour, then jobs will disappear.

Indeed, this constant downward pressure on labour is a more dangerous area of criticism, as a UBI may contradict the very nature of capitalist competition.³³⁷

Unemployment in the current system is a benefit to the employer, as employees may accept lower wages to keep a job.³³⁸ Strengthening the position of labourers by providing a UBI may cause a serious problem and may also result in job loss. However, with a UBI, it may be possible to ensure that consumer demand remains in the face of automation, through taxation of “surplus wealth,”³³⁹ or a tax on robot production, as proposed by Bill

³³³ Government of Canada, “Opportunity for All...,” 7

³³⁴ Iglesias and Block, “Universal Basic Income: A Critique,” 9

³³⁵ Best, “Redefining Poverty...,” 110

³³⁶ Artner, “Is Unconditional Basic Income Feasible...,” 540

³³⁷ *Ibid.*, 548

³³⁸ *Ibid.*, 540-541

³³⁹ White, “A Universal Basic Income in the Superstar...,” 12

Gates.³⁴⁰ Yet this too brings with it a risk, in that a tax on production, as proposed by former US presidential candidate Andrew Yang may result in higher prices and lower wages.³⁴¹ While proponents of a UBI may call on companies to pay their fair share, critics question of what a “‘fair share’ of some else’s income” is.³⁴² Further, these critics hold that reassigning wealth is unjust, as either the wealthy will still be required to pay more taxes for those who pay less,³⁴³ or, will not reduce the wealth gap as the wealthy will also be entitled to it.³⁴⁴ This latter issue can be addressed by the “claw-backs” that will reclaim the UBI money from those who do not need it,³⁴⁵ while the issue of higher prices and lower wages remains a potential problem. Yet, if jobs are replaced by automation, then wages can no longer be decreased, and a tax on robots makes sense. After all, as Gates says, “if a human worker does \$50,000 of work in a factory, that income is taxed,” thus it only makes sense that “if a robot comes in to do the same thing, you’d think we’d tax the robot at a similar level.”³⁴⁶ However, there are those who believe that the very concept of taxation amounts to no more than theft, and thus oppose a UBI on that grounds alone.³⁴⁷ This issue is complex and is outside the scope of this paper.

³⁴⁰ Arjun Kharpal, “Bill Gates Wants to Tax Robots, but the EU Says, ‘No Way, No, Way,’” *CNBC*, June 2, 2017, <https://www.cnbc.com/2017/06/02/bill-gates-robot-tax-eu.html#:~:text=Earlier%20this%20year%2C%20billionaire%20Gates,robot%20at%20a%20similar%20level.%E2%80%9D>

³⁴¹ Iglesias and Block, “Universal Basic Income: A Critique,” 10-11

³⁴² *Ibid.*, 10-11

³⁴³ *Ibid.*, 11

³⁴⁴ *Ibid.*, 11

³⁴⁵ Sircar and Friedman, “Financial Security...,” 1882

³⁴⁶ Kharpal, “Bill Gates Wants...,”

³⁴⁷ Iglesias and Block, “Universal Basic Income: A Critique,” 10-11

Another criticism focuses on the role of the government in a UBI, as it is difficult to imagine that a government will put in place a truly universal and unconditional system. Instead, critics say that a government will use conditions to behave in specific ways,³⁴⁸ make certain decisions, and vote in specific way.³⁴⁹ Furthering this line of criticism is the concept that a UBI will increase dependence upon the government, and, rather than improving freedom, will result in people making decisions they may not have otherwise.³⁵⁰ While the first argument rests on an extremely cynical view of government, it once again is only one possibility of an implementation, and it is not impossible that a government put in place a universal system, as many are in place already. The latter argument is both a positive and negative, as people may take risks that end up being harmful, but also may choose to take risks that are beneficial, such as opening a business.³⁵¹

The final area of criticism that will be covered in this paper is more aimed at proponents of a UBI, rather than the UBI itself. At times, UBI advocates make the concept of a UBI the goal, rather than allowing it to be compared as a mechanism of poverty reduction.³⁵² Indeed, if a UBI is visualized as such, then it becomes possible to examine alternative mechanisms that have the same, or similar goals.³⁵³

³⁴⁸ *Ibid.*, 8

³⁴⁹ *Ibid.*, 8

³⁵⁰ *Ibid.*, 8

³⁵¹ Cox, “Canada’s Forgotten...”

³⁵² Piachaud, “Basic Income: Confusion...,” 311

³⁵³ *Ibid.*, 311

Alternative Concepts

While this paper has spent much time examining the concept of a universal basic income model, there are several other concepts that share similarities that should be looked at as well. The Negative Income Tax (NIT), the Stakeholder Society, and the Universal Basic Services (UBS) models will all be examined in the following section. These systems, though not an exhaustive list, all offer potential solutions to the current issues with the social security system but stray from the five characteristics of a UBI. To reiterate, these five characteristics as identified by the BIEN are universality, individuality, unconditionality, periodic, and cash payments.³⁵⁴

Universal Basic Income VS Negative Income Tax

A Negative Income Tax is, in many ways, similar to the UBI, and many “basic income” proposals and experiments have used a NIT model rather than a UBI model.³⁵⁵ Both systems provide for some form of basic income, yet the NIT acts as a refundable tax credit to create an income floor,³⁵⁶ by subtracting the predetermined amount from a household’s tax liability. If the resulting number is negative, then the government provides enough money to reach the minimum level.³⁵⁷ Similar to a UBI, as income increases, the money granted by the NIT is reduced, and ends once the income floor is reached.³⁵⁸ Advocated for by Milton Friedman, and proposed by Richard Nixon, this

³⁵⁴BIEN, “About Basic Income,”

³⁵⁵ Sircar and Friedman, “Financial Security...,” 1884

³⁵⁶ Van Parijs, “A Basic Income for All...,” 5; Artner, “Is Unconditional Basic Income Feasible...,” 534; Widerquist, “The Cost of Basic Income...,” 2-3; Sircar and Friedman, “Financial Security...,” 1884

³⁵⁷ Van Parijs, “A Basic Income for All...,” 5

model is popular with conservatives,³⁵⁹ and may, in fact, be cheaper than a UBI as it avoids paying out to those above the income floor before taxing it back.³⁶⁰

Friedman believed that an NIT was preferable to the existing welfare programs as it focused purely on the income of the recipients, rather than any other characteristics, and does not result in a distortion of market prices.³⁶¹ Furthermore, it provides cash, which is preferable to other forms of assistance.³⁶² For those who had needs that could not be addressed with cash, Friedman believed that these needs could be met through private charities.³⁶³ Finally, Friedman argued that an NIT would replace all other programs, reducing the administrative costs.³⁶⁴ Friedman's proposal recognized that cost could become a program if the grant level was set too high and the marginal tax rate set too low, and so he proposed a fairly low level of income,³⁶⁵ with a withdrawal rate of fifty percent.³⁶⁶ He justified a low level by contrasting it to what he saw as an overly generous system that disincentivized work.³⁶⁷ When Nixon considered introducing an NIT on top of other programs with specific services exclusively for those on welfare,

³⁵⁸ White, "A Universal Basic Income in the Superstar...", 10

³⁵⁹ *Ibid.*, 10

³⁶⁰ Van Parijs, "A Basic Income for All...", 5; Widerquist, "The Cost of Basic Income...", 2-3

³⁶¹ Moffitt, "The Negative Income Tax...", 121-122

³⁶² *Ibid.*, 121-122

³⁶³ *Ibid.*, 122

³⁶⁴ *Ibid.*, 121-122

³⁶⁵ *Ibid.*, 122-123

³⁶⁶ *Ibid.*, 120-121

³⁶⁷ *Ibid.*, 122-123

Friedman was critical, and worried that it may incentivize workers to leave the labour market.³⁶⁸

While the two programs are similar in some ways, there are a number of reasons why a UBI is preferred. The first is that, while purported to be a guaranteed income scheme, the NIT retains elements of the targeted means-testing of current programs, which violates the concept of universality.³⁶⁹ Furthermore, an NIT may be delivered in an annual lump sum, similar to the US Earned Income Tax Credit, which fails to promote savings, nor financial security,³⁷⁰ though this is not a requirement, and thus may or may not contradict the periodic nature of a UBI.³⁷¹ Secondly, the individual characteristic of a UBI is violated by the NIT,³⁷² which is generally based on households.³⁷³ Secondary earners or non-working partners will see greater benefits in a UBI,³⁷⁴ providing them a sense of independent financial security, and releasing them from dependency.³⁷⁵ Thirdly, the UBI is more effective in ending the poverty trap, as it provides income whether one is employed or not, and, thus allows one to take a job with no fear of lost benefits.³⁷⁶

³⁶⁸ *Ibid.*, 122

³⁶⁹ White, “A Universal Basic Income in the Superstar...,” 10; Widerquist, “The Cost of Basic Income...,” 2-3; BIEN, “About Basic Income,”

³⁷⁰ Sircar and Friedman, “Financial Security...,” 1885

³⁷¹ BIEN, “About Basic Income,”

³⁷² *Ibid.*

³⁷³ Van Parijs, “A Basic Income for All...,” 5

³⁷⁴ *Ibid.*, 5

³⁷⁵ Henderson, “Real Freedom for All Revisited...,” 3; Van Parijs, “A Basic Income for All...,” 7

³⁷⁶ Van Parijs, “A Basic Income for All...,” 5-6

Universal Basic Income VS Stakeholder Society

The concept of the Stakeholder Society, which emerged with the writings of Thomas Paine, but has more recently been taken up by Bruce Ackerman and Anne Alstott, consists of granting each individual a lump-sum on their twenty-first birthday.³⁷⁷ This lump-sum, or ‘stake,’ is granted unconditionally, regardless of socio-economic status and with no requirements of contributions to society.³⁷⁸ When proposed in 1999, the amount of this stake would be \$80,000USD, in staggered, quarterly payments, which would be financed by a two percent wealth tax and paid back at death, if possible.³⁷⁹ The wealth tax would, theoretically, be replaced gradually if enough people left behind enough assets to repay their stake.³⁸⁰ This program was supported by George McGovern, the 1972 Democratic Presidential Candidate, as well as Bill Clinton’s Labour Secretary.³⁸¹

Yet this program has a significant number of problems. The first is that the stake is likely to be far too small to truly be meaningful.³⁸² Indeed, if the \$80,000 is split up over the sixty years that one lives on average³⁸³ after their twenty first birthday, the annual amount is just over \$1300, without factoring in the rate of inflation. Further,

³⁷⁷ White, “A Universal Basic Income in the Superstar...,” 9; Van Parijs, “A Basic Income for All...,” 6

³⁷⁸ Van Parijs, “A Basic Income for All...,” 6

³⁷⁹ White, “A Universal Basic Income in the Superstar...,” 8; Van Parijs, “A Basic Income for All...,” 6

³⁸⁰ Van Parijs, “A Basic Income for All...,” 6

³⁸¹ White, “A Universal Basic Income in the Superstar...,” 8

³⁸² *Ibid.*, 9

³⁸³ Erin Duffin, “Life Expectancy in North America 2019,” *Statista*, Sept 20, 2019
<https://www.statista.com/statistics/274513/life-expectancy-in-north-america/>

contradicting the periodic nature of a UBI, all payments come as a single lump sum,³⁸⁴ which is inefficient for solving structural problems, as they put the onus entirely on the individual to create their own success.³⁸⁵ One only needs to look at lottery winners to see the ineffectiveness of lump-sum payments in action,³⁸⁶ and the opportunities for waste that they offer.³⁸⁷ The concept assumes that most will invest in their own education or into businesses, not everyone has the capability to know how to do so.³⁸⁸ Thus, using the stakeholder society model will require that some form of welfare system be maintained as well.³⁸⁹

Universal Basic Income VS Universal Basic Services

A third proposal is the Universal Basic Services model, developed by the Institute for Global Prosperity in 2017, which proposes offering more free public services, expanding from services such as universal healthcare and education to include “shelter, nutrition, transport and information” services.³⁹⁰ The idea is, that by providing these services to the public for free, everyone will be able to improve their life “by ensuring access to certain levels of security, opportunity and participation.”³⁹¹ These services are

³⁸⁴ BIEN, “About Basic Income,”

³⁸⁵ White, “A Universal Basic Income in the Superstar...,” 8

³⁸⁶ *Ibid.*, 9

³⁸⁷ Van Parijs, “A Basic Income for All...,” 6

³⁸⁸ White, “A Universal Basic Income in the Superstar...,” 8

³⁸⁹ Van Parijs, “A Basic Income for All...,” 6

³⁹⁰ Ian Gough, “Universal Basic Services: A Theoretical and Moral Framework,” *Political Quarterly*, 90 no. 3, (2019), 534

³⁹¹ *Ibid.*, 534

to meet the basic needs, participation, health and autonomy; and the intermediate needs, quality food and water, shelter, education and security of the person.³⁹² Many of the satisfiers for these needs have become commodities which markets provide,³⁹³ which this concept attempts to break from.³⁹⁴

Yet it is this exact break from the market that undermines the concept in some ways. Providing “specific activities and provisions”³⁹⁵ rather than cash contrasts with a UBI³⁹⁶ and creates its own set of issues. What types of services will be provided exactly? The concept mentions the guarantee of nutrition, but this would require nationalizing the farming system, something that is unlikely to be acceptable in a capitalist system. Even if it were to happen, how can the quality of these services be guaranteed? And how will this all be paid for? Unlike a UBI, there is no repayment of these services. While it could be argued that reducing the cost of food for the poor will allow them to spend money elsewhere, it is likely that the cost of providing services without any form of income will be unsustainable. Furthermore, this proposal assumes that politicians will know what is best for every citizen, and provide them, a paternalistic choice that limits the freedom of individuals, rather than expanding it.³⁹⁷

Other possible poverty reduction solutions?

³⁹² *Ibid.*, 535

³⁹³ *Ibid.*, 536

³⁹⁴ *Ibid.*, 534

³⁹⁵ *Ibid.*, 534

³⁹⁶ BIEN, “About Basic Income,”

³⁹⁷ Sircar and Friedman, “Financial Security...,” 1883

Of course, these three models are only a small sample of potential alternatives to the current welfare system. Yet many of the other alternatives omit at least one of the five characteristics of a UBI, and, despite their potentially positive impacts, may be seen as inferior options. For example, there are options that remove the unconditionality aspect, called Conditional Cash Transfer (CCT) programs, such as Mexico's Prospera. The Mexican program has seen success combining cash payments with behaviour incentives.³⁹⁸ However, these types of programs suffer from "cut-offs for qualification,"³⁹⁹ which can result in the poverty trap. Furthermore, conditionality means that some people who are in need of assistance may not meet the required qualifications.⁴⁰⁰ CCTs fail to offer a solution to the major problems that the current system suffers from, and also takes away from the freedom of individuals with the inherent assumption that the creators "know what is best for the household."⁴⁰¹

Alternatively, there are a number of Universal Cash Transfer (UCT) programs that have been proposed, including the previously mentioned NIT, as well as a Supplemented Income Guarantee (SIG) and a Citizen's Dividend.⁴⁰² While SIG may be universal, it is not unconditional, as it retains some conditions, primarily based on status.⁴⁰³ These programs do not necessarily need to replace other programs, rather a

³⁹⁸ *Ibid.*, 1883

³⁹⁹ *Ibid.*, 1883

⁴⁰⁰ *Ibid.*, 1883

⁴⁰¹ *Ibid.*, 1883

⁴⁰² *Ibid.*, 1883

⁴⁰³ *Ibid.*, 1884

UCT can act as a supplement or an expansion.⁴⁰⁴ Trials for this model have seen some positive results in Zambia, however, the positive impact only appears if the SIG is sufficient.⁴⁰⁵ A Citizen's Dividend is another form of UCT, and is both universally and unconditionally paid out in cash to residents. However, the programs in existence, such as Alaska's Permanent Fund, is paid out as an annual lump sum, and is a rather small, varying amount.⁴⁰⁶ However, this model could warrant further study, as it could be connected to the Carbon Tax, redistributing the tax to everyone equally.⁴⁰⁷ Yet the low level of support given by this form of program means that it has little overall effectiveness.⁴⁰⁸

CHAPTER 4

Research Design and Methodology

Having examined the concept of a UBI in some detail, this paper will now seek to answer the questions of what it could cost, and how it will affect poverty rates in Canada. To do so this chapter will set up a method of developing a potential model for a Canadian UBI, setting out the formulas and rationale. The following chapter will provide the results of these calculations.

⁴⁰⁴ *Ibid.*, 1884

⁴⁰⁵ *Ibid.*, 1884

⁴⁰⁶ *Ibid.*, 1885

⁴⁰⁷ *Ibid.*, 1885

⁴⁰⁸ *Ibid.*, 1885

The first formula proposal laid out here will begin with a formula that is essentially the same as Widerquist's calculations. By using his formula, it will be revealed how much it may cost to provide an annual UBI of \$18,000 to every Canadian citizen, with or without income. This number is chosen as it is roughly the same as the average poverty line for a single individual as determined by Canada's *Opportunity for All* document.⁴⁰⁹ This paper will use data from 2019, as that is the most recent year that has reported both population by age as well as population by income. It must be noted that some numbers may not add up perfectly because some numbers have been rounded for simplicity.

As of 2019, of Canada's approximately 37.59 million residents, approximately 28.50 million reported some form of income.⁴¹⁰ However, the way Canada reports income only shows the amount of people who make over a certain income, rather than specific income brackets, such as \$10,000 to \$15,000. Determining the actual number of individuals within each bracket then requires subtracting the previous amount from the total amount. In other words, to find the number who have an income between \$5,000 and \$10,000, the reported number who have an income over \$5,000 must be subtracted from the reported number who have over \$10,000. The difference will show how many people fall into each income bracket, or the "Calculated Number". Table 1 shows the results of this.

⁴⁰⁹ Government of Canada, "Opportunity for All...", 11

⁴¹⁰ Statistics Canada, "Tax Filers and Dependents with Income by Total Income, Sex and Age," <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1110000801>

Table 1: Canadian Income Brackets

Persons With Income ⁴¹¹	Reported number	Income Bracket	Calculated Number
Income under \$5000	1,669,090	\$0 - \$5000	1,669,090
Income over \$5000	26,835,560	\$5000 - \$10,000	1,493,650
Income over \$10,000	25,341,910	\$10,000 - \$15,000	2,034,560
Income over \$15,000	23,307,350	\$15,000 - \$20,000	2,151,160
Income over \$20,000	21,156,190	\$20,000 - \$25,000	2,496,190
Income over \$25,000	18,660,000	\$25,000 - \$35,000	3,503,690
Income over \$35,000	15,156,310	\$35,000 - \$50,000	4,594,810
Income over \$50,000	10,561,500	\$50,000 - \$75,000	4,985,490
Income over \$75,000	5,576,010	\$75,000 - \$100,000	2,659,190
Income over \$100,000	2,916,820	\$100,000 - \$150,000	1,912,280
Income over \$150,000	1,004,540	\$150,000 - \$200,000	508,190
Income over \$200,000	496,350	\$200,000 - \$250,000	202,860
Income over \$250,000	293,490	\$250,000 and over	293,490

The next step is to determine how much a single individual in each income bracket will receive or contribute, based on their reported income. However, are some necessary assumptions that must be made. Attempting to determine the exact income of every Canadian would not be feasible, so calculations will be done assuming that the actual income of all individuals in each bracket are either at the lowest, median, and the highest possible level. In other words, for those who have a reported income below \$5,000, one calculation will be done assuming all individuals in the group earn \$0 and a second calculation will be done assuming all individuals in the group earn \$5,000, and then a middle point will be determined by finding the average of the lowest level and the highest level. The exception to this will be for income over \$250,000 as there is no set maximum income. While this may not result in the exact cost of a Canadian UBI, it should provide a relatively accurate estimate. Table 2 will show the results of these calculations.

⁴¹¹ *Ibid.*

To reiterate, Widerquist’s formula is the level of the UBI(U), in this case \$18,000, minus any earned income(y) after taxes(t).⁴¹² For the purposes of this step, the marginal tax rate of fifty percent suggested by Widerquist will be applied.

$$C=U - (y * t)$$

So, for those who have a reported income of \$0, the equation would look as follows:

$$C = 18,000 - (0 \times .50)$$

$$C = 18,000$$

While the equation for one who as a reported income of \$5,000 would look like this:

$$C = 18,000 - (5,000 \times .50)$$

$$C = 15,500$$

Table 2: Levels of Benefits or Costs

Income bracket ⁴¹³	Low Income Calculation	High Income Calculation	Mean* Income Calculation
\$0 - \$5000	\$18,000	\$15,500	\$16,750
\$5000 - \$10,000	\$15,500	\$13,000	\$14,250
\$10,000 - \$15,000	\$13,000	\$10,500	\$11,750
\$15,000 - \$20,000	\$10,500	\$8,000	\$9,250
\$20,000 - \$25,000	\$8,000	\$5,500	\$6,750
\$25,000 - \$35,000	\$5,500	\$500	\$3000
\$35,000 - \$50,000	\$500	-\$7,000	-\$3,250
\$50,000 - \$75,000	-\$7,000	-\$19,500	-\$13,250
\$75,000 - \$100,000	-\$19,500	-\$32,000	-\$25,750
\$100,000 - \$150,000	-\$32,000	-\$57,000	-\$44,500
\$150,000 - \$200,000	-\$57,000	-\$82,000	-\$69,500
\$200,000 - \$250,000	-\$82,000	-\$107,000	-\$94,500
\$250,000 and over	-\$107,000		

* Mean Income determined by taking the mean of the income bracket. Ex: for the \$10,000 - \$15,000 bracket: $10,000+15,000 = 25,000/2 = \$12,500$

⁴¹² Widerquist, “The Cost of Basic Income...,” 5

⁴¹³ “Tax Filers...,”

Table 2 shows how much everyone will receive or pay, depending on their market income. Further, it shows that once an individual reaches \$36,000, they have reached a point where they no longer are receiving any UBI income, or a “breakeven point”⁴¹⁴ and instead, if a flat fifty percent tax is maintained for all income groups, begin paying for the UBI of others.

Table 3: Change in Median Income

Income Bracket (Prior to UBI)	Calculated Number	Current “Median” Income	Median UBI Level	Estimated Median Income After UBI
\$0 - \$5000	1,669,090	\$2,500	\$16,750	\$18,000
\$5000 - \$10,000	1,493,650	\$7,500	\$14,250	\$21,750
\$10,000 - \$15,000	2,034,560	\$12,500	\$11,750	\$24,250
\$15,000 - \$20,000	2,151,160	\$17,500	\$9,250	\$26,750
\$20,000 - \$25,000	2,496,190	\$22,500	\$6,750	\$29,250
\$25,000 - \$35,000	3,503,690	\$30,000	\$3000	\$33,000
Total Population Below Break-Even Point	13,348,340			
\$35,000 - \$50,000	4,594,810	\$42,500	-\$3,250	\$39,250
\$50,000 - \$75,000	4,985,490	\$62,500	-\$13,250	\$49,250
\$75,000 - \$100,000	2,659,190	\$87,500	-\$25,750	\$61,750
\$100,000 - \$150,000	1,912,280	\$125,000	-\$44,500	\$80,500
\$150,000 - \$200,000	508,190	\$175,000	-\$69,500	\$105,500
\$200,000 - \$250,000	202,860	\$225,000	-\$94,500	\$130,500
\$250,000 and over	293,490	\$250,000*	-\$107,000*	\$143,000*
Total Population Over Break-Even Point	15,156,310			

*For the sake of calculating the tax burden for income over \$250,000, the minimum amount has been used for all calculations.

Table 3 shows that implementing a UBI would ensure that no individual will earn less than \$18,000 per year, even if they have no other source of income. However, it also appears that those who earn more than the break even point appear to see significant

⁴¹⁴ Widerquist, “The Cost of Basic Income...,”⁴

income drops. This is especially concerning for those earning between \$50,000 to \$100,000, the approximate “middle class.” However, this problem may occur because of the flat 50% tax rate that was applied to all market income.

CHAPTER 5

Discussion

We have seen that implementing a UBI would raise the income of over 13 million Canadians, almost half of the total population. However, those who earn more than the break even point appear to see more significant income drops. But how does this compare to the current net earnings of Canadians? Let us look at the approximate current after-tax income of Canadians residing in the four most populous provinces, versus the after-tax income they would receive with this model of UBI applied. It is important to note that in this model, the flat 50% tax rate is the only income tax applied to income, where in reality, income tax is divided between the Federal and Provincial governments, with each setting their own tax rates and tax brackets. For example, for income of \$50,000 in Ontario, a resident would pay 15% federal taxes on the first \$49,020, (\$7,357.50) and then 20.5% on the remaining \$980 (\$200.90), resulting in a total Federal tax of \$7,558.40. On top of that, in Ontario, the first \$45,142 of income is taxed at 5.05% (2,279.82) and then the remaining \$4,858 is taxed at 9.15% (444.51) resulting in a Provincial tax of \$2,724.33, and thus a combined tax of \$10,282.73, leaving the earner with a net income of \$39,717.70. However, that same earner in Alberta would pay 10% on all income up to \$131,220, resulting in a provincial tax of \$5,000, and a net income of

\$37,441.60⁴¹⁵. Further complicating matters is the fact that the Federal Government and each of the provinces allows for various non-refundable tax credits, which allow the taxpayer to reduce their taxes owing, but do not provide any return, as noted above.⁴¹⁶ For the sake of simplicity, these will be omitted at this point in time.

Table 4: Comparing Current “After Tax” Income vs “After Tax” UBI Income

Income Bracket (Prior to UBI)	Estimated Median Gross Income	Current Median Income (ON)	Current Median Income (BC)	Current Median Income (AB)	Current Median Income (QB)	Estimated Median Income After UBI
\$0 - \$5000	\$2,500	\$1,999	\$1,999	\$1,875	\$1,750	\$16,750
Amount of Change		-\$501	-\$501	-\$625	-\$750	+\$14,250
\$5000 - \$10,000	\$7,500	\$5,996	\$5,996	\$5,625	\$5,250	\$21,750
Amount of Change		-\$1,504	-\$1,504	-\$1,875	-\$2,250	+\$14,250
\$10,000 - \$15,000	\$12,500	\$9,994	\$9,993	\$9,375	\$8,755	\$24,250
Amount of Change		-\$2,506	-\$2,507	-\$3,125	-\$3,745	+\$11,750
\$15,000 - \$20,000	\$17,500	\$13,991	\$13,990	\$13,125	\$12,250	\$26,750
Amount of Change		-\$3,509	-\$3,510	-\$4,375	-\$5,250	+\$9,250
\$20,000 - \$25,000	\$22,500	\$17,989	\$17,987	\$16,875	\$15,750	\$29,250
Amount of Change		-\$4,511	-\$4,513	-\$5,625	-\$6,750	+\$6,750
\$25,000 - \$35,000	\$30,000	\$23,985	\$23,982	\$22,500	\$21,000	\$33,000
Amount of Change		-\$6,015	-\$6,018	-\$7,500	-\$9,000	+\$3,000
\$35,000 - \$50,000	\$42,500	\$33,979	\$33,966	\$31,875	\$29,750	\$39,250
Amount of Change		-\$8,521	-\$8,534	-\$10,625	-\$12,750	-\$750
\$50,000 - \$75,000	\$62,500	\$48,514	\$48,685	\$46,134	\$42,141	\$49,250

⁴¹⁵ For more information and to see the tax rates in Canada, please see Enoch Omololu “Federal and Provincial Tax Brackets in Canada for 2020-2021” *Savvy News Canadians*, <https://www.savvynewcanadians.com/federal-provincial-tax-brackets-canada/>

⁴¹⁶ Stevens and Simpson, “Toward a National Universal...,” 123

Amount of Change		-\$13,986	-\$13,815	-\$16,366	-\$20,359	-\$13,250
\$75,000 - \$100,000	\$87,500	\$66,048	\$66,492	\$63,453	\$56,959	\$61,750
Amount of Change		-\$21,452	-\$21,008	-\$24,047	-\$30,541	-\$25,750
\$100,000 - \$150,000	\$125,000	\$90,305	\$90,262	\$88,089	\$76,186	\$80,500
Amount of Change		-\$34,695	-\$34,738	-\$36,911	-\$48,814	-\$44,500
\$150,000 - \$200,000	\$175,000	\$120,784	\$118,893	\$118,348	\$99,620	\$105,500
Amount of Change		-\$54,216	-\$56,107	-\$56,652	-\$75,380	-\$69,500
\$200,000 - \$250,000	\$225,000	\$149,815	\$145,561	\$146,854	\$121,907	\$130,500
Amount of Change		-\$75,185	-\$79,439	-\$78,146	-\$10,3093	-\$94,500
\$250,000 and over	\$250,000*	\$163,275	\$157,186	\$160,108**	\$132,289	\$143,000*
Amount of Change		-\$86,725	-\$92,814	-\$89,892	-\$117,711	-\$107,000

*For the sake of calculating the tax burden for income over \$250,000, the minimum amount has been used for all calculations.

** Unlike any other Canadian province, Alberta includes a higher tax bracket, beginning at \$315,929. This will not be reflected here.

What this table displays is that, for those making more than the breakeven point, their net income with a UBI may not be as significantly different than it appeared initially. However, as noted, those who make less than the predetermined personal basic amount NRTC effectively pay no income taxes, so the table above is inaccurate in that regard.

Providing a basic income and a flat tax is, of course, not the only option available, and there are undoubtedly countless potential options that could be explored. For example, the Federal Government may decide to keep the remaining progressive income tax brackets in place, adding the UBI and taxing it back. However, this would result in a significantly higher breakeven point, and, similarly, a significantly higher cost. Another

option would be to simply remove the progressive income tax brackets from the first \$36,000 of income, replacing it with a flat tax, and then beginning the progressive income tax level at \$36,001 at the current fifteen percent Federal tax rate.

Furthermore, as discussed previously this model can be changed in other ways. Rather than an annual payment set at \$18,000 for all adults, a percentage of the MBM could be chosen, allowing the amount to vary by family size and locale. Changes in this way would also alter the overall costs, while still ensuring that all Canadians have a floor of income that they cannot fall below.

CHAPTER 6

Conclusion

This paper has shown that while poverty reduction strategies have had success, the best way to eradicate poverty entirely is to provide those who are impoverished with money. And if there is anything to be learned from the COVID-19 pandemic, it is that the structure of our current social assistance programs is woefully unprepared for major shocks. Had the Canadian government not implemented the CERB, there would have been little help for the millions of Canadians who suddenly found themselves in need. A UBI is one method that could help ensure that Canada is prepared for future economic downturns and provide a more effective safety net for all Canadians.

The numbers presented in this paper present a very basic UBI model to approximate the material impact that such a program would have on individuals. We can see that it would serve to greatly improve the financial situations of nearly half of all Canadians, and even with the very simplistic 50% tax rate used, the cost to those who are

above this cut off are not so extreme. This would result in poverty being virtually eradicated. From prior research on UBIs, we could expect this greater sense of financial security to bring with it other benefits, such as higher levels of attained education, and lower levels of hospitalizations. The model presented is an extremely simplistic model and would need to be modified to be implemented. Due to the manner in which Canada reports those who earn income, some of those reporting income may be children who work part-time while living with parents, or seniors who are retired and living off of pensions.

Additionally, if a UBI were to be implanted, there remain other questions that have not been addressed within this paper, such as how would a UBI affect those who live abroad? Would a Canadian Citizen who lives and works in the United States be eligible for the program? In all likelihood, the best choice would be to not include anyone who lives outside of Canada for the majority of the year, perhaps six months or more. But this must be left to those who implement such a program to decide.

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