Andew Coyne: How a guaranteed minimum income could

work in Canada

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The Swiss may have just voted to reject a proposal for a guaranteed minimum income — also

known as a guaranteed annual income, basic income guarantee or, increasingly, just basic

income — but that hardly means the idea is dead. Pilot projects and feasibility studies are in

the works across the developed world, from the Netherlands to California. In Canada, the

federal Liberals, along with governments in Ontario, Quebec and Alberta have expressed

interest in the concept.

What the Swiss vote did highlight, however, is the widely diverging notions represented by that

deceptively simple label. While the basic income is often said to enjoy support across the

political spectrum, it’s clear that left and right have very different ideas of what it would mean,

both in terms of how generous the income guarantee would be, and how it would be financed.

The model on which the Swiss voted was at the outer limits of what anyone has imagined a

basic income could or should entail. At 2,500 Swiss francs a month (about $40,000 a year) for

every man, woman and child in the country, the gross cost of such a program in Canada would

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come to about $1.4 trillion, or more than two-thirds of our gross domestic product. Even netting

out the money not spent on the programs it replaced, the Swiss plan was reckoned to cost a

quarter of GDP in additional taxes. No wonder voters rejected it.

A pilot project Finland has planned for next year, paying $1,200 a month, is more modest, but

would still entail a gross cost of $515 billion annually if implemented in Canada. Both are a

long way from the proposal put forward 30 years ago in this country by the Macdonald royal

commission on the economy. Its Universal Income Security Program (UISP) would have paid a

maximum of just $3,750 annually per adult, or $9,000 per family of four. Even allowing for the

rough doubling of prices since then, that’s a relatively meagre proposition.

The arithmetic is inescapable: the more generous the basic benefit paid to those with no income at

all, the more sharply it must be taxed back.

Still, in the broad strokes the idea’s supporters have much in common. Take today’s jumble of

overlapping income support programs, some in cash, some in kind, each with a different

clawback rate, and rationalize them into one income-adjusted payment. The universality of the

benefit would ensure no one falls between the cracks. Simplification would mean less

confusion on one side of the exchange, less bureaucracy on the other. Converting in-kind

benefits, such as subsidized housing or drugs, into cash would give recipients more control

over their lives.

Most important, slashing the steep, often confiscatory implicit tax rates facing welfare

recipients, as earned income rises and benefits are reduced — they can end up worse off for

taking a job, when benefits in kind are taken into account — would restore incentives to work.

As the Senate committee on social affairs reported in 2009, “the system that is intended to lift

people out of poverty is substantially broken, often entraps people in poverty, and needs an

overhaul.”

(One of the oddest objections to the basic income idea, in this light, is that it might reduce work

incentives. Whatever minimal inducement to idleness there may be in, say, a $10,000 annual

income guarantee, it is trivial compared to the benefits of cutting implicit tax rates to 20 or 25

per cent. Neither is a basic income needed as a substitute for wage labour, as some advocates

contend: robots are no more likely to make humans obsolete in the 21st century than threshing

machines did in the 18th.)

The differences arise when you get into the details. The arithmetic is inescapable: the more

generous the basic benefit paid to those with no income at all, the more sharply it must be

taxed back, if the costs of the program are to be kept within realistic bounds. Conversely,

gentler tax-back rates imply a much lower base amount.

There are limits, too, to the sorts of programs a basic income can or should replace. There’s a

reason we have separate, contributory employment insurance and pension programs, for

example — they serve a different purpose, maintaining incomes at levels comparable to what

contributors earned at work, rather than merely assuring them of a decent minimum. Even the

narrower aim of rationalizing traditional welfare programs typically runs into resistance, whether

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out of concern that simply handing out cash to vulnerable people isn’t enough to get them back

on their feet or for more venal motives.

OK, so maybe a one-size-fits-all basic income guarantee is out of reach, at least at one go. It’s

still possible to move in that direction, one piece at a time. Indeed, we already have what

amount to basic income guarantees for children in the new Canada Child Benefit (combining

the old Universal Child Care Benefit, the Canada Child Tax Benefit and the National Child

Benefit Supplement) and the elderly, via Old Age Security and the Guaranteed Income

Supplement. The federal Working Income Tax Benefit is a basic income for the working-age

population, in embryonic form.

Could the WITB be merged with OAS/GIS, the basic personal exemption, other federal and

provincial tax credits, and provincial social assistance programs to create a universal adult

income guarantee? In principle, certainly. Would it be worth some additional cost? Again, yes:

ensuring no one goes without, while restoring work incentives and granting greater choice in

public services, would seem one of the best uses of public funds imaginable.

But getting federal and provincial governments to agree on this? Alas, some things are too

much to hope for.