



POLICY BRIEF **BUILDING GLOBAL CITIZENSHIP THROUGH GLOBAL BASIC INCOME AND PROGRESSIVE GLOBAL TAXATION**



Task Force 4
SOCIAL COHESION AND THE STATE

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موجز السياسة إرساء المواطنة العالمية من خلال الدخل الأساسي العالمي وفرض ضرائب تصاعدية عالمية

فريق العمل الرابع
التماسك الاجتماعي والدولة



المؤلفون

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ABSTRACT

In this policy brief, we recommend the institution of a Global Universal Basic Income (GUBI). We define this as a periodic payment unconditionally delivered to all individuals worldwide, without means-test or work requirement, paid in cash or other appropriate form. It should be funded through a tax on financial transactions, a wealth tax levied on the top 1% of the global wealth distribution, and a carbon tax. The GUBI provides an automatic safety net against sudden systemic shocks like COVID-19. It should be managed by a United Nations (UN) agency. A GUBI helps create global citizenship, foster global social cohesion, and regain trust and legitimacy toward international institutions such as the Group of 20 (G20).

نوصي في موجز السياسة هذا بإرساء دخل أساسي شامل عالمي (GUBI). ونحدد هذا الدخل على أنه مبلغ دوري يحصل عليه جميع الأفراد على مستوى العالم دون قيد أو شرط، ودون استطلاع الموارد المالية أو متطلبات العمل، ويُدفع نقدًا أو بأي طريقة أخرى مناسبة. ويجب تمويل هذا الدخل من خلال فرض ضريبة على المعاملات المالية وضريبة ثروة تُفرض على أعلى 1٪ من توزيع الثروة العالمية وضريبة كربون. ويوفر الدخل الأساسي الشامل العالمي شبكة أمان تلقائية ضد الصدمات المفاجئة الشاملة، مثل جائحة فيروس كورونا المستجد. وتتولى إحدى وكالات الأمم المتحدة إدارته. ويسهم الدخل الأساسي الشامل العالمي في إرساء المواطنة العالمية وترسيخ التماسك الاجتماعي العالمي وإعادة الثقة والمشروعية إزاء المؤسسات الدولية، مثل، مجموعة العشرين.



CHALLENGE

Despite sustained growth in global average income, there is widespread discontent with existing political institutions in many countries. According to the Edelman Trust Barometer (2020), which gathers information from 27 countries, four out of five respondents state that the governmental system is not working for them. In Western countries, discontent has taken various forms, including a surge in anti-establishment parties who often embrace nativism and xenophobia in their political agenda. This has led to a retreat in multilateralism in global governance, and to the widespread use of despicable rhetoric in political discourse. Global institutions, including the G20, the International Monetary Fund (IMF), the World Bank, and the World Trade Organization (WTO), suffer from a perceived lack of legitimacy. They are often portrayed as embodying the interests of rich countries at the expense of poor countries and of perpetuating the interests of multinational companies at the expense of local business. These trends are worrying, and if not thwarted may even lead to institutional failures and collapse. Furthermore, three critical global challenges cannot be confronted without major transformations in global institutions: migratory pressures, climate change, and global health challenges, such as the COVID-19 pandemic. The economic disruptions of such threats can bring the global economy to a halt. Retreating within national borders is neither desirable nor effective as these threats become reality.

Social cohesion has been conceptualized as the capacity of a community to express mutual solidarity. This implicitly applies to the national level. We believe that it is the correct time to re-think and re-propose the notion of social cohesion at the global level. The notion of global citizenship should be theoretically founded, politically constructed (Gellner and Breuilly 1983), and instruments to maintain it should be created. The proposal of a GUBI should be understood as an instrument toward crafting global citizenship. The proposal that we outline below includes three components: the global tax systems that will fund GUBI, the transfers delivered and their administrative capacities, and the global institutions that will govern and regulate the process. This will include both the global tax system and the administrative and policy machinery for the delivery and monitoring of implementing a monetary transfer system. A GUBI is also a way to re-establish trust in global institutions such as the G20, increasing their legitimacy.



PROPOSAL

1. Foundations of GUBI

1.1 What is a GUBI?

According to the Basic Income Earth Network, a Universal Basic Income (UBI) is a periodic cash payment unconditionally delivered to all on an individual basis, without means-test or work requirement (Straubhaar 2018). Basic income has the following five characteristics:

- Periodic: it is paid at regular intervals (for instance every month), rather than as a one-off sum;
- Cash payment: it is paid in an appropriate medium of exchange, typically money, allowing the recipients freedom to decide how to use it. It is not paid either in kind (such as food or services) or in vouchers for a specific use;
- Individual: it is paid on an individual basis rather than, for instance, to households;
- Universal: it is paid to all, without a means-test;
- Unconditional: it is paid under any circumstances, regardless of the recipient's condition in the labor market. In particular, it is not conditional to being unemployed, or performing a specific sort of work, such as public utility work (BIEN 2020).

A GUBI is a UBI extended to all citizens of the world.

We argue that a GUBI can be justified on philosophical, political, social, and economic grounds.

1.2 Philosophical foundations

A common philosophical argument for a UBI, inspired by Paine's (2000) and Meade's (1995) proposals for a social dividend, invokes the idea that the unequal distribution of wealth should be compensated by a public distribution of unearned income. Since benefits flow from commonly owned natural resources, they should be distributed equally (Steiner 1994; Van Parijs 1997). Van Parijs and Vanderborght (2015) argue that UBI can be extended to the world society to become a GUBI.

Moreover, there is wide consensus in justice theories and within the general public that everyone should have the means to live a dignified life. A GUBI would provide a building block to attain this goal, although the income level at which this goal can be achieved is the subject of political deliberation. A GUBI would provide income support without means-testing. Means-testing is costly and many people who have the right

to receive the benefit are left out either because of the complexity of the means-testing process, or because of its social stigma (Atkinson 2015). Ultimately, the main difference between means-tested income support and a UBI is that the latter avoids payment delays, provides greater insurance that support will be received, and avoids the stigma of requesting assistance. UBI's ideal is a universal benefit financed by progressive, targeted taxes. When UBI is combined with an income tax, the means-testing procedures only target the well-off population of net taxpayers.

1.3 Political foundations

In a world experiencing mounting global challenges, such as climate change, epidemics, economic insecurity, wars and migration, global cooperation and coordination have never been as necessary as today. However, the current myopic response implies further national retrenchment and protectionism. This nationalist turn may not be accidental. It could signal a basic failure of the democratic nation state in coping with systemic challenges, and could evolve into a breakdown of democratic systems, as demonstrated by the spread of "illiberal democracies" (Zakaria 1997).

We argue that a GUBI would be a powerful instrument to revert this trend, improving social cohesion and global governance. It would mold a global collective sense of identity in individuals worldwide, regardless of their conditions or provenance. Granting a universal right to a dignified life would endorse the view that nobody should be left behind on the global scale. It would include citizens in the benefits of a global society and grant them a minimum level of resources to pursue their life plans. We argue that this new sense of global inclusion, engendered by a GUBI, will reverberate into increased support and legitimacy for global institutions such as the G20. GUBI would be a way to tangibly show the possibility of solidarity beyond national realms and which benefits individuals directly. This development would strengthen cosmopolitan citizenship, which should pave the way for increased support for international cooperation. For this to happen, GUBI must be presented as a truly global policy, rather than the conjunction of national policies.

1.4 Social foundations

At the basis of the current crisis of legitimacy of political institutions stands the widespread perception held by individuals that "the system is not working for them," that is, political institutions are not capable of managing the increased global insecurity. Insecurity mainly refers to the economic domain, as the effects of the 2008 Great Recession are still felt by large sectors of the population. The effects of the global economic disruption triggered by the coronavirus pandemic will probably prove to be worse. However, insecurity also refers to the social and political domain, as the rolling back of the welfare state in Western countries led to reduced social insurance for the

very people who most needed it (Nolan and Valuenzela 2019; OECD 2011). A UBI would help address the perception of having been “left behind” at the national level. A GUBI would permit enfranchisement of people at the global level.

1.5 Economic foundations

A GUBI would also be justified on economic grounds. Development economics argues that one of the reasons for under-development and persistence of poverty is the lack of capital (or credit) to fund entrepreneurial activities. A GUBI is a way to empower individuals economically and give them tools to break out of the poverty trap.

In countries utilizing unemployment subsidies, a UBI is a way to prevent unemployed workers from falling into a poverty trap. They can avoid disproportionately high levels of taxation when a job is accepted. A UBI is particularly effective under the irregular work contracts brought about by digitalization (Atkinson 2015).

1.6 GUBI as the way forward toward global (or human) citizenship

Marshall (1963) distinguished three types of citizenship. Civil citizenship concerns individual freedom, liberty of movement, freedom of speech, thought and faith, and the right to property and justice. Political citizenship concerns the right to participate in the exercise of political power, either as a voter or as a candidate in elections. Finally, social citizenship concerns the right to a minimum level of economic welfare and security. For Marshall, modern citizenship is the way in which communities tame market forces and allow for basic forms of equality. The state is its architect. We need global thrust in this direction since nation states alone can no longer guarantee these basic forms of equality.

We draw two lessons from Marshall's analysis of the emergence of citizenship in England. First, citizenship has been constructed in all the three domains. Before the Middle Ages, citizenship was virtually non-existent for most people under all the three domains, and gradually developed upon social struggle. Citizenship does not exist in natural form; rather it is the result of a political and social process. Second, the three domains of citizenship have developed sequentially rather than jointly, with progress in the social domain being delayed compared to the other two domains.

We believe that in the case of global citizenship, starting with social citizenship, and reframing civil and political citizenship in the process, is a reasonable way forward. Instituting a GUBI is consonant with Marshall's definition of social citizenship, as it would grant every individual in each society at a given moment the material set of resources that is necessary to lead a dignified life. While Marshall thought at the nation-state level, we propose considering this at the level of the global human village.

2. Funding a GUBI

This brief's purpose is not to compute an optimal form of taxation. Rather, we want to make two points. First, it is important that funding comes from global taxation because this is functional to fostering a sense of global citizenship. This would not be the case if GUBI was seen as a form of aid from rich to poor countries. Second, global taxation at mild tax rates would suffice to fund a substantial GUBI.

We do suggest possible sources of funding and their projected revenues. The tax we propose would combat global public bads and negative externalities: climate change, financial and economic instability, and extreme wealth concentration. Both the wealth tax and the Tobin tax are clearly progressive in targeting people at the top of the wealth distribution.

- **Global wealth tax.** A wealth tax is an annual tax levied on the net wealth that a household (or an individual) owns above an exemption threshold. Net wealth includes all assets (financial and non-financial) and all debts, valued at their prevailing market prices. Proposals for a wealth tax have been recently made by Landais, Saez and Zucman (2020) for the European Union (EU) as a way to fund debt emitted to face the COVID-19 pandemic, and globally by Piketty (2018) and Oxfam (Pearce 2019). Landais, Saez, and Zucman (2020) propose marginal tax rates of 1%, 2%, and 3% for net wealth above €2 million (close to the top 1% threshold for wealth), €8 million (close to the wealth top 0.1% threshold), and €1 billion, respectively. This would raise 1.05% of EU Gross Domestic Product (GDP) in revenues each year, accounting for evasion and avoidance responses. The levy would be higher in countries with larger wealth concentration than the EU. A wealth tax with the same structure would raise around 1.8% of US GDP (Saez and Zucman 2019). We make the prudent assumption that a progressive global wealth tax would contribute revenues close to 1% of world GDP.
- **Carbon tax:** According to Jacob et al. (2016), a global system of carbon taxation could raise around USD 1.6 trillion per year between 2020 and 2030, that is, around 1.86% of current GDP. As the transition toward a decarbonized world proceeds throughout the century, this carbon tax revenue would inexorably decrease, and other sources of funding would need to be substituted. A carbon tax may be regressive, in that it may weigh more on the poorest of the population. In that case, compensatory transfers should be undertaken to overturn the regressive character of the carbon tax (Schwerhoff et al. 2017; Klenert et al. 2018).

- Tobin tax: A conservative estimate of the world's financial transactions is around \$12 quadrillions. Taxing these transactions at the rate of 0.1%, and assuming it would reach only half of this volume of transactions due to either elusion or evasion, would generate around 7% of the global GDP as revenue. A tax rate of 0.1% is a cautious figure, as the EU is currently discussing levying a 0.2% tax on financial transactions (Funke, Meyer and Trebesch 2020). However, we do not have a clear idea of the tax base's elasticity. It could be that other forms of taxation, such as a digital tax, may be used to complement the revenues from a GUBI.

As detailed in Table 1, the overall financial capacity would be around 9.84% of world GDP.

	Tax revenue (% of 2018 world GDP)	Tax revenue (trillions of USD)	Tax rate	Tax base (trillions of USD)
Wealth Tax	1	0.86	1%, 2% 3%, to be applied on net wealth in excess of 1%, 0.1% and 0.01% of world distribution, respectively	317 (total wealth)
Financial transactions tax	6.98	6	0.1%	6000
Carbon tax	1.86	1.6		
Total	9.84	8.45		

Table 1: Sources of funding for GUBI

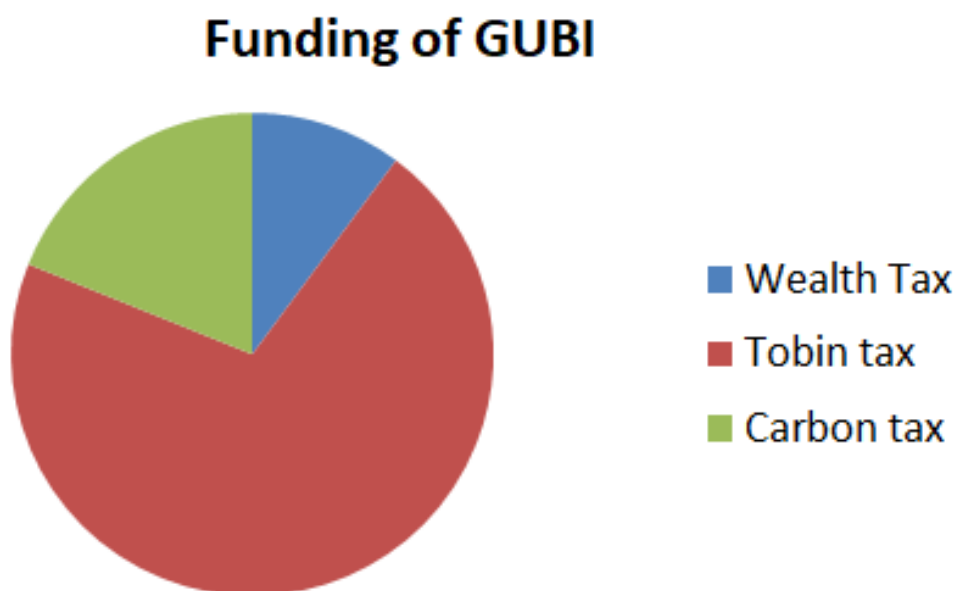


Figure 1: Relative share of sources of funding for GUBI

3. Costs of a GUBI

As a first and basic estimation of a GUBI, our target is that every citizen in the world receives enough to overcome the absolute poverty threshold. This is conventionally set at \$1.95 per day for 365 days a year. Without adjusting this sum for Purchasing Power Parity (PPP), the GUBI would be equivalent to around 6.3% of world GDP. Adjusting for PPP, the GUBI would cost around 3.12% of world GDP. Van Parijs (In Press) discusses the use of PPP adjustments. He argues against the use of PPP for assessments of inter- and intra-national inequality but is in favor of its use for poverty assessments and transnational redistributive schemes for reasons of political feasibility. Not adjusting for PPP, as we do in the continuation, provides larger support to people from poor countries.

Administrative costs should be included in the computation of the costs of GUBI. We believe that it is important that the GUBI is managed by a specifically created UN agency. The World Bank, the IMF, and regional banks should also be involved for the purpose of collecting revenues and administering the benefit. GUBI should not be seen as a form of aid from rich countries to poor countries, but as a global dividend to which citizens around the world are entitled. For this reason, it is important that the benefit is managed by a global institution. Since the GUBI can rely on existing institutions, the marginal administrative costs are contained. A prudent estimate is that they amount to 0.5% of the global GDP.

The revenue capacity examined in Section 2 would then be more than sufficient to finance a GUBI set at the poverty threshold of \$1.95. In fact, a prudent estimate is that the GUBI could be set at a level of \$2.7 and still be below the available financial resources. Figure 2 shows the evolution of GUBI as a percentage of GDP for these two thresholds.

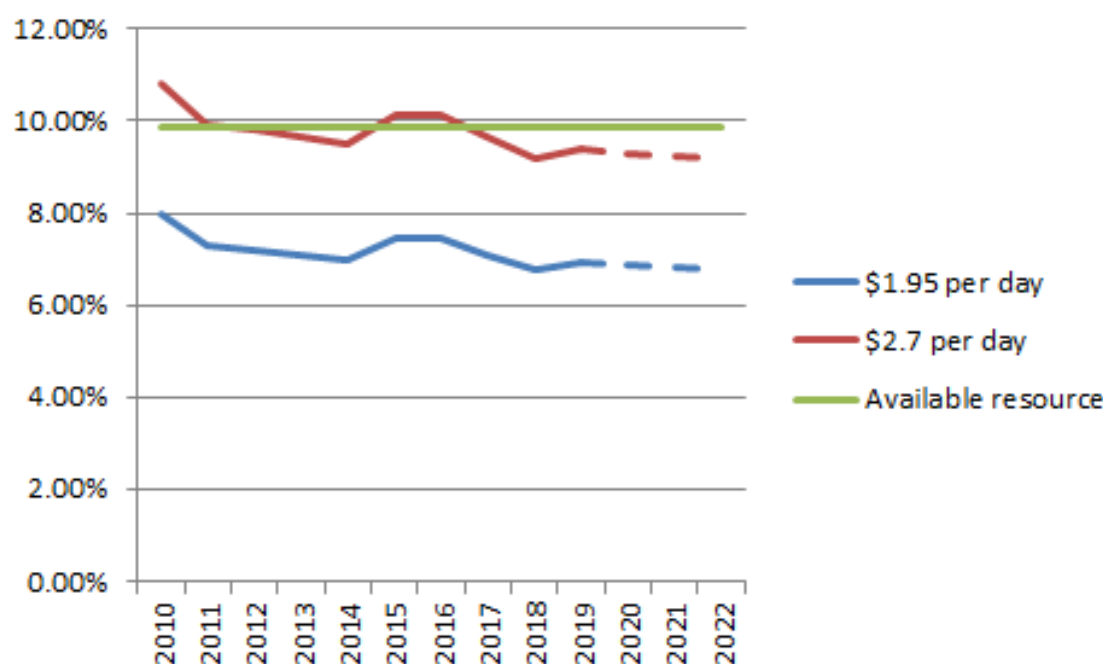


Figure 2: Evolution of GUBI costs as percentage of world GDP

Source: World Bank online database (<https://data.worldbank.org/>)

4. Conclusions and relevance to the G20

In this policy brief, we have advocated for the establishment of a GUBI, sketched out its costs, and suggested ways to raise global revenues to fund it. In the Appendix we provide a roadmap whereby the GUBI may be established and discuss some open questions. We favor the idea that the GUBI may be integrated by additional schemes of UBI in richer countries to make it a significant policy tool in rich as well as poor countries.

The establishment of global social citizenship is an ambitious endeavor that must rest upon global institutions. The G20 is one of the most effective global institutions, thus it is a natural arena to discuss this topic. Countries belonging to the G20 would be natural candidates to start the process. A GUBI helps create global citizenship, fosters global social cohesion, and rebuilds trust and legitimacy toward international institutions such as the G20.

Disclaimer

This policy brief was developed and written by the authors and has undergone a peer review process. The views and opinions expressed in this policy brief are those of the authors and do not necessarily reflect the official policy or position of the authors' organizations or the T20 Secretariat.



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APPENDIX

A1. Establishment of a GUBI

At a time when multilateralism is receding, it may seem utopian to argue in favor of a GUBI. However, many times in history, most notably at the end of global conflicts, times of crisis have furthered social changes. At the time of writing, the spread of global epidemics, the threat of climate change, and the recurrence of financial crises is making it clear that the current system is wholly unprepared to deal with global systemic threats. The solution of further retrenching into nationalisms, even if it may gain some currency in the short term, is self-defeating. Hence, this could be the right time to set the foundations of a radical change in worldwide social relationships, where a cosmopolitan sense of identity replaces the currently prevailing national one. The process to establish a GUBI may be articulated in the following phases:

1. Building consensus at the political, social, and economic level. The UN should ultimately take the lead in the process. We envisage the creation of a specialized agency of the **UN** that analyzes costs and benefits of the GUBI, studies its implementation prospects, and checks countries' ability to participate in the program. However, prior to that, it would be important for the **G20** to have discussed the institution of a GUBI and expressed its support. This expression of consensus would certainly be decisive to achieve maximum support. Various **civil society** movements have also advocated directly for the institution of a GUBI (e.g., the Global Basic Income Foundation, the World Basic Income organization). They have campaigned for the implementation of global taxation in the three domains indicated in section 2, as well as to further environmental preservation and sustainability. We argue that the support of a GUBI in social and political domains could be set as a common goal for these movements.

2. Establishing the GUBI within a “club” of countries. We envisage a set of countries forming a “coalition of the willing” under the aegis of the UN. This would be formed by a group of economically developed countries that agree to:

- a. implement international forms of taxation in at least one of the three domains illustrated in section 2.
- b. use the relative revenues to fund a GUBI.

A group of economically developing countries would also be part of the coalition. They would have the obvious advantage of being net beneficiaries of the GUBI. It could be envisaged that they would also participate in the collection of international taxation as per (a), limited to their capacity.

3. Extending the club. After the implementation of the GUBI in a limited club, we envisage its extension to a broader, potentially universal, set of countries. For developed countries who did not subscribe to the GUBI in the first place, the major direct incentive would be to comply with their voters' demand to have the GUBI established. The willingness to have a positive global reputation might be sufficient for this purpose. Additional incentives may also be considered, such as the possibility of subscribing preferential trade agreements with the countries participating in the GUBI. For developing countries, the obvious incentive would be to receive the GUBI.

A2. The impact of GUBI

The GUBI is established at a level that is reasonable in poor countries and will lift people out of poverty. It will be an important income support in lower-middle income countries, a mildly significant contribution in middle and upper-middle countries, and will be materially irrelevant in developed countries. It is important to set such a flat rate at the basic level that makes humans lead a safe and dignified life in the poorest parts of the globe, in line with the third SDG. Nevertheless, we also propose that each country should advance a second tier of unconditional income support that meets their specific needs and preferences. This second tier is not in conflict with the foundations of GUBI and should be encouraged.

We also argue for a GUBI because it brings together several policies and actions that have already been debated, accepted, or promoted in many circles. On the side of taxes: wealth tax on people, transaction tax on financial movements, and carbon tax on emissions. On the side of spending and benefits: non-contributory universal entitlements that will help deal with three problems—robotics and labor saving technologies, informal markets, and unpaid domestic work. In addition, this would contribute to eliminating extreme poverty and redistributing wealth within and between countries.

It is worth stressing that a GUBI will have important redistributive functions at the global level, both through its progressive tax architecture and its flat rate universal transfer. A global mechanism of redistribution cannot be expected to take the form of the complex national welfare state, particularly the complexity of qualifying different needs and conditions under which people will have the right to access benefits. In this sense, a GUBI is to be praised for its simplicity. Given the fact that cultural heterogeneity is high at the global level, a consensus cannot be expected to arise in the short term on specific aspects of tax and redistribution. This causes the GUBI to function differently than an international income tax.

Instituting a form of global social citizenship will also create the momentum for the development of civic and political citizenship (see section 1.6). Some forms of civil citizenship, such as Internet usage, are already more accessible at the global level than at the national level. The same may be said for freedom of speech and thought. Freedom of movement at the global level is restricted by immigration laws, but this is a policy choice. In some cases, international courts of justice can overrule national counterparts. International or global political citizenship is arguably underdeveloped. It is nonetheless possible to envisage a process whereby social and civil global citizenship precedes political global citizenship.

A3. Open issues

It is undeniable that many issues associated with a GUBI exist. For instance:

1. Many people live in rural areas largely detached from market money-based economies. These are probably the very people who could benefit the most from a GUBI.
2. The handing out of the GUBI may give rise to embezzlement, corruption, and foster illegality in areas where law enforcement is scarce and monitoring exceedingly costly.
3. A UBI may have low support from the population, as it could be seen as a way to reward laziness and idleness.
4. Many middle-income countries could see the institution of a GUBI as not worth the effort, given the overall low benefit that its citizens would receive.

Some of the issues require innovative solutions. However, some solutions already exist, and possibly some of these issues are overstated. Mobile telephone technologies have been proved effective to reach out to poor people in Africa (Collier 2020). The automatic delivery of cash transfers may also solve concerns with embezzlement and corruption. Second, the public opinion seems to be shifting in favor of a UBI, as shown by a recent large-scale survey conducted in Europe (Garton Ash and Zimmermann 2020). It could be that, in the time of COVID-19, people see the utility of UBI for providing automatic safety nets during crises, and may thus be more inclined to support the idea of a global UBI extension. Finally, the idea of a GUBI can go together with increasing transfers to citizens in individual countries, according to the preferences and needs of their citizens.

Multilateralism has failed to steer globalization in a human direction and provide tools

for nation states to deal with the challenges posed. CUBI and global citizenship can address these shortcomings. Raising the floors of civil, and then social and political citizenship, may be deemed an effective way both to make globalization benefit the poor and tackle global challenges in a way that xenophobia and nationalism are incapable of doing.



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