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# *UBI and the Flat Tax*

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I am in strong general agreement with Philippe Van Parijs's argument for a UBI or "patrimony"—a portion of the product of a society that should be shared by all of those who inhabit that society. To establish such a patrimony is equivalent to recognizing shared ownership of a significant fraction of the resources, physical and intellectual, that enable the society to produce what it produces. As the essay makes a very strong case for the UBI and its feasibility, I will limit my comments to just two issues: (1) why a UBI (or patrimony) would be just; and (2) some problems of incentives that such a system poses and that need to be handled effectively.

## *Justice*

When we compare average incomes in rich nations with those in Third World countries, we find enormous differences that are surely not due simply to differences in motivations to earn. Laziness is not a principal cause of poverty. A more

plausible explanation for the differences, in fact the explanation that is universally put forward, is that much greater resources per capita are available to some countries than to others. These differences are not simply a matter of acres of land or tons of coal or iron ore, but, more important, differences in social capital that takes primarily the form of stored knowledge (e.g., technology, and especially organizational and governmental skills).

Exactly the same claim can be made about the differences in incomes within any given society. In large part, these differences must be attributed to differences in capital ownership, of which the largest part is social capital: knowledge, and participation in kinship and other privileged social relations. In addressing the question of justice, therefore, we are assessing the justice of inheritance of such resources along bloodlines. This is a question of value, not of fact. I personally do not see any moral basis for an inalienable

right to inherit resources, or to retain all the resources that one has acquired by means of economic or other activities.

The usual argument for such a right is based on the assumption of perfectly competitive markets where factors of production are paid their marginal values and where there are no externalities. But this assumption does not hold to any reasonable degree of approximation in real societies. Access to the social capital—a major source of differences in income, between and within societies—is in large part the product of externalities: membership in a particular society, and interaction with other members of that society under practices that commonly give preferred access to particular members.

How large are these externalities, which must be regarded as owned jointly by members of the whole society? When we compare the poorest with the richest nations, it is hard to conclude that social capital can produce less than about 90 percent of income in wealthy societies like those of the United States or Northwestern Europe. On moral grounds, then, we could argue for a flat income tax of 90 percent to return that wealth to its real owners. In the United States, even a flat tax of 70 percent would support all governmental programs (about half the total tax) and allow payment, with the remainder, of a patrimony of about \$8,000 per annum per inhabitant, or \$25,000 for a family of three. This would generously leave with the original recipients of the income about three times what, according to my rough guess, they had earned.

#### *Incentives*

Economists are always quick to point out that people must be properly motivated to be productive. If average returns to effort were uniformly reduced by a factor of three, it is not clear why motivation to earn more would be reduced. The behavior of two-income families in the United States suggests that the desire for income is related much more to processes of social comparison than to the real wage rate after taxes or the relative desire for goods and leisure. Similar questions may be raised about savings and capital accumu-

lation, but in discussing them, private savings should not be dissociated from social saving (either by government or by the processes of social exchange themselves), which commonly produces externalities that are not evaluated by the market and appear nowhere in the social accounts. In any event, the questions about incentives to work and save are empirical questions that should be settled by experimentation and observation and not by philosophical debate.

I have focused on a UBI within a single nation. Let me leave aside questions of justice in reallocation of income among nations, and simply observe, as has been observed by many developmental economists, that reallocation can be accomplished at a relatively low cost by the export of knowledge rather than tangible resources. It is true that per capita income in wealthy nations might decline with increasing competition from those thereby endowed, but again, these effects of export of know-how need to be evaluated empirically and not simply posited by fiat. Meanwhile, the spread of multinational corporations, with their power to allocate capital throughout the globe, may settle the question, for better or worse, before our empirical inquiries are complete. The historical record suggests that attempts to keep technological advantages within national boundaries are not usually successful for long.

No discussion of income redistribution should conclude without considering its impact on resource conservation and population. Sustainability must be a central concern in all questions of national and global social policy. Increase in income has, in recent centuries, been the most potent means that has been found for stabilizing populations, but at the cost, alas, of increased energy production, which aggravates the problems of maintaining the quality of life on our Earth. (Bringing the Third World up to Western energy levels would multiply the carbon dioxide problem by a factor of at least ten!) We must focus on converting income and savings to forms that are more benign in this respect. ■