

Your Webinar Questions Answered: Basic Income Approaches in PEI and BC

Question: Why was there no inclusion of savings on public services (ex. health care, social assistance), economic stimulus, and increased tax revenue considerations?

Hon. Hannah Bell: The short answer is because those costs are so hard to measure / quantify. And, because they are not politically advantageous - long term results don't benefit decision makers now. The up front cost is an investment, much like climate change action, that we will not see the benefit from for many years.

Prof. J Kesselman: My presentation showed the estimated gross costs of the various Canadian Basic Income proposals. Clearly, those costs need to be financed, and I did not get into the weeds of how each proposal intended to cover the costs other than their proposed tax changes. The report of the BC Expert Panel on Basic Income did in fact assess some of the items cited in the question (<https://bcbasicincomepanel.ca>). For example, we re-examined claims about healthcare system savings based on the Mincome Manitoba experience and found them wanting (Part 5, Section 5.5). We also examined some of the other claims about cost savings that might be expected to arise from a Basic Income and found some lacking in rigour and quantitative guidance and others having some validity (we sought objectivity in this and in all aspects of the Report). With respect to savings from displacing social assistance with the implementation of a basic income, the problem is that a scheme implemented via a refundable tax credit administered by Canada Revenue Agency (as suggested by most Canadian proposals) lacks responsiveness to intra-year income variations and would need either to be structured as a negative income tax (with monthly or quarterly income reporting for individuals, which CRA is not now equipped to do) or else retention of social assistance. Going to a NIT format with frequent income reporting for faster responsiveness would also entail significantly greater gross cost for the Basic Income than any of the estimates made to date, thus more than offsetting any cost savings from eliminating social assistance (this issue is covered at various points in the Report). With respect to economic stimulus from the benefits disbursed by a basic income, this would be partially offset by the additional taxes levied on others. More to the point, fiscal stimulus to the economy can equally well be achieved by many alternative forms of public spending such as infrastructure projects or expanded public childcare (either tax-financed or deficit-financed), so a basic income offers no unique advantage in that respect. Increased taxes paid by recipients of Basic Income benefits are already factored into the simulated Basic Income cost estimates, and they are likely to be small on account of their low incomes (even with receipt of the benefits) of the beneficiaries.

Question: Why did the BC panel choose not to reach out to hear from any of the 4,000 Ontario Basic Income participants or examine the academic research compiled on the impact of the pilot?

Prof. J Kesselman: In conducting research toward its Report, the BC Panel used a variety of ways of obtaining and soliciting input from a wide spectrum of the public. First, we could draw on the extensive consultations of the BC Poverty Reduction Coalition. Second, we received 138 submissions through an engagement website that was constructed for us as well as 309 email submissions. We also held in-person meetings with representatives of public health authorities,

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Basic Income advocates, poverty reduction groups, and entities representing the concerns of women, seniors, and persons with disabilities. We also carefully reviewed the academic research stemming from previous Basic Income pilot programs. The Ontario Basic Income Pilot was terminated early and never subjected to proper and systematic evaluation. We are aware of the self-reported (and self-selected) responses of OBIP beneficiaries describing improvements in various aspects of their lives, and we do not doubt that more income is helpful to people's lives in many ways. However, this begs the critical unresolved questions related to a fully financed Basic Income guaranteeing the poverty threshold: its costs, taxpayer burdens, public and political acceptance, disincentive impacts (on both the beneficiary and taxpayer sides), sustainability, and adequacy for addressing the full and diverse needs of our most vulnerable citizens — relative to the approach recommended in our Report.

Question: It's not surprising so many tax payers do not want to pay more taxes. Have you considered progressive tax measures to tax the wealthy appropriately to eliminate poverty, rather than the average tax payer?

Hon. Hannah Bell: Progressive and ethical tax measures are essential to supporting social investment. This would include ensuring the base levels of taxation exemption don't "clawback" from those on lowest income. The cost of poverty is astronomical - it exceeds the cost of proposed program delivery for basic income but the cost recovery takes many years to manifest, which creates a cash flow issue in the interim. That is the challenge faced in PEI.

Prof. J Kesselman: The current BC government has undertaken some limited measures to make the provincial tax and revenue system more progressive, notably: replacing regressive premiums for medicare and replacing them with a new payroll tax and other revenues; introducing a new higher top-rate personal income tax bracket for incomes above \$220,000; introducing some progressive rate brackets to the provincial property tax on homes valued over \$3 million; and introducing a Speculation and Vacancy Tax that captures (among others) satellite families who are not paying their share of income taxes. There may be some scope for additional revenues of a progressive kind to help cover the massive costs that would be involved to finance a basic income. However, there are significant limits to how much of these costs can be drawn from top earners and wealth holders in the province without sacrificing economic competitiveness in ways that would in the end harm job creation and undercut tax revenues in indirect ways. The Report discusses some of these issues in Part 3, Section 3. In short, it is unrealistic and simply wishful thinking to expect that the large incremental costs of bringing in a Basic Income would not have to significantly strike middle and upper-middle income earners as well as the wealthy. This point is confirmed clearly in the financing details of most Canadian Basic Income proposals (at least those that provide credible details on the financing side).

Question: Why is a pilot not worth doing?

Hon. Hannah Bell: It could be - in PEI we have struggled with how you choose the participants to ensure a statistically relevant sample size; also there is the risk for participants when a pilot ends (as happened in Ontario).