

Policy: A top-up universal basic income (UBI) of \$426.30 per week for all Australian citizens. This comes with no requirements for work status or spending, and is open to any adult who holds Australian citizenship. The top-up system means that if you earn nothing that week, even if you are not looking for employment, you are paid \$426.30. If you earn above that, you are paid \$0. If you, for example, earn \$300 that week, you are paid \$126.30. This raises the lowest income level to \$426.30 per week for all adult Australians. Children would be factored in, for example, for a couple with 2 children, it was \$895.22 per week. This figure comes from the poverty line, as worked out as 50% of median income. This statistic could still be ascertained, as you would remove the top-up income for people. (1) The requirements are that you are an Australian citizen with some sort of documentation to prove this, and you are reasonably able to prove your income. It would be an opt-in system, with no other requirements, and for those that are low income, cash options would be available. (2) The UBI will have to be indexed relative to the basic cost of living across Australia on average, to encourage people away from expensive and crowded areas. If we were to index it by local area, administrative costs would increase and also cause a spiral in some areas as higher living costs eg. rents would cause an increase in the UBI, and therefore an increase in rent, etc. The government may choose to incentivise people to rural areas however by further subsidising their income through the UBI, though this tangent is beyond this policy pitch and involves political forces. (3) From a mainstream economics perspective, this policy would affect the labour market. Each industry market must be viewed as a separate labour market as people's responses depend on their current job choices. From Figure 1, you can see there are two examples of labour markets. In the restaurant industry, there may be a significant change as people choose to leave the market to pursue other careers. This is not a price floor as it does not directly affect the industry, but affects supply as workers are willing to leave below \$426.30 per week. However, each industry splits into two supply curves, Nd_1 and Nd_2 as non-Australian citizens are unaffected. Therefore, immigration will increase to fill this gap. From Figure 2, you can see that there may also be a Nd_2 as employers value Australian citizens more in some industries and are willing to pay the higher wages to keep them working. Whereas, in the legal labour market, most will be largely unaffected, apart from those that gain more utility from work from other jobs and are willing to live off the UBI as a stop gap measure. There may also be a small percentage of people that would leave employment permanently and live off the UBI. In the long-run, Nd will increase as consumption and investment increase due to an increase in disposable income. However, there will be inertia and time lags between these transfer payments and GDP increasing. However, funding has been shown to be found through savings in other areas of government spending as crime decreases and health care costs decrease. Therefore, government spending, G , decreases and taxation does not need to increase to cover the UBI. Centrelink administrative costs would also decrease as there would only be a single program with far fewer checks and requirements. (4) From a mainstream perspective, as there is an increase in GDP from C and I increasing, and any decrease in G from cost savings can be put into other programs, basic economic analysis argues this is a good policy. Happiness, utility, will also increase overall though this is

difficult to measure in the real world. As all people who wish to receive the UBI will have to register their name, general location, job title, and earnings on a weekly basis, economists will have more data beyond current employment figures. This can help with implementing other policies, understanding how well the UBI is working, and for general economic research.

With technological innovation, the demand in some industries will be shifting left regardless of a UBI. The policy will protect workers and give them future certainty, time to undertake job training and other learning, which increases Australia's human capital and is generally affecting industries where Australian workers are currently beginning to leave. Population growth must be considered with this policy, however, only growth of Australian citizens would affect the funding of the UBI, either through gaining citizenship or birth rates. The path to citizenship currently takes about four years, and the screening process for ability to support yourself without government support is thorough, therefore there is a low chance that a large volume of immigrants will come here for the UBI that could affect funding. (5) An increase in innovation and education has been shown to cause a lower birth rate, and this policy increases human capital which should in turn increase the former, therefore it is likely that the birth rate will decrease. It has also been shown that the global population will decrease over the next century, with the population never achieving 12 billion people, and the general economic prosperity is increasing. (6) There is the possibility for this to be instituted by a state in Australia, but with the freedom of movement, this would cause issues. The state could implement a minimum residence period before people becoming eligible for the UBI to ensure they are self-supporting for at least a certain period of time. Behavioural economics supplements the mainstream argument for why people would continue to work. Some would be earning above the UBI already and be largely unaffected unless they chose to leave due to higher utility from other pursuits that have a wage below the UBI or are unstable careers. Others would leave to pursue education before returning to above the UBI level. While, as said before, some would leave to live off the UBI, behavioural studies have shown that most people will pursue some line of work due to the utility of work beyond wages. They are also accustomed to working, as we can't ignore the path dependency of this policy, and their routines. As well as being afraid of the social stigma of being 'on the dole'. This social bias is vital to understanding why people remain employed. Overall, people now have room to be efficient with their time, particularly in previously unpaid or low paid pursuits such as creative endeavours, parenting, or volunteering. (9) This gives a net benefit to society and an increase in happiness levels. (4) From an economic perspective, the main issue is not implementing this policy but understanding and measuring its success. GDP is a poor indicator for productivity, as it already doesn't measure happiness or unpaid work, and many of the benefits of the policy are these. (8) The policy would increase time available for parenting, and increased parenting has shown better health outcomes, increased education and intelligence, and lower crime. (7) In the short-run, the increased happiness levels would be difficult to measure, but the long-term effects could be measured.

Sources:

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Figure 1

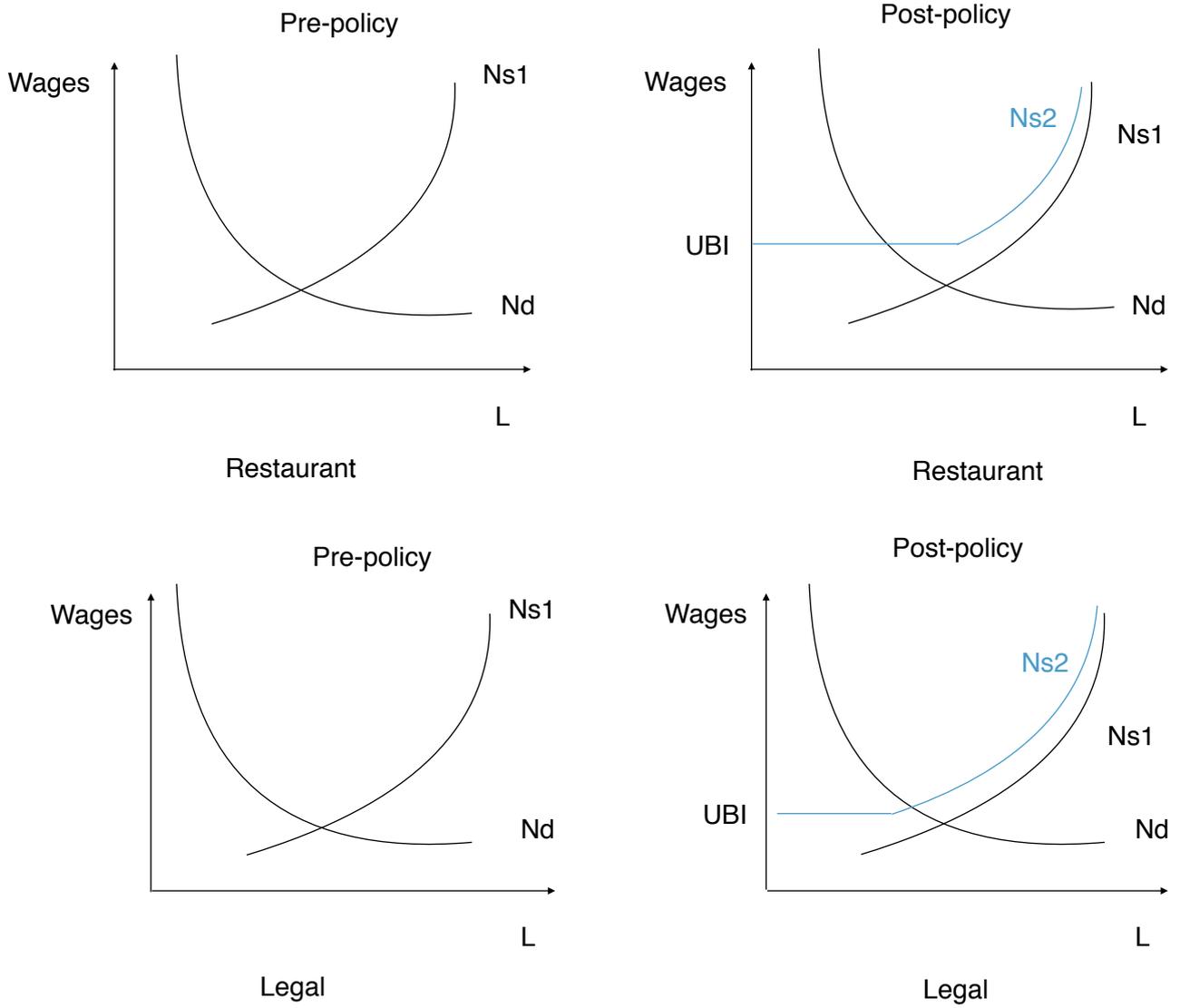


Figure 2

