

Introduction

My name is Jens Wamsler and I am a member of the board of BIEN Denmark.

Until three years ago, I worked in the Ministry of Social Affairs, where I calculated how social expenditures contributed to the national economy.

Since then, I have used some time to work with models to finance basic income in Denmark. Three of them I will introduce today.

- 1) A simple model to introduce basic income within a year.
- 2) A more advanced model to introduce basic income within 10 years.
- 3) A model partly financed by a carbon tax.

My reason recommending basic income is that I find it absurd that Denmark and many other countries want economic growth solely because they want more jobs and not because they want more material goods.

Growth is appropriate when a society needs more goods. Growth is absurd, when the only reason is to create new jobs.

Steady material growth is a threat to the environment.

For me, the most important human right is access to provide what is necessary to survive from nature.

Given how modern society is structured today, we do not all have access to this supply of natural resources.

Most land is systematically cultivated and not available for everyone.

Because of that and for protecting the environment, the access to nature is restrict.

Basic income is the obvious solution.

It will give compensation to members of society without access to the use of natural resources.

It will open up the possibility to find an optimal balance between the desire to produce more goods, the considerations towards the environment and people's free choice.

Possible sources to finance basic income

Basic income make most sense limited to instances where we can identify available resources, and keep the environment intact through proper replacement and maintenance of resources.

Could it be an idea to finance a basic income with a fee from landowners?

The problem is that ownership of land does not automatically guarantee an income.

Only a small part of the income derived from the land goes to the landowner in a society like the Danish one.

The income created from land goes to those who produce commodities for the consumers out of the crops, those who distribute the commodities and those who earn an income from the derived processes.

The financing of basic income must be based on a broader principle.

Another proposal has been to finance basic income by a foundation composed of land, infrastructure and accumulated knowledge over generations.

Basic income should then be a dividend of this community capital.

The idea is attractive. The problem is that this accumulated capital is not available money.

We haven't got an Uncle Scrooge money bin, where we can pick up the money.

If the Danish state were to accumulate a fund to finance basic income with an annual yield of let us say 10 percent, it would have to collect a tax at 10 percent of the GNP every year for 13 years (or alternatively 5 percent of the GNP every year for 19 years).

Workers should pay this tax, in order for the state to accumulate this fund by buying stocks, shares and bonds from the capitalist.

Such a project will not have many supporters.

We cannot live of land and capital without doing anything.

To get something out of it to survive on, someone has to work with it.

Working creates the values.

We have to take out some money from the circulation between worker, producer and consumer to be able to pay basic income.

Whatever we tax to pay basic income - the production, the consumption or the income — we tax values created by work.

Basic income financed by income tax – next year

To finance a basic income in Denmark I have chosen income tax as a starting point.

Mostly because, it makes it easy for everyone to see the consequences.

If we decide to realize basic income next year in Denmark, the challenge is to reduce the changes in available income for individuals to a minimum.

I therefore chose a basic income that equalize the lowest social benefit we have in Denmark, which is the one, designed for students and young social clients: 820 € a month.

I have assumed that the basic income is tax-free.

You pay tax for all other income with a uniform tax percent from the first €, you earn.

The taxpayer has the same tax deductions as he has to day.

Those who receive social benefits will continue to receive those benefits exceeding their basic income. All other public expenditures continue unchanged.

I have then calculated the tax that can finance that.

We will need a tax percent of 57,8. Today the average tax percent in Denmark is 41,3.

The calculations look like this:

Basic income 820 € at month to all over 17 year		-45 billion €
Reductions of social benefits	12 billion €	
Abolishment of personal allowance in tax	11 billion €	
Raise of tax percent to 57,8	22 billion €	
Improvements of public budget in all		45 billion €

I have a calculation sheet, where I can vary the basic income and the tax percent.

I also have a calculation sheet, where every citizen can find the individual effect of basic income.

Here you see examples of individual changes for wage earners when going from the existing system to a basic income system.

The income figures are € pr. year:

Nominal Income	Available income today	Available income with basic income	Difference in €	Difference in percent
6.710	6.634	12.848	6.214	93,7
11.675	9.753	15.137	5.384	55,2
20.129	15.022	18.705	3.683	24,5
26.838	19.557	22.079	2.522	12,9
40.258	28.830	29.138	308	1,1
53.677	37.193	34.801	-2.392	-6,4
93.935	57.607	51.790	-5.817	-10,1
134.192	76.669	68.779	-7.890	-10,3
268.384	140.209	125.408	-14.801	-10,6

As you can see, the low-income groups will get a higher available income, while the high-income groups will get less. The breaking point is between 40.000 and 50.000 € a year.

People with very high incomes will lose around 10 percent of their available income pr. year.

When I presented this model for the political party in Denmark, who are most interested in basic income, Alternativet, they were not satisfied.

They found that a general income tax rate over 50 percent was unacceptable.

There is a psychological barrier to a high tax rate, even though the basic income works in the opposite direction.

In addition, they found that a basic income of 820 € a month was too low.

Well – I just wanted to show, that it is possible to introduce basic income from next year, if we want to.

Basic income in 10 years – financed by income tax

An ideal basic income has to contain some simplifications of social benefits and tax calculation.

However, you cannot realize these from one year to the next without causing sudden changes in people's available income.

Therefore, I made calculations in a model, where we introduce basic income step-by-step over 10 years.

In this model, tax deductions and existing social benefits can be phased out, basic income raised to 875 € a month for 18-24 year-olds, 940 € for 25-29 year-olds and 1.075 for over 29 year-olds, and the tax percent can be kept under 50 except for incomes over 54.000 € a year, who today have a marginal tax rate over 50.

The calculations look like this:

Basic income		-57 billion €
Phase out of existing social benefits	23 billion €	
Phase out of tax deduction	21 billion €	
Raise of the general tax rate from 41,3 to 49,5	11 billion €	
Revenue of an extra tax at 10 percent for income over 54.000 €.	2 billion €	
Improvements of public budget in all		57 billion €

Basic income partly financed by carbon tax

To me, it is obvious that the phase out of social benefits and tax deductions must be part of a basic income solution.

But the raise in income tax rate is not obvious. Especially not the 11 billion resulting from raise of the general tax rate.

Could we find these 11 billion € in another way?

Because of the Paris-Agreement, we have to reduce our emission of carbon dioxide considerable in Denmark.

Therefore, it is obvious to look at how much a carbon tax can bring in.

The CO₂-e emission in Denmark is around 60 million tons pr. year. If we introduce a carbon tax on 24 € pr. ton and let it rise step-by-step to 240 € pr. ton in 10 years, and assume that this will result in a 25 percent decrease in emissions, the tax will bring a revenue at 8 billion € a year.

This does not include Danish emissions by international transport, while international agreement exempt international transport from the calculations of national emission.

Because the international transport makes a considerable contribution to the global CO₂-emission, it makes sense with a taxation of that activity too.

The Danish international transport has an emission of about 35 million tons pr. year, most of it through sea transport.

If we put a fee only on the emission from Danish sea transport, it will not result in less sea transport. Other nations will take over.

Instead, I propose a transport fee on commodities according to the length of the journey from the place of production to the place of consumption.

On average, I propose 1 € pr. kg. of goods from inside Europe and 2 € pr. kg. from other countries.

In that way citizen in Denmark, pay a fee for the CO2 emission whether the transport company is Danish or not.

This will give a revenue of 6 billion € a year.

Moreover, I have counted with a fee on aerial transport of goods and passengers, which make a revenue of 1 billion € a year.

Higher carbon tax in Denmark than in other countries will make Danish goods relatively more expensive.

Danish employees who will receive basic income without paying more in income tax will be better off.

I therefore assume that Danish employers and Danish employees can negotiate a lower wage, which will compensate the firms for their additional expenditure on carbon tax.

Then the Danish firms will not on average be worse off in competition with foreign firms. The Danish firms, which release more carbon than average, will be worse off. The Danish firms, which release less carbon than average, will be better off. This is exactly the intention with a carbon tax.

With these proposed carbon taxes generating a total revenue of 15 billion € a year it will be possible to finance a basic income at 940 € a month for 18-29 year-olds and 1.075 € for over 29 year-olds, and reduce the general income tax rate to 40 percent.

The calculations look like this:

Basic income		-58 billion €
Phase out of existing social benefits	23 billion €	
Phase out of tax deduction	21 billion €	
Revenue of an extra tax at 10 percent for income over 54.000 €.	2 billion €	
Carbon tax	15 billion €	
Reduction in wages for public employed	4 billion €	
Reduction in tax revenue because of lower wages	-5 billion €	
Reduction in general tax rate from 41,3 to 40	-2 billion €	
Improvements of public budget in all		58 billion €

My intention with these models has been to show, that it is possible to introduce a basic income in Denmark without making a revolution.

Surely, there are elements in these models, you do not agree with.

My intention has not been to present some ready-made solutions, but to present some tools you can use to find the model, you prefer for your country.