

MISSION METRICS:

Policy evaluation tools for cities to optimise learning for the green transition

Dr Craig Berry

Head of Policy & Associate Professor of Economic Policy

UCL InsMMen-GBlos(en-GB)/MCTvBor 64 (c)-16.38e3q(mi)-1 (L lu3.2 (os(endnB50428 Tm[H]-8.9 (e)-9 (a)-0.7 (d o)9.3 (f P)5)

prospect of a major programme of poverty alleviation while helping to rewire the economy. UBD would not ordinarily provide income at the same level as a typical model of Universal Basic Income, but may be more politically palatable.

- UBD funding mechanisms – based on recognising the value of common resources, or of public investment in the capitalist economy – would embody alternative frameworks for understanding how the economy functions.
- UBD's re-emergence as a potential tool of progressive economic governance has coincided with efforts to protect the natural environment from harmful economic

ultimately belonging to all.¹ The development of UBD has generally followed this path, that is, deriving universal payments from taxation of those who own and exploit natural resources for commercial gain.

The connection between UBD and natural resources helps to explain its recent resurgence, insofar as it is seen as part of a green transition which would better attribute the costs associated with environmental degradation. However, UBD can be employed to pursue purely social objectives, and many recent proposals envisage a range of funding sources, not solely taxation on natural resource use.

2. Why not Universal Basic Income?

A dividend is of course an income, and therefore UBD is ultimately a form of Universal Basic Income (UBI). UBI is often understood in the context of welfare provision: its focus is eliminating poverty, and its advocates argue it is more effective than contributory or means-tested systems of social security in this regard. UBD is designed to have an impact on poverty – depending on the level at which dividends are set – but whereas advocates of UBI in its most ambitious forms envisage funding via general taxation, the link between UBD funding and payments is much more specific (or hypothecated).²

consumption even as work is increasingly automated).⁸

There is certainly a case for understanding UBI as a policy instrument aimed at transforming capitalism, if used in conjunction with other measures such as reduced working hours. Interestingly, however, UBD (as a form of UBI) is more transformative by design (it is often seen as an example of 'post-capitalist' thought). If the mechanisms for financing UBD are focused on unearned profits or rent-seeking practices – which help to sustain inequality, and do not genuinely contribute to the economy's productive capacity – or on enabling the public to take an ownership stake in leading firms, then a UBD system may challenge prevailing accumulation practices. Again, this creates dilemmas around UBD becoming reliant on socially harmful economic behaviour – yet it is possible that, by transforming the economy in a progressive direction, rather than relying on redistributing the proceeds of growth, UBD payments may over time become less necessary to address poverty.

Furthermore, while most accounts of UBD encompass UBI-style cash payments to citizens, it is possible to imagine UBD systems whereby the dividend is *available* to all citizens, but only accessible for certain purposes. It might be available, for instance, for individuals to establish new businesses or social enterprises, invest in skills development, or contribute to a pension; it might also be available to those undertaking essential work which is under-remunerated by the market, such as care. Alternatively, the dividend may be essentially nominal: payments would be transferred to citizens' wealth funds (discussed further below), where each individual has an equal stake, but cannot withdraw their assets, instead participating in collective investments through democratic processes.

This is not to suggest that direct cash transfers via UBD are necessarily harmful for the economy. The available evidence suggests, for instance, that if such payments reduce inequality, or allow more people to enjoy financial security, the economy is likely to become more genuinely innovative.⁹ A key part of designing a UBD system will be understanding how it interacts with the wider socio-economic context.

5. Designing a Universal Basic Dividend

Inputs

There are two main ways in which to finance a UBD: taxation, and capital ownership. Generally speaking, funding via general taxation would be consistent with a UBI system, but not UBD, even if UBI payments are presented as 'dividends'

8 Jathan Sadowski, "Why Silicon Valley is embracing universal basic income", The Guardian, 22 June 2016, available at: <https://www.theguardian.com/technology/2016/jun/22/silicon-valley-universal-basic-income-y-combinator>.

9 Craig Berry and Nick O'Donovan, "Entrepreneurial egalitarianism: how inequality and insecurity stifle innovation, and what we can do about it", IIPP Working Paper, 2023, available at:

<https://www.ucl.ac.uk/bartlett/public-purpose/publications/2023/apr/entrepreneurial-egalitarianism-how-inequality-and-insecurity-stifle-innovation>.

10 As in Guy Standing's UBI proposals for the UK Labour Party. See Guy Standing, Basic Income as Common Dividends: Piloting a Transformative Policy, Progressive Economy Forum, available at:

https://www.progressiveeconomyforum.com/wp-content/uploads/2019/05/PEF_Piloting_Basic_Income_Guy_Standing.pdf

11 See <https://apfc.org/> for more information.

12 Iona Marinescu, 'No Strings Attached: The Behavioral Effects of U.S. Unconditional Cash Transfer Programs', Roosevelt Institute, 2018, available at: <https://rooseveltinstitute.org/publications/no-strings-attached-behavioral-effects-us-unconditional-cash-transfer-ubi/>.

Of course, these models are not designed to provide meaningful UBI-like payments, but rather to generate political support for climate action. This is a reasonable aim in itself, but demonstrates the dangers of establishing UBD systems with multiple or contradictory aims

To establish a genuinely redistributive UBD system, taxes on the profits of all large firms could be partially hypothecated to finance dividend payments. In these circumstances, it would be important to demonstrate that hypothecation would not undermine tax revenues available to finance public expenditure in general, or that the benefits of doing so outweigh the costs. Alternatively, UBD could be financed by windfall taxes on excess profits – but the irregular levying of such taxes could mean that dividend payments are irregular too. UBD could also be financed by new taxes on wealth or lifetime income. Wealth taxes could be specifically targeted on the ‘illegitimate’ accumulation of wealth, such as a rise in land and property values, which owners benefit from without creating real economic value.

The other main set of proposals for financing a UBD are more specifically linked to dividends, that is, returns on capital. As Yanis Varoufakis argues:

*'A common myth, promoted by the rich, is that wealth is produced individually before it is collectivized by the state, through taxation. In fact, wealth was always produced collectively and privatized by those with the power to do it: the propertied class. Farmland and seeds, pre-modern forms of capital, were collectively developed through generations of peasant endeavor that landlords appropriated by stealth. Today, every smartphone comprises components developed by some government grant, or through the commons of pooled ideas, for which no dividends have ever been paid to society... There is thus a strong case that the commons have a right to a share of the capital stock, and associated dividends, reflecting society's investment in corporations' capital.'*¹³

Accordingly, Varoufakis advocates a system whereby a percentage of the shares (i.e. capital stock) from every public offering is channelled into a Commons Capital Directory. The dividends that arise from share ownership would be transferred to citizens equally as a UBD. One of the main rationales for this system, according to Varoufakis, is that it would allow ordinary citizens to benefit even as large firms increase their profitability

13 Varoufakis, 'The universal right to capital income'.

6. Conclusion



-