

# No guarantees: A Finnish income plan and a Canadian lesson

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It is a seductive notion: Eradicate poverty and consolidate the myriad of welfare programs by paying everyone a basic income, whether they work or not.

Finland is poised to become the first country in the world to put the groundbreaking concept into practice. The government's plan, details of which are slated to be finalized next year, would see every adult citizen paid €800 (\$1,201) a month, with the cost partly offset by scrapping unemployment insurance and other benefits.

“For me, a basic income means simplifying the social security system,” Prime Minister Juha Sipilä said earlier this month.

Finland isn't the only place where this old idea is gaining traction amid angst about inequality, the plight of the working poor and dysfunctional welfare schemes that keep people from productive pursuits. The Dutch city of Utrecht recently began an experiment that will pay welfare recipients a basic living income. And next year, Switzerland will hold a referendum on a proposed 2,500-Swiss-franc (\$3,495) monthly income.

But the concept was first road-tested in Canada. A seminal but long-forgotten 1970s experiment in Dauphin, Man. (Pop. 8,251), remains one of the most extensive real-world trials of the universal basic income. A recession and changes of government in Ottawa and Manitoba would eventually kill the joint federal-provincial project, but its tentative findings inspired a generation of proponents.

For five years, poverty virtually disappeared in Dauphin. Contrary to conventional wisdom, giving money to the poor with no strings attached did not undermine the will to work.

And there were other potentially huge economic spinoffs. Boosting the income of the poor sharply reduced hospital visits and encouraged more young people to finish high school, according to research by health economist Evelyn Forget, a professor at the University of Manitoba.

“[The Dauphin experiment] ended in disarray because of political and economic upheaval,” Prof. Forget wrote in a recent paper in *Public Sector Digest*. “It is, perhaps, fitting that the success that it had in improving quality of life is being re-examined in the context of equally troubled times.”

Political interest in Canada is spotty and comes largely from the Left. During the recent federal election, the Green Party of Canada proposed a “guaranteed livable income” for all Canadians, but won just one seat. Justin Trudeau's Liberals endorsed a guaranteed basic income at a 2014 policy conference, but the idea was not among its election promises. Two Alberta mayors, Naheed Nenshi of Calgary and Don Iveson of Edmonton, have made similar proposals, which remain unfulfilled.

Some of the biggest fans have long been on the political right. They include icons of conservative economic thought Friedrich Hayek and Milton Friedman. Like Finland's centre-right Prime Minister, conservatives are instinctively drawn to the simplicity of replacing costly and bureaucratic means-tested social programs with a single payment.

But here's the catch: It all comes down to how much money society is willing to spend to lift 3.5 million Canadians out of poverty. Are voters willing to subsidize a true living wage? Going all the way is expensive. The Economist estimated that Switzerland's universal payment

plan would equal 30 per cent of GDP, funded by very high taxes.

In the Canadian context, the complex muddle of federal and provincial programs would make the creation of a universal income particularly tricky. Ottawa couldn't act without the provinces, who might jealously guard their turf in a wide range of social programs.

The beauty of the Manitoba model is that instead of paying everyone, it's neatly woven into the tax system as a negative tax targeted at the poor. Everyone is eligible for a guaranteed amount of money, but it is clawed back as

people earn additional outside income. In 1975, a family of two would get nearly \$5,000 a year – roughly the equivalent of more than \$20,000 today. The payment was then reduced by 50 cents for every dollar earned from other sources.

The Trudeau government's move this week to raise taxes on the 1 per cent and cut them for millions of middle-class Canadians has obvious political appeal.

But governments in Canada will have to think bigger next time if they're serious about tackling poverty and inequality.