



Push For Universal Basic Income Won't End, Despite Finland Experiment's Upcoming Conclusion

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Commiserations are in order for Finland's Basic Income Experiment. The government announced last month it was going to end the Universal Basic Income idea at the end of the year, instead of expanding it like the Social Insurance Institution of Finland aka Kela requested. It's sparked a variety of opinions with supporters like Leonid Bershidsky in Bloomberg and Antti Jauhiainen and Joona-Hermanni Mäkinen in *The New York Times* lamenting its planned end, while skeptics like Daniel J. Mitchell, writing at International Liberty says he's okay with the trial ending but is curious to see how the results turn out. The idea of an UBI isn't going to die anytime soon because the welfare system is failing, and governments are going to keep giving out cash to help the social safety net.

It should be pointed out Finland's UBI program was probably always going to end, especially after January's presidential election. "They did decide not to expand the experiment largely because the new government that's come in has decided to pursue a different direction with their welfare programs," Cato Institute Senior Fellow Michael D. Tanner told me while also noting it was a limited experiment to begin with. "They are moving to a more traditionally conservative direction: work requirements and restrictions on benefits."

The experiment itself may have been doomed to failure from the start. There are disagreements on whether the trial run was designed correctly because it only involved 2K Finns who were randomly selected from the unemployment roll. Tanner liked the idea because random assignment is "the best scientific method for determining how people stack up in one type of performance versus another" but other libertarian economists slightly objected.

"If you want to do a real basic income experiment you need to give it to more than unemployed people," Veronique de Rugy from Mercatus Institute said to me over the phone. "You need to apply it to a whole community and give it to everyone."

De Rugy's notion is something both proponents and skeptics of the UBI idea wish had happened. "We need to think big and try harder," Jauhiainen and Mäkinen argued in NYT with Tanner declaring he would have "been happier to see a much broader experiment." Jauhiainen and Mäkinen are obviously coming from a different viewpoint than de Rugy and Tanner, with the former desiring the government provide support to the so-called inactive population so they can "participate fully in society." The latter are more interested in getting rid of the state's paternalistic viewpoint of poor people "as if they're three years old and we parse them out an

alliance,” to quote Tanner. It’s still interesting to see them all in agreement on the idea of a larger group of Finns getting the cash, and perhaps it a notion which should be considered in future experiments.

It will be a while before we know the results of the UBI experiment in Finland because Kela won’t release them until 2019 or 2020. This isn’t stopping supporters of the UBI project from complaining about how little cash was handed out to those in the program- around \$669 today, but it honestly depends on the exchange rate. “It’s all but impossible to live on 560 euros in Finland,” Bershidsky grumbled at Bloomberg about the price of one bedroom apartments near the Finnish capital of Helsinki. “So the experiment’s designers settled on not really paying the UBI to the unemployed, who kept a higher level of government support — at least 32.4 euros a day for the first 400 days after losing a job. Only the working poor would benefit significantly from it.”

The facts are a little bit different. Kela’s FAQ on the program noted UBI recipients can still get housing benefits. Here’s how Kela calculates unemployment benefits for 2018.

Susan is applying for housing allowance for the period beginning 1 April 2018. She has a fixed-term employment contract from 1 April to 31 May 2018 for which she earns a salary of EUR 1,550 per month. After her employment ends, Susan will receive unemployment benefits from 1 June 2018 to 31 March 2019, which are estimated to total EUR 696.60 per month. She has no other sources of income.

That’s 833.06 Euros per month, if my math was correct, which means \$1500 per month. Finland benefits also include a Labor Market Subsidy, a Basic Unemployment Allowance of 400 days, disability, and sickness. Everyone in the UBI experiment could get these benefits, as well, depending on the calculation and qualifications.

“You would have to get rid of everything else,” de Rugy told me whilst discussing her theory on how to make a UBI work. “That includes the government laws that hinder the flexibility of the labor market so that’s minimum wage laws. That’s unemployment benefits. All of that stuff. It’s not just housing programs...and you’d have to make sure it never comes back.”

It’s doubtful any government would ever consider this because government trends are to soak up as much money as possible to fund whatever program it can. It’s probably one reason why de Rugy and Tanner would be hesitant to design any time of UBI program for the U.S.

“I wouldn’t,” de Rugy declared despite understanding James Buchanan’s Generality Principle of democracy. “It just bothers me because first the cost would be tremendous...For this to work you really, I can’t stress enough how, you really have to get rid of everything else.

“If we have a UBI it should replace the existing welfare system,” Tanner argued, but noted it was something those studying the issue really battle over, like the Light and Dark Elves in Norse mythology. Some want it to be additional income while others- aka Tanner and de Rugy- want it to replace the system. “In order to make it affordable I think what you’d have to do is have a phaseout. Something a negative income tax, as Milton Friedman has talked about or that Charles Murray has basically proposed. Something essentially that phases this out as people earn additional income...Can you find a way that the phaseout doesn’t discourage work, but it still remains affordable, in terms of the budget.”

This is going to be the big philosophical argument as reformers look to solve the current system. *The Economist* noted there are other UBI trials going on worldwide with Ontario planning a 4K person study, while Scotland is planning its own pilot programs. A Universal Basic Income may sound good in principle but the risks of it going askew are a real issue. The current welfare system needs to be thrown out, but the replacement can't be something which keeps the government out of the issue as much as possible, if not completely.