

SASE Conference 2018
Doshisha University – Kyoto, 23-25 June

BASIC INCOME IN THE DEBATE BETWEEN PRE-DISTRIBUTION AND POST-DISTRIBUTION POLICIES. CONSEQUENCES TO TAX POLICY

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BASIC INCOME IN THE DEBATE BETWEEN PRE-DISTRIBUTION AND POST-DISTRIBUTION POLICIES. CONSEQUENCES TO TAX POLICY

1. Pre-distribution or post-distribution?
2. Tax justice.
3. Taxes, pre-distribution and Universal Basic Income (UBI).
4. Conclusions.

1. PRE-DISTRIBUTION OR POST-DISTRIBUTION?

- Traditionally, welfare policies have had the objective of redistribution of wealth and resources.
- Nowadays there is a debate between pre-distributive or post-distributive public policies.
- **Post-distributive** policies:
 - Market as the best way to distribute resources.
 - After market distribution, State acts giving resources to those who are in worst position.
 - Employment plays a central role. Labor market is considered a good institution to distribute wealth and incomes.
 - Selective policies.
 - Instruments of redistribution: taxes and benefits.
 - Some degree of equality of welfare: sufficientarianism.

1. PRE-DISTRIBUTION OR POST-DISTRIBUTION?

- Pre-distributive policies:

- Equality of opportunities.
- State does first distributive policies and market acts after the State.
- Not so job-oriented although the objective is giving capabilities to obtain a job.
- Universal policies (education, health protection, basic grant...)
- Same instruments of redistribution: Taxes and benefits. However, the moment is different and the type of taxes.
- Hard concept of equality.

- Are they so different?

This debate originates because in the last decades welfare institutions have not achieved more equality. Inequality has increased:

Before taxes: more differences in salaries (working poor, precarity, low salaries...).

After taxes: tax reforms have benefited rich people.

1. PRE-DISTRIBUTION OR POST-DISTRIBUTION?

- Redistribution has two types of instruments: pre-distribution and post-distribution policies.
- Traditionally Welfare States have paid more attention to post-distribution.
- The objective of Welfare States is to achieve some level of equality (as a political principle of democracy). Not only equality of opportunities but also equality of welfare.
- The debate is not real if we think that they are alternatives. By the contrary, the debate might be focus on the viability of pre-distributive and post-distributive policies that combined could achieve the objective of a more egalitarian society.
- 3 elements: **taxes, cash benefits, in kind benefits**. A theory of practical justice must reflect the way to combine these elements.

2. TAX JUSTICE

- Tax systems are the central institution to put in practice the liberal egalitarian theories of justice. Although libertarians discuss the justice of taxes, security of the markets depends on taxes. There is a strong connection between freedom and taxes.
- A society is fair only if it is fair the way we obtain the resources (what we tax and with what extension) and also the way we distribute those resources.
- Principles of tax justice:
 - a) *Economic capacity*: ability to pay (actual economic situation or in accordance to competence to earn).
 - b) *Equality*: like-situated people must be burdened equally and unlike people must be burdened unequally.
 - c) *Progressivity*: taking proportionally more from those who have more.
 - d) *Generality*.
 - e) *Non confiscatory*.

2. TAX JUSTICE

Is UBI pre-distributive or post-distributive institution?

- Prevents poverty. It grants a equal minimum for everybody. But it does not reduce the natural inequalities.

- A Basic capital or a continuous basic income?

 - BC is clearly a pre-distributive institution.

 - UBI paternalistic institution but not palliative, also pre-distributive but not so pre-distributive as BC.

- Depends on the combination with the way of financing UBI (tax policy): which taxes to finance UBI?



3. TAXES, PRE-DISTRIBUTION AND UBI

- Which taxes are pre-distributive? Are not taxes always post-distributive? One wealth exists (and it is distributed) we tax it and distribute what we obtain among worst situated members of society.
- UBI has traditionally received the exploitation objection. This critic assumes that BI would be financed through income taxes (mostly, wages)- Van Parijs' *Real Freedom for All* when he talks about jobs as a scarce resource.
- The objective of pre-distribution is to distribute equally a group of assets, natural resources, talents, etc., that are distributed unequally in order to achieve a deep level of equality of opportunities.

3. TAXES, PRE-DISTRIBUTION AND UBI

Tax	It taxes...	Pre-distributive or post-distributive?	Adequate to finance UBI?
Environmental taxes	Common asset, that is not equally distributed.	Pre-distributive: they restore the right to an equal part of those assets	
Income tax	Salaries won by the effort of people. Different capabilities linked to the level of salaries.	Post-distributive: reduce the inequality of salaries. If equality of opportunities exists, does it makes sense?	
Inheritance tax	Wealth received that is not the result of personal effort.	Pre-distributive: equality of opportunities.	
Consumption tax and VAT	Use of wealth. Depends the origin of that wealth.	Regressive: very limited distributive effect.	
Wealth tax	The use of part of the assets are not the result of our options (knowledge, scientific and technological advances... <i>Commons</i>).	Pre-distributive: it guarantees an equal right to use.	
	Result of our options and effort.	Post-distributive	
Taxes over the use of machines	The replacement of men by machines due to technological knowledge	Pre-distributive: it is oriented to equality of opportunities	

3. TAXES, PRE-DISTRIBUTION AND UBI

- Only a limited number of taxes are pre-distribution oriented and they are the less important in volume of tax collection.
- UBI has a clear pre-distributive objective: real freedom for all, equality of opportunities to do whatever you want to do.
- When we talk about pre-distribution or post-distribution the time-line has to take into account: there is not a zero point from which we can analyze the inequalities and their origin.
- In consequence, we have to focus our attention in the objective: achieve a deep level of equality of opportunities. To achieve that, it is necessary to combine:
 - **Traditional social policies of Welfare States** as education, lodging, health... Some pre-distributive, other post-distributive.
 - **UBI** as a continuous base-line of security and opportunities for everybody.
 - **Taxes**: main taxes are post-distributive but combining pre and post-distributive taxes with pre-distribution policies we can achieve the objective of equality of opportunities.

4. CONCLUSIONS

1. The main objective of pre-distributive policies is equality of opportunities. Traditionally WS has been focused in post-distributive policies. In the last years these policies have not reduce inequality correctly.
2. Pre-distribution and post-distribution policies are the two sides of a same objective: reduce inequality. It is necessary to examine tax policy combined with them.
3. UBI, although is a paternalistic policy, is clearly pre-distributive oriented. However, it is necessary to choose the correct way of financing it in order to preserve this pre-distributive feature.
4. The more coherent taxes to finance UBI would be: environmental taxes, inheritance tax and wealth tax when it taxes the use of commons.

THANK YOU VERY MUCH

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