

Is Global Basic Income Economically Feasible? ; Restructuring the Globalised World Industry or Global Division of Labor by Introduction of Global Basic Income

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Introduction

On the feasibility issues of Global Basic Income (GBI), Frankman 2002, 2004a, 2004b, 2005, 2008 had already discussed with some calculations based on the global income distribution study of Milanovic 2002. Also the website of Global Basic Income Foundation (Founded in 2000 and its website is since 2004) has excellent FAQ pages in which is found an answer to “Q: How can a GBI be financed?” along with links to previous ideas, ex. the global taxation proposal of Robertson 2005, Earth Dividend System of Heeskens 2005, etc.

What I would like to address here is to raise a new issue which was not included in the typical answer of Global Basic Income Foundation: FAQ, to “Q: If people don't have to work anymore, who would do the work that must be done?” The answer of GBI Foundation is as follows: “...the fear...is unjustified. First of all because people have their own work motivation. Secondly, because a basic income would only be enough for basic needs. ... Hard, low-paid work that people wouldn't want to do anymore doesn't constitute a problem. We should let the free market do its proper work. This means that working conditions will be improved and salaries raised until the supply - the number of people willing to do the job- matches the demand again.”

The last sentence of the answer is about restructuring of the globalised world industry or global division of labor. I agree with the second last sentence as far as it is not concerned with basic needs. However, in a globalised, interdependent, contemporary economy, most people (especially in Japan) seem to have reasonable fear about sudden shortage of goods for basic needs, if GBI will be introduced. Therefore, we should have a reasonable prospect for supply of goods for basic needs, i.e. a prospect for restructuring of the globalised industry after introduction of GBI, by analyzing the present globalised industrial structure.

I would like to show an example according to the following methodology, using mainly official statistical data of the ILO and the United Nations, etc.

However, I will only concentrate in the primary stage of GBI, which is different from the full GBI, in this paper.

1. The First Step to Global Basic Income; 1 \$ per person per day

The Global Basic Income Foundation proposed to allocate 1\$ per person per day for each human being on this globe from the year of 2015, as the first step to the full global basic income (the 1st GBI). Table 1 shows its detail.

Table 1 Allocation of the First Step Global Basic Income(1st GBI), based on data of 2006

GBI/GNI Countries	Population capita*	Allocated 1st GBI total (2006 \$) billions)	Gross National Income (2006 millions) (\$ billions) (%)	GNI per capita (2006 \$)	1st per (2006 \$)
World	6,538.1	2,386.4	48,694.1	7,448	4.9
High Income Countries	1,030.7	376.2	37,731.7	36,608	1.0
Low & Middle Income Countries	5,507.4	2,020.2	10,997.7	1,997	18.3
East Asia & Pacific	1,898.9	693.1	3524.7	1,856	19.7
Europa & Central Asia	460.5	168.1	2217.1	4,815	7.6
Latin America & Carib.	556.1	203.0	2661.2	4,785	7.6
Middle East & N. Africa	310.7	113.4	778.8	2,507	14.6
South Asia	1,499.4	547.3	1,151.3	768	47.5
Sub-Saharan Africa	962.6	351.3	647.9	829	44.0

*Calculated as the 1st GBI per capita=365\$ per year=1\$ per day.
 High Income Economies: GNI per capita of \$11,116 or more in 2006.
 Middle Income Economies: ditto, more than \$905 but less than \$11,116.
 Low Income Economies: ditto, of \$905 or less.
 [Sources] The World Bank, *World Development Indicators 2008*, pp.16-17, p.42

Big difference according to the size or productivity of the economy is striking. The 1st GBI is only 1 % of GNI per capita for High Income Economies, but almost half of GNI per capita for South Asia and Sub-Saharan Africa.

2. The Second Step to Global Basic Income; \$1000 per person per year
 Frankman[2004] proposed another schema to allocate \$1000 per

person per year as a step to full global basic income. We may call it as the second step to global basic income(2nd GBI). Table 2 shows the detail.

Table 2 Allocation of the 2nd Step Global Basic Income(2nd GBI), based on data of 2006

GBI/GNI Countries	Population Allocated 2nd GBI total capita* (2006 \$) billions)	Gross National Income (2006 millions) (\$ billions) (%)	GNI per capita (2006 \$)	2nd per
World	6,538.1	48,694.1	7,448	13.4
High Income Countries	1,030.7	37,731.7	36,608	2.7
Low & Middle Income Countries	5,507.4	10,997.7	1,997	50.1
East Asia & Pacific	1,898.9	3524.7	1,856	53.9
Europa & Central Asia	460.5	2217.1	4,815	20.8
Latin America & Carib.	556.1	2661.2	4,785	20.9
Middle East & N. Africa	310.7	778.8	2,507	39.9
South Asia	1,499.4	1,151.3	768	130.2
Sub-Saharan Africa	962.6	647.9	829	120.6

*Calculated as the 2nd GBI per capita=1,000\$ per year=2.74\$ per day

[Sources] The World Bank, *World Development Indicators 2008*, pp.16-17, p.42

Also striking is the difference according to the size or productivity of economy. For high income economies, 2nd GBI is still 2.7% of GNI per capita. We might say, it is quite a big sum for every day consumption, but still negligible level as a security measure for life planning.

However, it is exactly half amount of the average GNI per capita for Low and Middle Income economies. It will effect very much for the individual behavior of each person in the area. Moreover, for South Asia and Sub-Saharan Africa, it is more than average GNI per capita. It means regional total 2nd GBI transfer is bigger than the regional total GNI.

Let us think about the economic consequences of those effects caused by introduction of the 1st and 2nd GBI.

3. Economic Consequence of the 1st and 2nd GBI

The 1st GBI corresponds to the international poverty line of \$1 per person per day as "extreme poverty", and the 2nd GBI does to the

international poverty line of \$2 per person per day as “poverty”. Each step of GBI is intended to eliminate the poverty step by step.

Table 3 shows the targeted population and its geographical distribution, also with the contribution of those people to the global total of gross domestic products (GDP).

Table 3 People below the two international poverty lines and regional share of global GDP

Countries	Total Population (2006 millions) (2005 billion\$)	Below \$1PPP Poverty line (2004 billions) (2005 billion\$)	Below \$2PPP poverty line (%)**	GDP (2004 billions) (%)*
World	6,538.1	986	18.4	44,645.4
High Income Countries	1,030.7	34,687.1
Low & Middle Income Countries	5,507.4	986	18.4	9,969.6
East Asia & Pacific	1,898.9	169	9.0	3,040.0
China	128	9.9	452	2,234.3
Europa & Central Asia	460.5	4	0.9	46
Latin America & Carib.	556.1	47	8.6	121
Middle East & N. Africa	310.7	4	1.5	59
South Asia	1,499.4	462	32.0	1,124
Sub-Saharan Africa	962.6	298	41.1	522

*Ratio to the regional total population.

**Ratio to the world total GDP.

[Sources] The World Bank, *World Development Indicators 2007*, Table 2-6, 4-2

Here, again we can see the big difference of the size of economies. Almost half of the world population is under the international poverty line and one fifth is in extreme poverty. But the share of the GDP from the regions of those poor people live is very small. The figures of South Asia and Sub-Saharan Africa are striking.

From Table 4, we can get some images about structure of the output from those regions where so many poor people live and work. It shows relatively high contribution of agricultural sectors of Low and Middle Income Economies to the world population. But still half of the world total agricultural output is from the High Income

countries. It means that the High Income countries have enough productive power even in agricultural sector in order to feed their own population. Therefore, restructuring the present global division of labour by introduction of 1st and 2nd GBI is not destructive or devastating for the High Income Economy. High Income countries are not too much dependent to the low & Middle Income countries economically. It is challenging but a challenge for a better world based on better division of labour.etc. However, we had better focus not to all the population in the Low & Middle Income countries but only to the poor people in the region.

Table 4 Structure of Output, 2005

Countries	Agriculture	Industry	Manufacturing	Services
	(billions\$)(%)*(%)**	(billions\$)(%)*(%)**	(billions\$)(%)*(%)**	(billions\$)(%)*(%)**
World	1,785.8 4 100	12,500.7 28 100	8,036.2 18 100	30,805.3 69 100
High Income	693.7 2 49	9,018.6 26 72	5,896.8 17 73	24,974.7 72 81
Low & Middle Income	1,096.7 11 61	3,688.8 37 30	2,193.3 22 27	5,184.2 52 17
East Asia & Pacific	395.2 13 22	1,398.4 46 11	972.8 32 12	1,246.4 41 4
China	290.5 13 16	1,072.5 48 9	759.7 34 9	893.7 40 3
Europa & Central Asia	176.1 8 10	704.4 32 6	396.2 18 5	1,320.7 60 4
Latin America & Carib.	196.9 8 11	836.7 34 7	295.3 12 4	1,452.0 59 5
Middle East & N. Africa	75.0 12 4	250.1 40 2	87.5 14 1	300.1 48 1
South Asia	193.1 19 11	274.4 27 2	162.6 16 2	548.8 54 2
Sub-Saharan Africa	105.7 17 6	199.0 32 2	87.1 14 1	323.4 52 1

*Ratio to the regional total GDP.

**Ratio to the world total GDP of the sector.

[Sources] The World Bank, *World Development Indicators 2007*, Table 4-2

Table 5 shows a simple example of calculation about contribution of the poor people to GDP in each region. (D) and (E) shows the contribution of “extreme poor” and “poor” people in GDP of each region.

If all the “extreme poor” or “poor” people decided to quit from any kind of economic activities, the global GDP loss will be 4.1% in case of only “extreme poor”, and 10.7% in case of all the “poor” people. It is within the range of annual growth rate. We might say it can be affordable cost for human rights.

Table 5 Contribution of the poor to GDP

	(A)	(B)	(C)	(D)	(E)		
	% of number	% of number	GDP		= (A)x(C)	=	
(B)x(C)							
	of the poor	of the poor	in the region				
	below \$1PPP	below \$PPP					
Countries	in the region	in the region					
	(%)*	(%)*	(billion\$)(%)**	(billion\$)(%)**			
(billion\$)(%)**							
World	18.4	47.7	44,645.4	100	...	100	...
High Income	34,687.1	77.7			
Low & Middle Income	18.4	47.7	9,969.6	22.3	1,834.4	4.1	
4,755.5	10.7						
East Asia & Pacific	9.0	36.6	3,040.0	6.8	273.6	0.6	1,112.6
2.5							
China	9.9	34.9	2,234.3	5.0	221.2	0.5	779.8
1.7							
Europe & Central Asia	0.9	9.8	2,201.2	4.9	19.8	0.0	215.7
0.5							
Latin America & Carib.	8.6	22.2	2,461.0	5.5	211.6	0.5	546.3
1.2							
Middle East & N. Africa	1.5	19.7	625.3	1.4	9.4	0.0	123.2
0.3							
South Asia	32.0	77.7	1,016.3	2.3	325.2	0.7	789.7
1.8							
Sub-Saharan Africa	41.1	72.0	621.9	1.4	255.6	0.6	447.8
1.0							

*Ratio to the regional total population. 2004.

**Ratio to the world total GDP. 2005.

[Sources] The World Bank, *World Development Indicators 2007*, Table 2-6, 4-2

4. Some policy issues on Military Expenditure and ODA

Table 6 Military Expenditure and ODA, 2006

Countries	Military Expenditure	Armed Forces	Arms Transfers	ODA		Net	
	% of GDP (%)	Personnel (thousands)	(%of Labour Force) 1990 prices)	Exports (\$millions)	Imports (\$millions)	ODA (\$millions)	per capita GNI (\$)
World	2.5	27,030	0.9	22,904	26,241	105,292	16
High Income	2.6	5,599	1.1	15,176	12,199	40	0
Low & Middle Income	2.1	21,431	0.9	7,728	14,042	105,252	19
East Asia & Pacific	1.8	7,535	0.7	572	4,250	7,888	4
China	1.9	3,605	0.5	564	3,261	1,245	1
Europa & Central Asia	2.9	3,434	1.6	6,975	1,560	6,224	14
Latin America & Carib.	1.3	2,281	0.9	6	2,412	6,923	12
Middle East & N. Africa	3.5	3,479	3.1	49	2,399	16,778	54
South Asia	2.7	4,121	0.7	11	2,247	9,277	6
Sub-Saharan Africa	1.3	582	0.5	115	1,174	40,516	52

[Sources] The World Bank, *World Development Indicators 2008*, Table 5-7, 6-14

5. Theoretical Issues about Full GBI

[Reference]

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