

Budgeting for a Universal Basic Income in Israel

Introduction

Neoliberal policies have enabled inequality to reach extreme levels since the 1980s. Today 26 of the richest people own as much as the poorest 50% of the world. Inequality has been shown to have dire effects on health, education, and social mobility (Wilkinson and Pickett 2009). Most troubling is the cycle by which economic power garners more political power, which leads to potential more economic power and so forth.

UBI is a key policy aimed at significantly reducing economic inequality in an effort to improve citizen's quality of life by supplying a no means tests grant to every citizen, on an individual basis. While no country has yet to implement a full UBI program, the recent limitations imposed by the Covid-19 lockdowns have urged many to reassess this unique proposal in an attempt to guarantee citizens stay even the direst of economic storms.

Theory

UBI is expected to decrease the Gini-coefficient, allowing for a more egalitarian society (Figure 1).

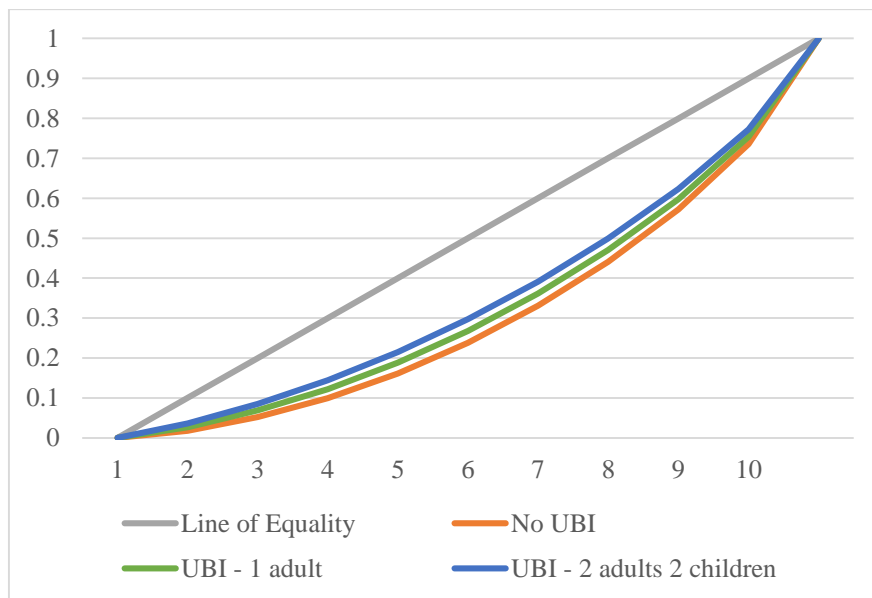


Figure 1

While many proponents of UBI argue its benefits, such as improved health and greater sense of economic freedom and security, many have been stumped with the question of finding resources for

the program. I argue that previous studies lack the understanding the implementing UBI will lead to a dramatic shift in government's role, thus justifying a large change in current budget expenditures. Therefore, this study adds an additional funding source, the current governmental budget, to increase the amount of the UBI grants proposed by other researchers. This is done in an objective to allow the maximal possible grant, while remaining budgetarily sustainable over the years, to reap the maximal proposed benefits of UBI programs.

Over the last semester, I have worked on understanding the potential budget sources for a UBI program, and the effects such a program could have on inequality, particularly in Israel.

Israeli case study

Israel is an appropriate case study for this research as it is one of the poorest OECD nations with high inequality (Ben-David and Bleikh 2013). This suggests that if UBI can be successfully implemented in Israel than funding could likely also be found in the richer OECD countries as well. Furthermore, in recent decades Israel's expenses on social welfare has decrease, with the system becoming less universal and more reliant on means-tests (Natanzon, et al. 2017), meaning that it could benefit greatly from the implementation of UBI. Coinciding with this, the government's budget has expanded greatly, without any correlation to the increase in population (Figure 2). This means that there is currently a potential waste of expenses which could be redirected to fund a UBI.

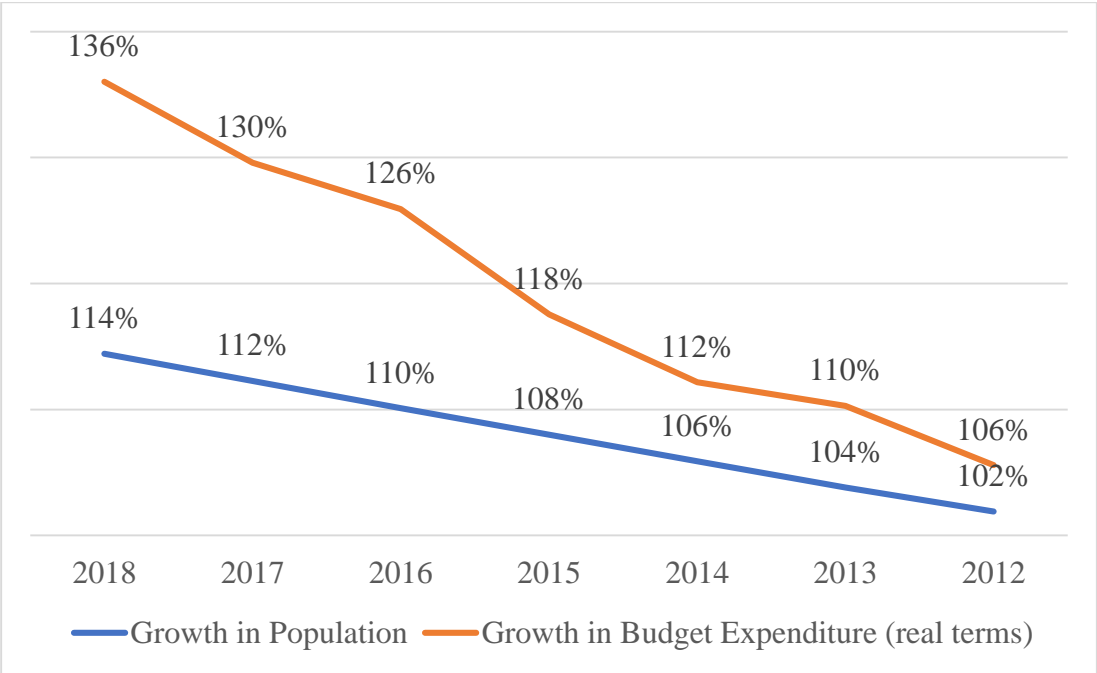


Figure 2

This work aims to prove that UBI can be funded from existing resources in the Israeli economy, adding to studies which already suggest funding methods such as taxation and cuts to the National Insurance Institute. I will add to the existing funding methods by examining the governmental budget articles that can be repurposed to fund UBI, defined as those which adhere to one of the following: (1) they have been significantly overfunded compare to the population size without any real improvements in services provided, or (2) they will become obsolete in a nation post the implementation of UBI.