Implications of basic income policies for long-term climate goals

Topic: Special Session - Assessing Industrial, Trade and Green Transition Policies Through SFC-IO Models
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The transition to a sustainable and low-carbon economy presents social and economic challenges that require new policies to ensure minimum standards of living for everyone and to reduce inequalities. In this context, a universal basic income policy can support individuals and communities during the green transition. However, implementing this policy can create a fiscal burden, leading to higher deficits and increased debt if not compensated by greater tax revenues. In this regard, progressive tax reforms aimed at raising revenues from the better-off individuals of the society, such as a wealth tax, might provide the funding required for the implementation of the universal basic income while further decreasing inequality. Nevertheless, a universal basic income can have negative feedback effects on climate goals by promoting consumption and economic growth. To mitigate this trade-off between reducing inequality and greenhouse gas (GHG) emissions, a carbon tax that helps to internalize the external costs of carbon emissions might be introduced as part of the tax reform. To investigate the impact of these policies, we used the Within Limit Integrated Assessment Model WILIAM, a macroeconomic multi-regional input-output model that integrates physical energy, material flows and constraints, as well as climate change damages. Our simulations reveal that these policies substantially reduce inequality but can only partially prevent the negative feedback effects on environmental variables. We discuss the factors behind the potential trade-offs between environmental and equity goals and provide recommendations for policy design and future research.