

Universal Basic Income (UBI) versus Universal Basic Services (UBS) in a Kaleckian Model

by

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Abstract: Heterodox macroeconomic models are usually preoccupied with concerns other than social policy. Recently, Bhaduri (2020) put social policy at the center of Kaleckian-type model where he operationalized it by using social wage as the autonomous component of private investment function. Bhaduri's model provides a framework to include social policy and demonstrates how higher profits shares can be reconciled with a higher social wage within the context of reconciling political democracy with the economic one. In this paper, we hope to improve Bhaduri's contribution in two ways. First, we modify Bhaduri's model by situating social wage within the fiscal space (i.e., taxes and transfers) by taking account in-kind and cash benefits in addition to investment form of social wage. By doing so, we could explain newly emerging trends of the net positive social wage in the post-2001 era (vs. small or zero net social wage in the pre-2001 era) in the US, which is attributed to a combination of factors including the growth of income support, healthcare inflation, neoliberal tax reforms, and macroeconomic instability in the post-2001 era of the US economy. Second, we can accommodate the two contending ideas in social policy making, universal basic income (UBI) and universal basic services (UBS), by building on the modified version of the model in the first step. This allows us to demonstrate a range of social policy practices with their aggregate impact for a capitalist economy with various Kaleckian characteristics such as wage or profit-led with or without conflict, etc.

Keywords: social policy, social wage, universal basic income, universal basic services, Kaleckian macroeconomic model

JEL Codes: B5, E1, E6, H4, H5, I3, P1,

I. Introduction: Heterodox macroeconomic models are usually preoccupied with concerns other than social policy or a component of it (e.g., the future of social security). Including social policy in macroeconomic models can be helpful to draw some analytical conclusions with respect to political economy of social policy. Bhaduri (2020) recently provided such a model and framework. In his model, he investigates the interplay between raising the social wage in the wage-led vs profit-led modes of capitalist democracies to demonstrate how higher profits shares can be reconciled with a higher social wage as well as how political democracy is reconciled with economic one. Since he defines the social wage as "various types of public or community investments aimed at expanding, rationalizing or modernizing social welfare benefits," the social wage is treated autonomous component of investment function representing public goods ("e.g., providing better schooling and health care facilities and greening of working-class areas") in the tradition of saving-equals-investment approach. From this perspective, Bhaduri's model demonstrates the long-term (and thus growth) impact of declining role of government in investing in and provisioning of public goods especially in the neoliberal globalization period during which the welfare state has been on a declining path across the world.

Can we answer relevant but different questions inspired by the empirical literature on net social wage as well as the ongoing policy debates between UBI and UBS? Bhaduri's theoretical framework and model provide us with an opportunity to examine different policies toward the social wage under two different regimes of accumulation (i.e., wage-led vs. profit-led). However, since the model is aiming to explain long-term trends and consequences of declining social wage from the saving-investment approach where the social wage strictly defined as a public good and thus investment, it does not explicitly consider the role and impact of the social wage in consumption of workers through in-kind and cash transfer components of the social wage (i.e., social insurance and social assistance transfers). We think that if we consider all three components of the social wage (i.e., social insurance transfers, social assistance transfers, and public goods), Bhauri's theoretical framework can be improved and aligned with the empirical research on the net social wage that present emerging trends about the net social wage that have not seen before and defying the traditional categorization in social policy (such as Esping-Andersen's (1990) famous typologies of welfare states). Moreover, this modification can also help us developing a theoretical framework to discuss the relative advantage and disadvantages of universal basic income (UBI) and universal basic services (UBS), the two contending but not necessarily mutually exclusive proposals to tackle ever increasing inequities and inequalities across the globe since the 1980s.

The recent and closely related empirical studies define *the net social wage* as the difference between total labor benefits (in cash as well as in kind) minus total labor taxes (Moos, 2018; Maniatis and Passas, 2019). They offer different trends in relatively more generous welfare states of Europe and that of more conservative of US. For example, while the net social wage was negative in eight out of nine European countries, adverse economic conditions and aging made the net social wage ratio less negative between 1995 and 2005 (Maniatis and Passas, 2019). On the other hand, Moos (2018) updated Shaikh and Tonak (2002) study of the net social wage and observed that it is positive in the post-2001 era (vs. small or zero net social wage in the pre-2001 era) in the US. She attributed these results to a combination of factors including the growth of income support, healthcare inflation, neoliberal tax reforms, and macroeconomic instability in the post-2001 era of the US economy. Accordingly, in this paper, first, we would like to modify Bhaduri's Kaleckian model (2020) by including consumption functions by social classes so that we can consider the social wage in its entirety. In the model, we aim to place the net social wage explicitly within the fiscal space (i.e., taxes and transfers) to explain newly emerging trends of the net positive social wage in Europe and US.

In addition to the research on the net social wage in various versions of the welfare state, there has been a revival of an old idea as inequality and poverty rises and more jobs are lost to the automation: universal basic income (UBI). With various pilot projects across the globe at the moment, UBI has gained and lost and regained its fame throughout the history among the opposite sides of political and economic thoughts (Tory, 2019). While Friedman's 'negative income tax' idea represents one of the ideas in the political right and conservative movement (see Vargas, 2022), the unconditional and universal basic income in addition to the existing benefits (Parijs, 2018) could be labeled as the left and/or progressive. At the same time, there is a major contending proposal on the table, 'universal basic services (UBS),' proposed first by the Institute for Global Prosperity (IGP) (2017) of University College London. Gough (2019, 534), an eminent social policy expert, provided a theoretical justification for UBS based on his "human need theory and the concept of provisioning systems" by defining such services as "a wider range of free public services that enable every citizen to live a larger life by ensuring access to certain levels of security, opportunity and participation." As a result, the second and chief goal of this paper is to compare and contrast these two major and contending social policy proposals, UBI and UBS, with the help of a modified version of Bhaduri's model.

To achieve these goals, the paper proceeds with a summary of Bhaduri's model (2020). This would be followed by a modification of the same model by considering taxes as well as cash and in-kind transfers. We call it the baseline model. Next, we introduce UBI-Left and UBI-Right models according to their key defining characteristics in terms of transfers and investments for public goods and/or services. Finally, we introduce a model for UBS proposal that is followed by a critical discussion of relative merits and weaknesses of each proposal within a Kaleckian macroeconomic modeling framework.

II. Bhaduri's model (2020) and its modification: Recently, Bhaduri (2020) put social policy at the center of Kaleckian-type model where he operationalized it by using social wage as the autonomous component of private investment function. Bhaduri's model provides a framework to include social policy and further provides contexts in which how higher profits shares can be reconciled with a higher social wage as well as how political democracy is reconciled with economic one. In the traditional, IS-LM framework, the model begins with the equilibrium condition where investment is equal to saving with no government activity and foreign trade:

$$I = I(z, h) = S = shz, 1 > s, z, h > 0 \quad (1)$$

where s = propensity to save out of profit with no saving out of wage; $z = (Y/Y^{\max})$ = degree of capacity utilization and $h = (P/Y) =$ share of profit.¹

Bhaduri explains his understanding and conceptualization of social wage in the following way (2020, 3)

“It might be investment undertaken by the local community for non-market distributive or other objectives, or by private corporations as their ‘social responsibility’ and public relations efforts.”

The government's role is explained in the same paragraph as the following.

“In so far as the government is concerned..., it would usually be the major player. Its expenditure may be funded from the current (including regular expenditure of social welfare and other subsidy items...) or the capital account (investment items) of the budget for expanding the capacity and delivery of welfare services. These expenditures affect the level of the ‘social wage’ made available in various direct and indirect ways to members of society. If it is available to all, it affects the living standards of the general public. When targeted exclusively at workers, wage net of tax minus subsidy received by the working class becomes the relevant variable. When the benefit is universal, the working class is either subsidizing or being subsidized by a wider scheme involving taxes and subsidies for the general public.”

Bhaduri suggests three different interpretations of benefits side of social wage from the perspective of the nature of spending, and types of benefits and beneficiaries, respectively. From the perspective types of services and their beneficiaries, “‘social wage’ made available in direct way” could consist of [i] social insurance (e.g., pension, unemployment insurance, etc.) and [ii] social assistance (e.g., welfare payments) transfers; and “‘social wage’ made available in indirect way” could be simply what is known as [iii] public goods (e.g., education, public infrastructure, etc.). While the former category of benefits can be considered to target working class, the public goods category is

¹ Note that all other variables- particularly I_0 introduced later- are normalized or divided by Y^* in the rest of the modeling.

universal and thus it involves a wider scheme of taxes and subsidies for the general public. The empirical literature on social wage calculation pays a special attention to this point by, for example, multiplying the value of such benefits with labor share (see Shaikh and Tonak, 2012 and Moss, 2018).

Although Bhaduri recognizes different types of benefits and respective beneficiaries as well as different sources of taxes, he seems to be ultimately treating it as an autonomous part of real investment.

“In the formal model, the evolution of the social wage amounts to a shift of the intercept I_0 of the linear investment function... It results from various types of public or community investments aimed at expanding, rationalizing or modernizing social welfare benefits. In so far as the government is concerned, they would be part of the capital account of a government budget. On the other hand, expenditures related to regular maintenance and delivery of these welfare services would be classified under the current account of the budget, while the expansion of such welfare services may be either in the current or in the capital account depending on whether they are meant as temporary or permanent expansions. (p. 4)

Accordingly, social wage is an autonomous part of the investment function (I_0) that functions as the intercept term and therefore a shift term for the IS curve in the model.² Then, Bhaduri argues that capacity utilization (z) can be raised in two different ways: one through an increase in profit share (b), and the other through I_0 , ‘...if the value of the intercept I_0 is treated not as a constant given by initial conditions but as a *policy variable*, introducing in effect an additional parameter, I_0 ’ (*emphasis added*, p. 2). Accordingly, Bhaduri (2020) finds the following slope for the IS curve.

$$\frac{dz}{dh} = \frac{I_h - sz}{sh - I_z} \quad (2)$$

The stability condition requires that $sh - I_z > 0$. While $\frac{dz}{dh} > 0$ because with $I_h > sz$ is the condition for profit-led expansion, $\frac{dz}{dh} < 0$ because with $I_h < sz$ is the condition for wage-led expansion of demand. Accordingly, one key conclusion driven from this model is that “the wage-led regime is able to accommodate a higher social wage with a higher profit share only for relatively small values of m [“the elasticity of I_b with respect to b ”], indicating the relatively weak response of private investors to a higher profit share (I_b).”³

When government and fiscal policy enter into the model, by assuming only corporate taxes (T) as government revenue with a constant capacity utilization ($z = z^*$) results in the following:

$$B = (T - U) = tphz^* - U \quad (3)$$

² Blecker and Setterfield (2019, 202) also states that the role of fiscal policy, “for example public investment expenditures” can be represented in the same way.

³ In dynamic or growth context “... z [capacity utilization] must fall proportionately more than π [profit] rises in order for r [profit rate] to decrease, but it also a neat way of demonstrating that the Kalecki-Steindl results for the profit and growth rates depends on implicit assumptions (strong accelerator effect, weak profitability effect) that effectively ensure a strongly negative impact of a higher profit share on utilization and growth.” (Blecker and Setterfield, 201, 187).

where U = subsidy and transfer to the public, B = net government budget surplus revenue; $1 > tp > 0$ is corporate tax rate on gross profit. Then, the IS equation becomes

$$z = \frac{I_h h + I_0 - B}{sh - I_z} \quad (4)$$

The following equation shows how the social wage changes with profit share with a constant capacity utilization ($z = z^*$)

$$\frac{dI_0}{dh} = [(sz^* - I_h) + B_h] \quad (5)$$

“The increase in budget surplus induced by a higher profit share would require, in a wage-led regime, higher spending on the social wage to compensate for the contraction in demand to maintain a given level of capacity utilization, $z = z^*$. In the profit-led regime with $(sz^* - I_h) < 0$, a budget surplus at a higher profit share merely strengthens further the tendency to reduce spending on the social wage.” (Bhaduri, 2020, 6-7)

We can summarize major conclusions of this model as the following. At a fixed level of $z (=z^*)$; $\frac{dI_0}{dh} = (sz^* - I_h)$ implies that

- In the **wage-led regime**: “the social wage... would have to **increase** to maintain the same level of capacity utilization, z^* , at a higher profit share”.
- In the **profit-led regime**: “the social wage has to **decrease** to accommodate the stimulus to private investment received through a higher profit share”.
- The above results apply in case achieving **budget surplus** via privatization (rather than increasing taxes on corporations).

In short, Bhaduri’s model provides a framework to include social policy and further provides contexts in which how higher profits shares can be reconciled with a higher social wage as well as how political democracy is reconciled with economic one.

To achieve two goals expressed earlier, we will modify the model in four steps. In the first step, we will be developing, what we call, the baseline model where we add existing in-kind and cash benefits such as social insurance and social assistance transfers as well as taxes on labor and profit. In the remaining three steps we will develop alternative policies, namely, UBI-Left, UBI-Right, and UBS, respectively in the next section. Table 1 summarizes all these modifications individually.

For our **baseline model**, we follow *the net social wage* literature (e.g., Shaikh and Tonak, 2002; Moos 2018; Maniatis and Passas, 2019) so that we can consider taxes and transfers in addition to investment in public goods form of social wage.⁴ To keep it as simple and comparable (with other alternatives) as possible, we assigned one average tax rate for labor (t_w), which is an average rate representing rate of taxes on social insurance, income, property, etc., and one for profit (t_π) while we added social insurance and social assistance benefits together as a percentage of national income

⁴ It is possible to modify the original model (Bhaduri and Marglin, 1990) in line with an earlier critique (Mott and Slattery (1994) where profit share (h) is replaced by real profits ($\frac{\pi}{p}$) and workers are allowed to save ($s_w > 0$) by using Harris (1974) model. But such attempt would make it difficult to make a direct comparison between Bhaduri’s ‘social wage’ conceptualization and our additional policy concerns such as UBI and UBS. We work on such modification in another paper.

(αY). We also distributed public goods investments (or ‘social wage’ in Bhaduri’s model) between two classes according to the wage and profit shares, $\left(\frac{W}{Y}\right) I_0$ and $\left(\frac{\Pi}{Y}\right) I_0$, respectively.

Table 1. Alternative Modifications of Bhaduri (2020) model				
Benefits & Taxes	Baseline (1) (Net Social Wage= Total existing benefits for labor- Total existing taxes and fees on labor)	UBI-Left (2) (An unconditional & universal fixed amount of income on top of baseline)	UBI-Right (3) (e.g., Negative Income Tax)	UBS (4)
Benefits (or Universal Basic Services, UBS) as in-kind & cash as a percentage of Y ($\theta > \alpha$)	$\alpha Y = \alpha z$ (Social insurance & social assistance benefits)	$\alpha Y = \alpha z$	-	$\theta Y = \theta z$
(Social wage) Public goods as investment ($I_0 > I_1$)	$\left(\frac{W}{Y}\right) I_0 = (1-h)I_0$ (Share of working class)	$(1-h)I_0$	$(1-h)I_1$	$(1-h)I_0$
	$\left(\frac{\Pi}{Y}\right) I_0 = hI_0$ (Share of capitalist class)	hI_0	hI_1	hI_0
UBS as investment	-	-	-	I_s
Universal Basic Income (UBI) as a percentage of Y	-	$W_0 = \delta Y = \delta z$	$W_0 = \delta Y = \delta z$	-
Tax on labor	$t_w W = t_w z(1-h)$	$t_w(W + W_0) = t_w z(1-h + \delta)$	$t_w(W - W_0) = t_w z(1-h - \delta)$	$t_w W = t_w z(1-h)$
Tax on profit	$t_\Pi \Pi$	$t_\Pi \Pi$	$t_\Pi \Pi$	$t_\Pi \Pi$

The saving = investment approach is simply an alternative way to a more traditional approach of $Y=C+I$, since $Y-C=I$ leads to $S=I$. Using either method, leads to the exact same results but the traditional method will allow us to take into account the transfers and taxes. We will assume workers consumer all of their labor wage income. Now we can move on with the following formulation.

$$\begin{aligned} \text{Total Income for Workers} &= \text{Total Labor Income} + \text{Net Social Wage (total benefits - total tax, + or -)} = \text{Workers' consumption (no saving)} \\ &= (z - hz) + (\alpha)z + (1-h)I_0 - t_w(z - zh) \quad (6.1) \end{aligned}$$

$$\text{Capitalists' consumption: } (1 - t_\Pi)(1 - s)zh + hI_0 \quad (6.2)$$

$$\text{Capitalists' investment: } I(h, z) \quad (6.3)$$

Beginning with the equilibrium condition

$$Y = C + I \quad (7.1)$$

$$z = (z - hz) + (\alpha)z + (1 - h)I_0 - t_w(z - zh) + (1 - t_\pi)(1 - s)zh + hI_0 + I(h, z) \quad (7.2)$$

The shift in IS would be the same as in Bhaduri (2020), I_0 . However, the slope of IS -curve would be different as the following:

$$\frac{dz}{dh} = \frac{(I_h - sz) + (t_w - t_\pi(1-s))z}{(sh - I_z) + (1-s)ht_\pi + (1-h)t_w - \alpha} \quad (8)$$

In equation (8), we have new key policy variables (typed in bold) in addition to existing the terms in the numerator and denominator, $\frac{(I_h - sz)}{(sh - I_z)}$, in Bhaduri (2020). The impact these new variables is to change the slope of IS . In other words, we can observe that individual components of social policy (or net social wage) have a different impact on the slope of the IS curve by making it either steeper or flatter with different choice and policy implications between distribution and growth (see Figure 1 and Table 2).

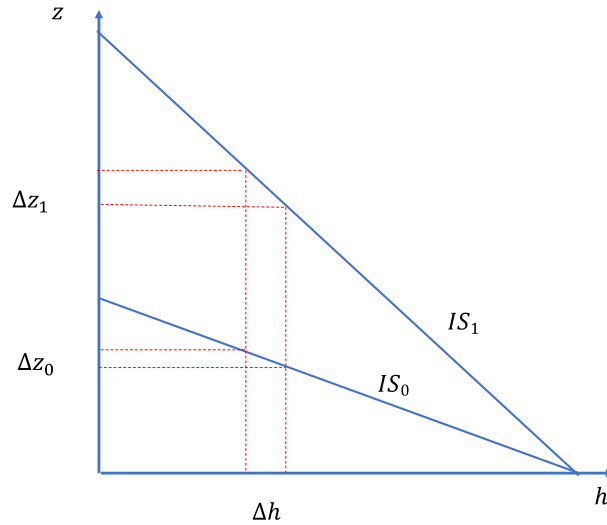


Figure 1. Growth-distribution trade-off with different slopes in a wage-led regime ($dz^*/dh < 0$).

TABLE 2. THE IMPACT OF THE COMPONENTS OF SOCIAL WAGE ON THE IS

Components of social wage	Higher	Lower
Social insurance & assistance transfers (α)	Steeper slope	Flatter slope
Tax on labor (t_w)	Steeper slope	Flatter slope
Tax on profit (t_π)	Flatter slope	Steeper slope
Public goods investment (I_0)	Higher shift	Lower shift

For example, a steeper slope implies that a relatively smaller change in distribution (profit share) is necessary to change capacity utilization significantly. On the other hand, a flatter slope

implies that a relatively larger change in distribution (profit share) is necessary to change capacity utilization significantly. So, we need to modify the implicit assumptions of Bhaduri's (2020) model (i.e., strong (weak) accelerator effect, weak (strong) profitability effect in wage-led (profit-led) growth in demand). Accordingly, steeper and flatter slopes may exacerbate or de-intensify "strongness" or "weakness" of accelerator effect and profitability effect.

Moreover, significant changes in the slope could also make the regime prone to get closer from one regime to another (e.g., wage-led to profit-led, and vice-versa), and from one mode of the regime to another (e.g., conflictive to cooperative, and vice-versa). This interpretation is based on our understanding of the slope of IS as we described in the previous paragraph.⁵ So, we interpret the steepness of the slope as the major factor making the existing regime relatively less conflictive since it requires less tradeoff between distribution and capacity utilization, namely, relatively small change in distribution (with respect to profit share) as capacity utilization changes significantly, then the flatness of it implies more conflict since the tradeoff between the two will be relatively more. In that sense, anything in the numerator or denominator that helps to increase steepness (flatness) of IS would be helping to contribute to the cooperative (conflictive) mode of the regime rather than being sufficient to label the mode as cooperation or conflict.

Accordingly, assuming $[(sh - I_z) + (1 - s)ht_\pi + (1 - h)t_w - \alpha > 0]$ for stability, we can consider various possibilities for the numerator due to structural $(I_h - sz)$ as well as policy $((t_w - t_\pi(1 - s))z)$ changes. Table 3 below considers different possibilities where the regime is labeled 'stagnationist' or wage-led if $(\frac{dz}{dh} < 0)$, 'exhilarationist' or profit-led otherwise $(\frac{dz}{dh} > 0)$. Whether the regime is prone towards cooperation or conflict depends on the additional terms including policy variables that we got in the numerator (i.e., marginal tax rates), and the denominator (i.e., benefits).

For example, in the first row of Table 3, we have a wage-led or stagnationist regime $(\frac{dz}{dh} < 0)$ that is inclined to be cooperative because relatively less distributive change (or decline in profit share) is necessary for a significant increase in capacity utilization. This is achieved mainly with higher marginal tax on profit than that of labor $(t_w - t_\pi(1 - s) < 0)$. Higher (lower) levels of cash and in-kind benefits (α) would increase (decrease) the steepness of IS and thus making the regime prone to more cooperative (conflictive) mode in all options in the table.

In the second and third rows, on the other hand, a tendency toward a cooperative or conflictive mode in any regime depends primarily on whether injections are greater or lower than leakages, that is, $I_h > or < s(z + t_\pi) + t_w - t_\pi$. If profit-share driven investment injection is greater (less) than taxes and saving leakages, then we will have the condition in the second (the third) row in Table 3. While the former contributes relatively more toward capacity utilization, we should expect more steepness of IS and therefore leaning toward cooperation. However, we should also consider the balance between taxes on wages $(t_w - t_\pi(1 - s) > 0)$ and benefits (or transfers) received by wage earners (α) . That's why we think that the mode of the regime could be inclined toward conflict or cooperation depending on this last balance between taxes and benefits for wage earners. The third row requires injections being less than leakages $(I_h < s(z + t_\pi) + t_w - t_\pi)$ and implies inclination toward conflict. However, this could be countered or exacerbated depending on the balance between taxes and benefits for wage earners.

⁵ It is also possible to think about this point in terms of elasticities. We use slope as a proxy for it.

TABLE 3. THE IMPACT OF THE STRUCTURAL AND POLICY CHANGES ON THE *IS*

$(I_h - sz)$	$t_w - t_\pi(1 - s)$	$\frac{dz}{dh}$	Regime	Mode prone toward
-	-	-	Stagnationist	cooperation
-	+	-	Stagnationist	conflict or cooperation
+	-	-	Stagnationist	conflict or cooperation
-	+	+	Exhilarationist	conflict or cooperation
+	+	+	Exhilarationist	cooperation
+	-	+	Exhilarationist	conflict or cooperation

III. Universal Basic Income (UBI)-Left: Basic income is not a new idea. It goes as early as ancient Greece, if not ‘prehistory,’ but a fully developed proposal dated back to the 1790s (Widerquist, 2019). Members of the Basic Income Earth Network (BIEN) identify three different waves of basic income idea in the history:

“Basic Income experienced a small wave of support between 1910 and 1940, followed by a down period in the 1940s and 1950s. A second and larger wave of support happened in the 1960s and 1970s, followed by another down period in most countries until the early 2000s. Basic Income’s third, and by far its largest, wave of support so far began to take off around 2010, has increased every year since then, and shows no signs of dissipating.” (Widerquist, 2019, 31)

Given this nuanced and extremely rich versions of basic income throughout history, we identified two opposite versions for the purpose of our modeling: the left (or progressive) vs. the right (or conservative). The former envisions an unconditional and universal fixed amount of income to everyone on top of the benefits and taxes in the baseline model (or current situation in many, especially developed, countries since the-WWII). The latter suggests a fixed income for people below a threshold income and taxing income beyond the threshold income with no other benefits (such as social insurance or assistance) and relatively fewer public goods (as in negative income tax proposal of Friedman).

With the suggested modifications as in the table above, we will have the following slope for *IS* for UBS-left with no changes in the size of shift in *IS*.

$$\frac{dz}{dh} = \frac{(I_h - sz) + (t_w - t_\pi(1 - s))z}{(sh - I_z) + (1 - s)ht_\pi + (1 - h)t_w - \alpha - \delta(1 - t_w)}$$

Compared with the baseline model, we will have an additional term in the denominator, $\delta(1 - t_w)$. Since this term is subtracted, it will make the slope of *IS* relatively steeper, and therefore, inclined toward cooperation in general.

IV. UBI-Right: With a fixed income for people below a threshold who would receive income (e.g., tax credit) and pay taxes beyond the threshold with no baseline benefits and less investment in

public goods, ($I_0 > I_1$), which means the shift in IS would be less, this model produces the following slope.

$$\frac{dz}{dh} = \frac{(I_h - sz) + (t_w - t_\pi(1 - s))z}{(sh - I_z) + (1 - s)ht_\pi + (1 - h)t_w + \delta(1 - t_w)}$$

UBI-right will produce the flattest slope and smallest shift in the IS. This means the regime would be leaning toward conflict over relatively less capacity and income to be distributed among social classes.

V. Universal Basic Services (UBS): Although UBI seems to be more popular proposal and gets more public recognition as inequality in income, wealth, and opportunities widen globally, there is a recent effort in favor UBS. Defenders of UBS suggest that in the fight against poverty, instead of focusing too much on “boosting incomes through redistributive tax systems and wage legislation...the greatest impact [can be made] on the cost of basic living...[via] money spent on basic services...Focusing on basic services, such as housing, food, communications and transport, is, we conclude, far more effective at driving down the cost of living than spending the same money on existing services, or on redistribution.” (Moore, 2017, 6). Similarly, Gough (2019, 534) defends UBS on both theoretical and moral grounds in the “fragmented and degraded welfare, plus financialised, short termist and unsustainable capitalism” of our time. Gough (2019, 537) provides a comprehensive list of such services

“The material foundational economy directly delivers a range of essential need satisfiers in contemporary market economies. The main components are: pipe and cable utilities (piped water, waste water and sewerage, electricity supply, domestic piped gas and telecommunications—both copper wire and mobile); transport infrastructure comprising railways, roads, filling stations, car retailing and servicing and all public/social vehicles such as trains and buses; food production, processing and the distribution network, including supermarkets; and retail banking services and payments systems. Alongside these is the providential foundational economy, essentially the entire welfare state: healthcare, education, social care, police and emergency services and public administration. Housing is a critical sector that sits across both domains. The entire foundational economy, including the welfare state, accounts for about 50 per cent of both employment and expenditure in the UK and across Europe.” (Gough, 2019, 537).

From the perspective of modeling, UBS envisions additional services in the forms of investment that are represented by additional investment (I) and benefits (e.g., cash as well as in-kind form) represented by a larger coefficient in comparison with the baseline and UBI proposal, ($\theta \geq \alpha + \delta$), respectively.

$$\frac{dz}{dh} = \frac{(I_h - sz) + (t_w - t_\pi(1 - s))z}{(sh - I_z) + (1 - s)ht_\pi + (1 - h)t_w - \theta}$$

In comparison with the baseline model, the slope would be steeper since ($\theta > \alpha$). But, in comparison with all other options, UBS would have the largest shift in IS, namely, ($I_0 + I_1$). Thus, we can safely argue that UBS option will be highly inclined toward cooperation with higher level of capacity and income.

VI. Concluding remarks

By incorporating ‘social wage’ into a Kaleckian model, Bhaduri (2020) paves the way for a promising research agenda that considers various contending as well as competing social policy practices from a critical, theoretical perspective. We took advantage of this opportunity to compare and contrast two versions of UBI (left vs. right or progressive vs. conservative) and UBS in relation to the existing social policy practices in many Western democracies.

Not surprisingly, UBS proposal produces better results than all other options since it requires substantial improvements in benefits both in the forms of investment and transfer as well as public provision of them. In addition, UBS would be creating a mode that is inclined more toward cooperation than conflict in both regimes of Kaleckian model (i.e., wage or profit-led). In addition, the progressive or left-version of UBI proposal does better than the conservative or right-version of UBI in terms reconciling changes in the distribution with the characteristics of the regime be it wage-led or profit-led. In fact, the conservative version of UBI performs even worse than the existing, or what we call, the baseline framework.

In conclusion, we believe that our findings provide additional support answering Bhaduri’s question regarding how to reconcile political with economic democracy. This is achieved by considering taxes and transfers in addition public goods version of ‘social wage’ in Bhaduri (2020).

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