Abstract
The introduction of a basic income has a significant impact, both on the economy and on social life and personal development. This topic has been widely discussed in recent years. In June 2016, Switzerland will hold a referendum to vote on whether to introduce this new social insurance system. This new form of organization has important advantages and disadvantages and it is still debatable which way the balance tilts.
In the market economy, the impact levels are very high and difficult to quantify, triggering a chain reaction. This benefit is granted under certain criteria, heading towards a well-established line of decision makers.

Keywords: unconditional basic income, development, trends

Clasificare JEL: G28, H19, H20, H30

1. Introduction
The minimum wage was introduced and established by law at the end of the nineteenth century, in Australia and New Zealand. Since then, the minimum wage was introduced gradually in many countries and has now become an important indicator of the economy. The minimum wage was introduced as a form of social protection, as defined in the Universal Declaration of Human Rights: “Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity”. However, the reality of this definition differs from country to country, the minimum wage failing to cover all human needs in some cases.
The need to settle an income that provides stability and a certain living standard has been debated for a long time.
Regardless of the name used e.g. basic income, minimum income, basic income guarantee, universal basic income - the principles are based on the same idea presented by Montesquieu in 1778: “the State owes all its citizens a secure subsistence, suitable food and clothing, and a manner of life that is not contrary to good health.”
Two hundred years later, Niels I. Meyer, Kristen Helveg Petersen and Villy Sørensen propose the term of unconditional basic income (UBI), regulating this idea as “citizen’s income”. So far it has not been possible to establish a clear strategy to enable the implementation of this idea, leaving all projects to pilot stage. This topic raises many issues, with implications both on economic and social level.

Origins - introducing the minimum wage
According to Eurostat, in 2015, in the European Union, 22 member states out of 28 had national minimum wages. However, countries, such as Sweden, Finland, Denmark, Norway, Iceland, Switzerland, Austria, Cyprus and Italy, did not have minimum wage laws.
Minimum wage rates vary greatly across many different jurisdictions. To perform a relevant comparison we used the PPP indicator (purchasing power parity) and the value in euro. The PPP indicator shows how many units are needed to buy a certain amount of goods and services. Thus, the price differences created due to exchange rate fluctuations are eliminated and certain expenses in national currency are converted into a common, artificial currency.
As shown in Figures 1 and 2, there is a significant difference between the wage in euro and the wage in PPP. There are differences in the hierarchy of countries when the minimum wage is expressed in euro and when it is expressed in PPP, so countries with relatively low minimum wages in euro show a lower price level, resulting in a higher minimum wage when measured against purchasing power.
There is also a significant difference between the minimum wage recorded at the lowest value and the minimum wage recorded at the highest value in euro compared to the value expressed in PPP. Therefore, when referring to euro, there is a difference of 1766.05 (Bulgaria has the lowest minimum wage – 189.18 and Luxembourg has the highest minimum wage - 1922.96), and when we refer to PPP, there is a difference of 1268.07 (has the lowest minimum wage - 328.58 and Luxembourg has the highest minimum wage - 1596.65).
The minimum wage was introduced as a safeguard so that workers would not be paid below this level. The state thereby ensures that all employees have a guaranteed minimum standard of living. However, the introduction of an unconditional basic income is currently being debated, as minimum wage failed to ensure the desired level of social protection.

2. Unconditional basic income

The Universal Declaration of Human Rights states that “everyone has the right to life, liberty and security of person” and “the right to a standard of living adequate for the health and well-being of himself and of his family”. As a response to this statement, the term basic income was introduced. This should represent a basic income guarantee that would be granted unconditionally to all people in all countries.
The introduction of this unconditional basic income has been much debated in recent years. There is even a strategy under discussion - UBIE Strategy 2015-2020. The main problem that the introduction of an unconditional basic income is trying to solve is poverty. Therefore, some countries have introduced pilot programmes of this social assistance system:

- **Alaska** - a partial form of this program has been introduced since 1982 - The Alaska Permanent Fund Dividend program;
- **Brazil** - this issue has been debated since 2003 and was regulated a year later by Law No. 10.835/2004. They are currently working on establishing the necessary funds to implement the unconditional basic income. The pilot program was introduced in 2008, in the small town of Quantiga Velho;
- **Namibia** - a pilot program was introduced in 2008, in Ojitivero-Omitara;
- **India** - a pilot program was introduced in 2011, in 20 cities.

Switzerland is currently debating the possibility of introducing an unconditional basic income for life. Thus, they want to introduce a new social assistance system so that each adult would receive 2,300 euros per month and each child 560 euros.

This new approach has an important impact on the economy. If until recently there have been discussions about introducing a basic income as a solution to poverty, attempts are now being made to introduce it in a country where living standards are above average.

### The impact of the unconditional basic income

The introduction of an unconditional basic income has important advantages and disadvantages, both economically and socially.


Establishing whether the impact is positive becomes a very difficult task. From an economical point of view, we can talk about a global impact on several sectors:

- on employers
- on employees
- on the market
- on the state
- on the community

The impact on employers can be positive when referring to jobs that stimulate employees’ competitiveness. Without the constraint of having a job in order to ensure a certain living standard, individuals are able to develop and search for jobs that will offer them satisfaction and the opportunity to feel fulfilled. The competitiveness will bring better prepared people on the market, more eager to learn and to evolve, so there will be a strong development of the human resources. Also, the fact that the state ensures this social protection and the existence of a high demand on the market will allow employers to cut wages.

Nevertheless, there is a high risk for the jobs that can not provide these satisfactions (e.g. people working in sanitation services, in construction or in manufacturing plants, those employed only for physical work) to have a personnel shortage. In this case, in order to fill these vacancies, the employer will have to pay higher wages. The increase of the wage fund leads to higher prices; the price increase involves increasing the unconditional basic income.

*Fig. 1 Negative impact diagram*
In this situation, the question is how should the state regulate the unconditional basic income in order to reduce the negative impact on the economy, to avoid creating a vicious circle between the employer - employee - pricing/economy?

*The impact on employees* is positive. They are in the position to choose continuous development by getting involved in programmes that can help them get the desired positions, being able to invest a part of the basic income in education without affecting the family budget/daily consumer basket.

It is not possible to establish a global impact on the market, as some fields will suffer, while others will experience a rapid development.

If currently in the fields of construction / sanitation / manufacturing most employees have secondary education and receive a relatively low wage, and in IT / economic / medical fields employees have higher education and receive a relatively high wage, the balance is expected to change with the introduction of the unconditional basic income. Wages will rise significantly in the first fields, while on the other side of the scales wages will decrease and workers will become increasingly overqualified.

There is also the risk that many people will be satisfied with the basic income and they will stop working, at least for a while.

Stuart White identified another problem in *The Civic Minimum: On the Rights and Obligations of Economic Citizenship*: “the providential arrangement”. In the words of Stuart White, “it seems sometimes to be regarded as quite a providential arrangement that some should be born without the necessity of working for their own living so that they have leisure to impose this fundamental duty on others.”

In this situation, the matter of state power arises. The citizens’ behaviour must be carefully observed in order to assess their condition and, if necessary, to intervene through programmes and counselling.

Philippe Van Parijs regulated this situation by saying: “Where these rights secure a citizen a sufficiently generous share of the social product, and sufficiently good opportunities for productive contribution, citizens have definite and potentially enforceable obligations to make a productive contribution to the community in return.”

*State’s involvement* in this policy (granting the unconditional basic income) should be very strong, becoming the pillar that supports both the economy and the social life. It could be said that we go back to the time when economic and social life were heavily regulated and controlled by the state.

Placing an amount of money on the market will increase the daily basket of goods which can lead to an imbalance in the economy. A normal protective barrier adopted in this situation is to encourage the consumption of national products, thus stimulating domestic production. This action would be a subsidy granted by the state budget to local firms. The subsidy is not given directly, but through the most important factor – the people. The impact of this action is double, helping social life, increasing life quality and stimulating the development of firms/companies.

There will be an important impact on the community, making it grow and become more powerful. A society no longer stressed by deprivation and protected by the state will have an above average quality of life. A higher living standard should result in better prepared, more competitive, stronger people who are more eager to grow.

Nevertheless, there’s an important element that should not be neglected. The budget will be subject to an expense that will need funding. The question is: “What are the sources of funding in order to provide an unconditional basic income for life?” The introduction of taxes and fees could give an answer. Higher taxes on above average incomes and profits represent another possibility, returning to progressive taxation policy.

At the moment, progressive taxation seems to be the most accessible source of funding for this social policy that wants to provide a basic standard of living.

The fiscal policy of an economy that involves an unconditional basic income has certain particularities. In such case, there’s an assumption that some expenses will no longer exist: for unemployment, pensions, social assistance – leaving only the funds for people with disabilities.

Furthermore, state budget expenditures will be reduced by reducing the wage bill, since the number of people working in the public system will decrease.

However, it can’t be said that this will balance the budget. Balancing the budget can be achieved both by taxing wages and by a tax on consumption (VAT / excise duties). The increase of these taxes or the introduction of a new tax can represent a source of financing.

Eliminating unemployment contributions and social security contributions, however, can not represent a decrease of the fiscal pressure on the economy. This change must happen gradually to avoid any turbulence in the economy.

Philippe Van Parijs discussed this issue in the article “Basic Income: A Simple and Powerful Idea for the Twenty-First Century”: “The basic income may, but need not, be funded in a specific, earmarked way. If it is not, it is simply funded along with all other government expenditures, out of a common pool of revenues from a variety of sources. Among those who advocated earmarked funding, most are thinking of a specific tax. Some want it funded out of a land tax or a tax on natural resources (from Thomas Paine (1796) to Raymond Crotty (1987), Marc Davidson (1995) or James Robertson (1999) for example). Others prefer a specific levy on a very broadly defined income base (for example, Pelzer 1998, 1999) or a massively expanded value-added tax (for example, Duchatelet 1992, 1998). And some of those who are thinking of a worldwide basic income stress the potential of new tax instruments such as “Tobin
taxes” on speculative capital movements (see Bresson 1999) or “bit taxes” on transfers of information (see Soete & Kamp 1996).

Unconditional basic income funding problem is the most difficult part in implementing this new social policy. However, the impact on the community is considered to be very powerful, since the community suffers the biggest changes. An unconditional basic income for life will help increase life quality, consumption and education significantly. Since the man is the link that underpins the existence of the market, the changes in his behaviour are strongly reflected in the economy. The fact that in this situation the state is the chain linking the two components (the man and the economy) must not be overlooked, making it difficult to establish to what extent people have the capacity to be independent.

3. Conclusions

The introduction of an unconditional basic income would produce a major impact on all levels. There would be significant changes, leading to a different type of economy.

People’s vulnerability shows the importance and the necessity of this new social security system. Although a few years ago people were fighting for democracy and freedom, now studies show that we need a new approach; people need more help and protection.

Granting an unconditional basic income for life will impact both the economy and the social life. Accurately identifying and quantifying this impact is difficult. The influence on employers and employees can be positive when referring to jobs that stimulate employees’ competitiveness. Without the constraint of having a job in order to ensure a certain living standard, individuals are able to develop and search for jobs that will offer them satisfaction and the opportunity to feel fulfilled. Competitiveness will bring better prepared people on the market, having a strong impact on the economy.

Also, the introduction of the unconditional basic income implies changing the fiscal policy on remuneration and profit, thus representing a new stage in the tax system.

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