BUSINESS, MANAGEMENT AND EDUCATION
ISSN 2029-7491 / eISSN 2029-6169
2016, 14(1): 50–63
doi:10.3846/bme.2016.306

# THE CONCEPT OF BASIC INCOME: GLOBAL EXPERIENCE AND IMPLEMENTATION POSSIBILITIES IN LITHUANIA

**Algimantas LAURINAVIČIUS[1], Antanas LAURINAVIČIUS[2]**

*Faculty of Economics, Vilnius University, Saulėtekio al. 9, LT-10222 Vilnius, Lithuania*
*E-mails: [1]algislaur@gmail.com (corresponding author); [2]antanaslaur@gmail.com*

*Received 14 January 2016; accepted 18 April 2016*

**Abstract.** The article gives an overview of universal basic income as one of the instruments of the asset-based policy, analyses its theoretical concept and practical examples. Latest trends in Europe, especially in Finland and Switzerland, are overviewed and possibilities to implement such an instrument in Lithuania are evaluated. Research methods of scientific literature analysis, comparative and logical analysis of statistical data, data grouping and presentation were used. Article finds out that the concept of basic income is being implemented on a small scale in the US state of Alaska and in a small autonomous territory of China – Macao. Finland and Switzerland are determined to fully implement the concept of basic income by providing monthly benefits to all their citizens. Although Lithuania is categorized as a country with high income inequality and high level of poverty risk, currently it is not possible to implement the concept of basic income in Lithuania: the state social insurance fund budget would not be able to fund sufficient benefits, and the benefits that could be provided by the budget would not comply with the objectives of the concept of basic income.

**Keywords:** basic income, income inequality, poverty rate, asset-based policy, poverty reduction.

**JEL Classification:** D63, I38.

## 1. Introduction

High income inequality and high level of poverty impede the development of the society and the state, and have a significant impact on the level of population health, education possibilities, housing conditions and crime. Income inequality and wealth disparity cause political discontent that may lead to serious social upheaval.

Lithuania is categorized as a country with high income inequality: using the Gini coefficient[1] as a measure of income inequality, Lithuania takes only the 26$^{th}$ place among the EU countries, leaving behind only Latvia and Bulgaria. In addition, indicators that measure income inequality and poverty level did not show any progress in Lithuania

[1] The Gini coefficient is a measure of statistical dispersion intended to represent the income distribution of a nation's residents.

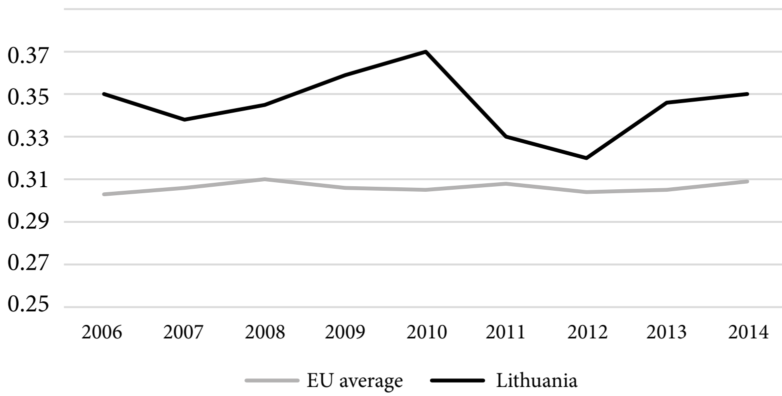


Fig. 1. Gini coefficient in Lithuania, and EU average
(source: concluded by the authors, based on the data of Eurostat 2015)

over the last eight years. The Gini coefficient remained at the same level (see Fig. 1), while the level of poverty risk decreased by only 0.9 p.p (from 20.0% in 2006 to 19.1% in 2014) (Statistics Lithuania 2015). Thus, the gap between the rich and the poor has not decreased.

Traditionally, measures for combating poverty and social inequality are focused on the issues of income and consumption, with particular emphasis on the idea of progressive personal income tax and the increase of various benefits for the poor. Such measures – also known as the income support or security policy – are used in order to support persons during times when they do not have sufficient income and are faced with temporary or permanent difficulties such as unemployment, health problems, accidents or old age. The income security policy is passive: it supports persons who are faced with difficulties, but it is not designed to develop their possibilities (Sherraden 2002, 2003). Scientific studies have shown that benefit transfers to the poor do not decrease the poverty level which occurred before the benefits (Danziger, Plotnick 1986).

Today's post-industrial economy requires an active social policy, based on saving, investments and asset accumulation, encouraging personal development and motivating people to improve their knowledge, skills and possibilities. Such an innovative social policy, which emphasizes long-term opportunities for individuals provided by a certain amount of accumulated assets, is called an *asset-based policy* (Sherraden 1991).

Various foreign authors have proposed different ways of implementing the asset-based policy practically. Even though there are quite a few proposals which often have some similarities and differences between them, all the proposed methods for implementing the asset-based policy practically can be categorized into four main groups:

1) one-time grant to all individuals reaching majority (Nissan, Le Grand 2000; Ackerman, Alstott 1998). B. Ackerman and A. Alstott named this benefit the *stakeholder grant*;

2) permanent unconditional monthly benefits for all adult citizens (Van Parijs 2005). P. Van Parijs named these benefits the *basic income*;
3) *children's savings accounts*. This proposal suggests to provide Governmental benefits for all new-borns of the country by transferring the funds to their long-term savings accounts (Sherraden 1991; Kelly, Lissauer 2000);
4) *matched savings accounts*. This proposal suggests to provide Governmental benefits to people living in poverty by transferring Governmental benefits to their special savings accounts. Such transfers would, to a certain ratio and to a certain extent, supplement their personal savings that are deposited in these accounts (Sherraden 1991).

It should be noted that even though these proposals provide different ways of implementing asset-based welfare, they all focus on the same goal – to help accumulate a certain amount of assets, escape from regular cycle of benefits, consumption and poverty, encourage development of personal capabilities and as a result, a better development of entire society and national economy.

Children's savings accounts as a method of the asset-based policy implementation has been discussed, analysed and applied to Lithuania on a theoretical level by Laurinavičius and Galinienė (Laurinavičius 2013; Laurinavičius, Galinienė 2013, 2014).

However, the relevance of another asset-based instrument – basic income and possibilities of its practical implementation in Lithuania is not yet analyzed, and therefore it makes a research problem and a ground for this paper.

The aim of this article is to review the theoretical concept of basic income, as well as evaluate the prevalence of its practical application in the world, overview the latest trends in Europe, and calculate the implementation costs of such an instrument in Lithuania.

Research object: basic income as a practical instrument for the asset-based policy implementation.

Research methods: scientific literature analysis, comparative and logical analysis of statistical data, data grouping and presentation.

## 2. Theoretical aspects of the basic income concept

The proposal of basic income was formulated as early as the end of the 18th century in the work of T. Paine "*Agrarian Justice*", and at the end of the 20th century this idea was developed further by economist P. Van Parijs (Van Parijs 2005). This idea is based on the assumption that all citizens of the country receive an unconditional monthly benefit, referred to as the "citizen salary", which ensures that the standard of living of citizens is above the poverty line. These benefits are universal and not selective – this means that all citizens can receive them, regardless of their financial situation or economic activity. And they are unconditional – i.e., the receipt of such benefits does not depend on whether a citizen is employed or not. In this respect, basic income is the same as other universal unconditional social services, such as free healthcare, maintaining of order or national defence. In terms of the idea of unconditional universal basic income, no citizen of a prosperous society should live below the poverty line.

Thus, the idea of basic income proposes redistribution that guarantees the opportunity for all individuals to live above the poverty line, even when being unemployed or engaging in unremunerated activities.

Supporters of the idea of basic income name various advantages of such a method of implementing asset-based welfare, such as an increase in personal freedom, increased economic efficiency and reduction of the level of poverty. E.g., K. Widerquist and M. Lewis claim that the main objective of social policy is to reduce poverty and that basic income is the most obvious and most effective way to achieve this (Widerquist, Lewis 1997). Various income and benefit programmes, which are intended only for the poor, have done little to reduce poverty. Such programmes significantly decrease incentives to work in the formal labour market, they are stigmatizing and further deepen social exclusion among various groups of society instead of encouraging solidarity. Whereas universal programmes intended for all individuals should be much more effective in reducing poverty.

In the Sixties of the 20th century a group of economists proposed various basic income options which were know at the time as *negative income tax*. M. Friedman proposed very low negative income taxes – the return of unused income tax deductions – as a replacement for existing welfare programmes. J. Tobin supported much higher negative income taxes – universal tax credit – as a replacement for several welfare programmes (Laurinavičius 2013).

The size of benefits in today's basic income proposals is also very varied, however, there are not enough empirical studies on how different benefit sizes affect the poverty level. One of these studies is carried out by I. Garfinkel, C.-C. Huang and W. Naidich in 2005 who modelled changes in the poverty level when applying various basic income programmes (Garfinkel *et al.* 2005). Their research revealed that all hypothetical basic income programmes reduced the level of poverty – the more generous was the programme, the stronger its effect was. Therefore this naturally raises a question: why not increase the benefits to the extent that would completely eliminate poverty?

According to the aforesaid authors, there are several counterarguments for this:

- first of all, basic income is not the only preferred social welfare programme (general education and healthcare are other not less important programmes distinguished by them);
- in addition to the social welfare programmes, the state also ensures law and order, defence, transport and communication infrastructure, etc. These public goods must also be financed from taxes. And if the total tax rate becomes too high, this reduces initiative, productivity and growth;

– in addition, it would be wrong to rely on only a single instrument in public finances, no matter how good it is.

When summarizing their research, the aforesaid authors acknowledge that a small-scale basic income programme would be very welcome, while universal unconditional benefits of significant size would not be acceptable.

There were various proposals on how to finance basic income: varying from land or natural resources taxes, to VAT, inheritance taxes, and even Tobin tax for speculative capital transfers. Supporters of this idea also discuss whether basic income should be ensured for only the citizens of the country or for all people residing in it; should individuals receive such income from birth or after they reach adulthood; should retired individuals receive such income or not (Laurinavičius 2013).

A question arises whether the concept of basic income even complies with the principles of asset-based welfare, i.e., whether it is the instrument of asset-based policy, or ordinary social policy (as it is based on small periodic unconditional benefits instead of capital accumulation or large one-time capital grants). One can agree that the form of this method of asset-based welfare implementation looks like the instrument of redistributive income support (security) policy. However, they also have significant differences (Laurinavičius 2013):

– first of all, the aims of ordinary redistributive social policy and the concept of basic income are different. Instead of focusing on short-term poverty reduction and possibility to live "from benefit to benefit", the latter emphasizes the aim to create and implement asset-based welfare, to increase economic efficiency, ensure personal freedom and independence from the labour market and reach long-term reduction of the level of poverty;
– selective poverty reduction programmes intended specifically for the poor significantly decrease incentives to work in the formal labour market, they are stigmatizing and further deepen social exclusion among various groups of society instead of encouraging solidarity. Whereas the concept of basic income is a universal programme intended for all the citizens of the country regardless of their financial situation or economic activities;
– the concept of basic income proposes permanent unconditional benefits, and it is known that residents spend permanent income more carefully and more responsibly than randomly received one-time benefits (Baena *et al*. 2012). The development of financial responsibility and planning is one of the objectives of the asset-based policy.

Summarizing the concept of basic income, it can be stated that it proposes monthly benefits as a mean for redistribution which guarantees the opportunity for all individuals to live above the poverty line, even when being unemployed or engaging in unremunerated activities. However, the size of benefits in different proposals is very varied depending on different tasks that are assigned to this social instrument.

## 3. Basic income – the decline of the incentives to work and the collapse of the economy?

The concept of basic income has received a lot of criticism:

1. The idea of basic income is criticized due to the fact that its full implementation would be too expensive (which is particularly unacceptable at a time when the public debts of developed countries reach a record high). And if such a programme is implemented with acceptable costs, the basic income per capita would be so small that this programme would lose its sense. According to B. Bergmann (Bergmann 2005), the current level of income in countries that implement the social welfare state is insufficient for the services and benefits provided by the social welfare state and the asset-based welfare implementation policy to function at the same time. Problems would arise from excessive taxation, as there is always a certain limit of GDP redistribution. Additionally, incentives not to work arising from the implementation of asset-based welfare would further increase the problem of tax deficiency, and, as a result, this would start the spiral of increase in tax rates and decrease in tax income;
2. Such policy would encourage illegal immigration from poorer countries in order to earn a better life for the children;
3. Such policy is unfair, because additional resources are given to all people, including the wealthy;
4. Such policy is also unfair due to the fact that additional resources are given to people who are unemployed and live “at the expense of others”, and redistribution unjustifiably takes away part of the assets from those who worked hard to accumulate them;
5. It is likely that a large part of individuals would withdraw from the labour market if basic income would be large enough to enable them to live above the poverty line even when being unemployed (the so-called *free-rider* problem), then the whole national economy would collapse and cease to function, and, in order to ensure the proper implementation of asset-based welfare, the tax rate would be so high that it would decrease incentives to save and accumulate assets. Some authors counter this aspect of criticism and propose providing benefits that would barely cover the basic needs. Others state that people work not only to survive, therefore, even if there would be a possibility to receive income without working, this would not encourage them to do so (Standing 2005);
6. Healthy, employable people who would make a decision to use their basic income without working would soon lose the respect of society (Bergmann 2005);
7. An issue of decreasing parental influence on children would arise. Knowing that they will receive basic income on a monthly basis, children would have no incentives to study as well as no willingness to obey their parents (Bergmann 2005).

To sum up, it should be noted that various criticism is expressed towards the concept of basic income. However, most criticism can be met with strong counterarguments.

Criticism that such policy is unfair because *additional resources are given to all individuals, including the wealthy and those who are unemployed*, can be met with a strong counterargument that universality is the fundamental feature of the asset-based policy, which essentially separates it from the selective social policy. In addition, some of the currently existing social policy benefits are also universal (e.g., one-time payment for a new-born or funeral benefit in Lithuania). Finally, the argument that such policy *would encourage illegal immigration* from poorer countries in order to earn a better life for the children may not be called criticism in Lithuania, but estimated as one of the possible solutions to the country's demographic problems, especially if such policy would not only encourage immigration, but also the re-emigration of the country's population (Laurinavičius 2013).

## 4. Practical examples of the implementation of basic income

In the US state of Alaska, there is a single existing asset-based policy model that at least partially complies with the concept of basic income. It is known as the Alaska Permanent Fund which pays annual dividends to the residents of the state of Alaska. This Fund is established in the state's Constitution (Article No. 9.15) and is financed with part (25%) of the income received from the oil trade, and the dividends are paid from the Fund's investment gains (Hsieh 2003).

It should be noted that even though that the implementation form of this policy complies with the concept of basic income, however, no conventional asset-based policy implementation objectives (e.g., formation of saving skills, capital accumulation, improvement of access to higher education, decrease of poverty or inequality, etc.) are stated in the Funds mission, nor in the Constitution of the State of Alaska. The Constitution indicates that part of the income from oil trade must be deposited into the Fund, and the Fund's mission indicates that it "aims to properly administer the dividend programme in order to ensure that all the residents of Alaska receive their share of dividends" (Laurinavičius 2013).

The Alaska Permanent Fund was established in 1976 and since then its amount increased from 0.7 million US dollars to 52 billion US dollars (according to the data of November 2015), and this amounts to over 80 000 US dollars per each resident of the state. The Fund's assets are invested into securities (60%), real estate (13%) and other assets (27%) (Alaska Permanent Fund 2015).

Each year since 1982, the Fund pays dividends to all residents of Alaska (dividends were paid to 644 thousand residents of Alaska in 2015), regardless of their financial position or age. These dividends are calculated as 10.5% from the average investment gains over the past 5 years (this amounts to about half of the investment gains of the current year). On average, dividends that are paid to residents amount to 1300 US dollars per year, and historically ranged from 331 US dollars in 1984 to 3269 US dollars in 2008. Within the period of three decades, the Fund paid over 20 billion US dollars to the residents of Alaska.

Even though dividends received by the state's residents do not compare to the benefits provided by the concept of basic income ("benefit that ensures the standard of living above the poverty line"), however, calculations show that properly invested benefits would enable the residents of Alaska to accumulate a substantial capital. From 1982 to 2015, each resident of the state received 40 thousand US dollars (or 30 thousand US dollars during the period of 1995–2015) (see Table 1). By reinvesting the dividends received from the Fund with a 5% annual rate of return, in 2015, residents of the state of Alaska who turned twenty years old could have accumulated 51 thousand US dollars in their investment accounts (for comparison, Table 2 shows the amount of capital that could have been accumulated if the received dividends have been reinvested with a 3%, 5%, 7% return or annually reinvested into the US stock market).

Table 1. Dividends paid by the Alaska Permanent Fund, US dollars/per resident (source: concluded by the authors, based on the data of the Alaska Permanent Fund Corporation (Alaska Permanent Fund 2015))

| | 1982–2015 | 1995–2015 |
|---|---|---|
| annual average | 1.300 | 1.451 |
| total (without reinvesting) | 40.299 | 30.480 |
| when reinvesting with a 3% | 62.778 | 41.327 |
| when reinvesting with a 5% | 87.133 | 51.222 |
| when reinvesting with a S&P500 return[2] | 227.432 | 69.198 |

It should be noted that even though residents are generally satisfied with the amount of the received pay-outs, however, some authors think that paying out "undeserved" benefits to residents may cause confusion due to the fact that residents themselves may not know which policy is being implemented through these benefits. Nevertheless, even though the Alaska Permanent Fund does not communicate the objectives of an asset-based policy, however, it continually pays stable dividends, and it is known that residents spend their permanent income more carefully and more responsibly than randomly received one-time benefits (Baena *et al*. 2012).

The concept of basic income is also being implemented on a small scale in a small autonomous territory of China – Macao.

In 2015, the Government of Macao announced that it would pay 9.000 patacas (around 1.127 US dollars) to each individual who is a permanent resident of this territory, and 5.400 patacas (around 676 US dollars) to each non-permanent resident. The only condition is to have a valid Macao resident identification card.

[2] 10.2% – 1982–2014; 7.7% – 1995–2014.

This programme is implemented since 2008. In 2015, 675.696 people received benefits (of which 90% received the full amount of the benefit). In 2014, benefit size was the same, however, that year these benefits were given to 635 thousand people.

Benefits applied in Macao are a small scale basic income programme, similar to the dividends paid in the state of Alaska. It is aimed to ensure that all the residents of the area would receive at least a small gain from the economic development of this area (Widerquist 2015).

There are currently only two practically implemented examples of the universal basic income in the world: in Alaska and in Macao. However, there is not enough surveys to see if they have any impact on social inequality, or they just perform “undeserved” pay-outs to the residents of these territories.

## 5. Basic income experiments in Europe

Even though there are only two practical examples of the concept of basic income in the world, Europe has recently also become a more active supporter of this idea with two new implementation models proposed in Finland and Switzerland.

The Finnish Social Insurance Board (KELA) has recently announced its revolutionary plans to change the country’s social welfare model – the state would pay monthly benefits of 800 EUR to each citizen of Finland, however, the country would deny all social and other concessions. Such basic income would not be taxed and it would be given to each citizen of Finland, regardless of whether the citizen receives any kind of salary or is unemployed. It is planned that the reform will be implemented in two stages. First, the benefit would be 550 EUR and some currently applied social concessions would still remain. Later, basic income would be increased to 800 EUR (Yle 2015).

The implementation of basic income should fundamentally change the entire social welfare and financial system in Finland. According to KELA analysts, such measure would encourage economic growth, and each citizen, who would no longer have to worry about income to satisfy his basic needs, would be able to choose a work regime that is acceptable to him.

It should be noted that the model that is proposed in Finland complies with the benefit size defined in the concept of basic income (“benefit that ensures the standard of living above the poverty line”), therefore there is a big chance that part of the individuals would simply withdraw from the labour market. On the other hand, average income in Finland is around 2.300 EUR/month (after taxes), and this is almost 3 times more than the benefit proposed by KELA.

KELA plans to present a specific proposal regarding the implementation of basic income in November of 2016.

There are currently around 5.4 million people living in Finland, thus the country would have to pay around 52.2 billion EUR per year to its people, if each of them would receive a monthly benefit of 800 EUR (this would consume 21% of the country's GDP, or 36% of the state's budget). There are reasonable doubts as to whether the country would be capable to pay such amounts. Since the middle of 2012, Finland's economy experienced recession and has modest growth potential. The traditionally strong paper and wood industry retreated, and the technology sector also experienced a decline when "Nokia" lost its leading position in the global mobile device market.

Nevertheless, the proposed basic income model can be implemented, as it is currently supported by all the governing parties and the idea is approved by the society. Latest surveys show that 69% of Finns support the basic income programme and believe that the benefit should be increased to 1.000 EUR per month. Juha Sipila, the Prime Minister of Finland, estimates that such a model would enable to simplify the country's social benefit system.

An even more generous basic income model is proposed in Switzerland, according to which each citizen of Switzerland would receive monthly basic income of 2.500 francs (around 2.300 euros). A referendum is planned in the country in 2016. However, the implementation of such a programme would require around 223 billion EUR each year (this makes 35% of the country's GDP, or over 100% of the state's budget). Therefore, the Government of Switzerland recommended its citizens not to support the basic income model in the referendum. The same recommendation was also declared by the Swiss Parliament in September of 2015. It did not support this civil initiative by a majority of votes, however, according to the laws of Switzerland, the civil initiative that received more than 100.000 citizen signatures must be submitted for general voting through a referendum. The main criticism expressed in the Parliament included aspects such as the threat of immigration, the loss of motivation to work and unreasonably high benefits that cannot be funded even by prosperous Switzerland.

A survey of the population of Switzerland shows that 49% of respondents would agree to the basic income idea, 43% of citizens would not agree to it, and the answer of the remaining 8% would depend on the size of the intended benefits (Tages Anzeiger 2015).

Two new implementation models of the universal basic income, proposed in Finland and Switzerland, both are very generous and very expensive even for these rich countries: if implemented this policy would consume 21% of the Finland's GDP, or 36% of its budget, and 35% of Swiss GDP, or over 100% of the state's budget.

## 6. The implementation of the concept of basic income in Lithuania

As already mentioned, Lithuania is categorized as a country with high income inequality and high level of poverty risk. It is also obvious that the traditional social policy, which is based on income security, did not reach any significant achievements over the last years. Today's post-industrial economy requires an innovative and active social policy, based on saving, investments and asset accumulation, encouraging personal development and motivating people to improve their knowledge, skills and possibilities.

The need for new instruments in the social policy field could be interpreted in all developed countries with rapidly rising discontent regarding achievements of the traditional welfare state in the field of poverty reduction. It is generally accepted that conventional welfare security measures create a "trap" for poverty and unemployment – i.e., the poor remain in poverty and dependence which the welfare state should have eliminated. In addition, it is generally accepted that traditional welfare security measures are too strongly connected to the archaic definition of labour and household, and this leaves large groups of people without the security of incomes and welfare. These traditional welfare state failures are the basis for the need of a reform (Skidelsky 2001).

Whether such a reform would follow the road of the asset-based policy, or more precisely the concept of basic income, is left for discussion. If such a road was selected, the next step would be to decide on monthly benefits size. If the Finish model was selected, the size of monthly benefits in Lithuania should be adapted according to the differences in set of indicators, such as standard of living, average or minimum salaries, in Lithuania and Finland (the standard of living measuring ability to pay such benefits, and the size of salaries using as a measure of decent living). However, the size of the minimum salary is not fixed in Finland, so the standard of living, measured by GDP per capita, and the average salary were selected for further analysis.

Table 2 shows that the average salary is 4.2 times bigger in Finland that in Lithuania, and the GDP per capita is 1.5 times bigger in Finland that in Lithuania. Then, the size of the Lithuanian basic income should be 1.5–4.2 times lower than in Finland and could reach from 193 to 538 EUR per month per resident (see Table 2).

Table 2. The possible size of basic income in Lithuania, EUR / per month / per resident (source: concluded by the authors, based on the data of Eurostat (2015) and Statistics Lithuania (2015))

| | Average monthly salary, EUR (after taxes) | GDP per capita according to the purchasing power parity, EU = 100 | Possible basic income, EUR per month | |
|---|---|---|---|---|
| Finland | 2.300 | 110 | 800 | 800 |
| Lithuania | 554 | 74 | 193 | 538 |
| difference (in times) | 4.2 | 1.5 | 4.2 | 1.5 |

Even when selecting the cheaper 193 EUR / per month / per resident scenario, such a programme would cost to our state budget 6.7 billion EUR a year (see Table 3). It would become a heavy burden, as it would comprise around 80% of the state budget, or would exceed the entire Social Insurance Fund Budget by two times.

Table 3. Costs of the implementation of the concept of basic income (source: concluded by the authors, based on the data of Statistics Lithuania (2015))

| | |
|---|---|
| Number of residents in 01.11.2015 | 2.893.336 |
| Basic income, EUR per month per resident | 193 |
| Basic income, EUR per month TOTAL | 557.533.267 |
| Basic income, EUR per year TOTAL | 6.690.399.210 |

Even if the entire budget of the Social Insurance Fund would be used for paying out basic income benefits, they would reach only 98 EUR / per month / per resident. Thus, those who are retired would receive benefits that are two and a half times smaller than the pensions that they receive under the current social security system (in October of 2015 the average retirement pension in Lithuania was 247 EUR); (Ministry of Social Security and Labour of the Republic of Lithuania 2015). And generally the benefits would be so small that the basic income programme would lose its sense as it would no longer comply with the objectives of this concept (e.g., "benefit that ensures the standard of living above the poverty line"). Thus, at the current redistribution level, the state budget of Lithuania or the budget of the Social Insurance Fund are not big enough to support universal basic income.

## 7. Conclusions

1. At the end of the 20th century, a new social policy based on saving, investments and asset accumulation in order to reduce poverty and social inequality was initiated. One of the implementation instruments of this policy is *universal basic income*. Universal basic income is unconditional benefits which are paid out to all citizens of a country on a monthly basis. However, the size of benefits in different academic papers vary depending on different tasks that are assigned to this social instrument.
2. Supporters of the universal basic income name various possible advantages of the implementation of this concept, such as an increase in personal freedom, increased economic efficiency and reduction of the level of poverty. Empirical research has proved that all the experimental basic income programmes decreased the level of poverty – the more generous the programme was, the stronger its effect was on the reduction of poverty.
3. The concept of basic income is being implemented on a small scale in the US state of Alaska and in a small autonomous territory of China – Macao. The general objectives of the asset-based policy (such as the formation of saving skills, capital accumulation, improvement of access to higher education, reduction of poverty or inequality, etc.) are not communicated in both programmes and there is not enough surveys to see if they have any impact on social inequality, or they just perform "undeserved" pay-outs to the residents of these territories.

4. Two new implementation models of the universal basic income are proposed in Europe: Finland and Switzerland are determined to fully implement the concept of basic income by providing monthly benefits to citizens, reaching 800 EUR in Finland, and 2500 francs in Switzerland. However, the proposed models are very expensive and if implemented they would consume a substantial part of states' budget.
5. Lithuania is categorized as a country with high income inequality and high level of poverty risk. Thus, the traditional social policy, which is based on selective programmes and income security, needs significant reforms. However, current size of the state budget or social insurance fund budget are too small to pay-out sufficient benefits of basic income, or if paid, these benefits would not comply with the objectives usually assigned to the asset-based policy.

## References

Ackerman, B.; Alstott, A. 1998. *The stakeholder society*. New Haven, CT: Yale University Press.

Alaska Permanent Fund [online]. 2015 [cited 20 November 2015]. Available from Internet: http://www.apfc.org/home/Content/home/index.cfm

Baena, C.; Sevi, B.; Warrack, A. 2012. Funds from non-renewable energy resources: policy lessons from Alaska and Alberta, *Energy Policy* 51: 569–577. http://dx.doi.org/10.1016/j.enpol.2012.08.076

Bergmann, B. 2005. A Swedish-style welfare state or basic income?, in B. Ackerman, A. Alstott, P. Van Parijs (Eds.). *Redesigning distribution: basic income and stakeholder grants as cornerstones for an egalitarian capitalism*. London: Verso.

Danziger, S.; Plotnick, R. D. 1986. Poverty and policy: lessons of the last two decades, *Social Service Review* 60(1): 34–51. http://dx.doi.org/10.1086/644348

Eurostat [online]. 2015 [cited 27 November 2015]. Available from Internet: http://ec.europa.eu/eurostat

Garfinkel, I.; Huang, C.; Naidich, W. 2005. The effects of a basic income guarantee on poverty and income distribution, in B. Ackerman, A. Alstott, P. Van Parijs (Eds.). *Redesigning distribution: basic income and stakeholder grants as cornerstones for an egalitarian capitalism*. London: Verso.

Hsieh, C. T. 2003. Do consumers react to anticipated income changes? Evidence from the Alaska Permanent Fund, *American Economic Review* 93(1): 397–405. http://dx.doi.org/10.1257/000282803321455377

Yle. 2015. *Kela to prepare basic income proposal* [online], [cited 26 November 2015]. Available from Internet: http://yle.fi/uutiset/kela_to_prepare_basic_income_proposal/8422295

Kelly, G.; Lissauer, R. 2000. *Ownership for all*. London: IPPR.

Laurinavičius, A. 2013. *The implemetation model of the asset-based policy in Lithuania*: doctoral dissertation. Vilnius university, Vilnius.

Laurinavičius, A.; Galinienė, B. 2013. Asset-based approach to poverty reduction in Lithuania, *Technological and Economic Development of Economy* 19(2): 203–223. http://dx.doi.org/10.3846/20294913.2013.796609

Laurinavičius, A.; Galinienė, B. 2014. Asset-based policy implementation model in Lithuania, *Transformation in Business & Economics* 13(3C (33C)): 513–537.

Ministry of Social Security and Labour of the Republic of Lithuania [online]. 2015 [cited 21 November 2015]. Available from Internet: http://www.socmin.lt/lt/socialine-statistika.html

Nissan, D.; Le Grand, J. 2000. *A capital idea: start-up grants for young people*. London: Fabian Society.

Sherraden, M. 1991. *Assets and the poor: a new American welfare policy*. Armonk, NY: M.E. Sharpe.

Sherraden, M. 2002. From a social welfare state to a social investment state, in C. Kober, W. Paxton (Eds.). *Asset-based welfare and poverty: exploring the case for and against asset-based welfare policies.* Institute for Public Policy Research, London, 5–8.

Sherraden, M. 2003. Individual accounts in social security: can they be progressive?, *International Journal of Social Welfare* 12: 97–107. http://dx.doi.org/10.1111/1468-2397.00248

Skidelsky, R. 2001. Asset-based welfare, *Hansard*, 10 November 2001 [online], [cited 23 November 2015]. Available from Internet: www.skidelskyr.com

Standing, G. 2005. CI, COAG and COG: a comment on a debate. In B. Ackerman, A. Alstott, P. Van Parijs (Eds.). *Redesigning distribution: basic income and stakeholder grants as cornerstones for an egalitarian capitalism*. London: Verso.

Statistics Lithuania [online]. 2015 [cited 24 November 2015]. Available from Internet: http://www.stat.gov.lt/

Tages Anzeiger. 2015. *Eine freiere Gesellschaft – oder der Ruin der Schweiz?* [online], [cited 24 November 2015]. Available from Internet: http://www.tagesanzeiger.ch/schweiz/standard/eine-freiere-gesellschaft-oder-der-ruin-der-schweiz/story/24386980

Van Parijs, P. 2005. Basic income: a simple and powerful idea for the 21st century, in B. Ackerman, A. Alstott, P. Van Parijs (Eds.). *Redesigning distribution: basic income and stakeholder grants as cornerstones for an egalitarian capitalism*. London: Verso.

Widerquist, K. 2015. *China: Macau residents to receive annual basic income.* [online], [cited 25 November 2015]. Available from Internet: http://www.basicincome.org/news/2015/06/china-macau-residents-to-receive-annual-basic-income/

Widerquist, K.; Lewis, M. A. 1997. *An efficiency argument for the guaranteed income*, Working Paper No. 212. Levy Economics Institute of Bard College.

**Algimantas LAURINAVIČIUS.** PhD, lecturer at Vilnius University, Faculty of Economics. Master in Finance, Orleans University, France (2007). Master in Finance, Vilnius University, Lithuania (2008). Author of about 10 scientific articles and co-author of 1 textbook. Research interests: social inequality, asset-based policy, financial and real estate investment, strategic management.

**Antanas LAURINAVIČIUS.** PhD, lecturer at Vilnius University, Faculty of Economics. Master in Finance, Orleans University, France (2007). Master in Finance, Vilnius University, Lithuania (2008). Author of about 10 scientific articles. Research interests: public venture capital, social inequality, strategic management.