



# Beyond the Basics: Guaranteed Livable Basic Income & Bill S-233

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## Will Guaranteed Livable Basic Income Cause Inflation?

[A recent analysis](#) suggests that guaranteed livable basic income (GLBI) is unlikely to cause inflation because it involves the redistribution of money rather than the creation of new money.

One of the fears that many people have is that money received by people with low incomes through GLBI will all be absorbed by rent increases leaving recipients no better off. GLBI will not solve the housing crisis, and there is still need of all the other tools available to make rental housing available in areas of low availability. However, it is not the case that recipients would be no better off if they receive cash from a GLBI.

Recipients of additional money from GLBI do not all have identical needs and not everyone will spend all the money they receive on rent. Some will seek better housing; others will economize on housing by living with roommates or family, and spend the money instead on better food or transportation or education. One of the real benefits of a GLBI is that it does not restrict the ways in which recipients can spend the cash.

Consider the different ways in which a housing benefit might be designed. In traditional welfare programs, there is a “shelter benefit” and, in some cases, it is paid directly to landlords. The result of an increase is quite predictable; in the absence of rent control, the “rent” of the lowest-quality housing will increase proportionately with the shelter benefit leaving recipients no better off.

By contrast, a portable housing benefit allows recipients, whether they receive income support or rely on wage income, to rent where and how they like. In most cases, recipients are still required to show rent receipts, so they do not have complete control over the money. Some [evidence](#) suggests that rents on low-rent housing increase, but by less than the amount of the benefit. Landlords and recipients share the benefits of portable housing subsidies, possibly leading to improvements in the quality of the housing. This has been the reported effect in Manitoba, which has had portable housing benefits since 2015. [Canadian Mortgage and Housing Corporation \(CMHC\) data](#) does not suggest that Rent Assist is driving up rents in Manitoba, although there might be a small effect on the lowest-cost housing.

A GLBI goes one step further. Because households do not have to provide rent receipts, money received as a cash transfer does not need to be spent on housing at all. This creates an opportunity for households to have greater control over the ways they meet their perceived needs, and is likely to have an even smaller effect on the lowest quality of housing.

Overall, it is the fungibility of cash that ensures that GLBI will not be inflationary as long as the aggregate money supply is not increased.

## Key References

CMHC, Manitoba Rent Assist in the Context of Canada's National Housing Strategy, 2021, <https://www.cmhc-schl.gc.ca/professionals/housing-markets-data-and-research/housing-research/research-reports/nhs-outcomes/research-insight-manitoba-rent-assist-context-canada-nhs>.

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Joshua Miller, Universal Basic Income and Inflation: Reviewing Theory and Evidence, 2021, <http://dx.doi.org/10.2139/ssrn.3920748>.