

The Research Centre of the School of Economics and Business in cooperation with the Bank of Slovenia invites you to a research seminar
on **Wednesday, 27 May 2026, at 13:00 CEST in room P-119**
at the School of Economics and Business.

Sang Yoon (Tim) Lee (Queen Mary University of London & Toulouse School of Economics)

will present the article:

Universal Basic Capital with a Social Wealth Fund

Abstract

Economic opportunity has returned to the forefront of policy discussions, as concerns about inequality have taken on renewed urgency in light of recent technological advances. Automation and artificial intelligence are widely expected to disadvantage labor in favor of capital and technology owners, while also further widening earnings gaps and returns to entrepreneurship. This has led to a renewed interest in universal redistribution policies, and recent literature has been evaluating universal basic income (UBI) as a potential response to these challenges. However, existing studies find that while UBI does provide some insurance and redistribution, it can disincentivize physical and human capital accumulation, resulting in lower welfare in the long-run, especially when financed through distortionary taxation.

We consider an alternative approach: universal basic capital (UBC), a universal transfer of assets rather than income. The distinction between UBI and UBC is crucial when households face early-life financing constraints that limit investment in education and entrepreneurship. While UBI relaxes contemporaneous budget constraints, it does not expand households' balance sheets at the time key decisions are made. By contrast, UBC provides pledgeable resources that can relax binding education-financing and entrepreneurial collateral constraints. We also propose a potentially less distortionary channel to fund such a scheme: A social wealth fund (SWF) through which the government holds a diversified equity stake in operating businesses and rebates net proceeds as

UBI/UBC. A well-designed SWF not only provides funds for financing government policies, but preserves incentives for investment in both human capital and entrepreneurship. We first present a simple tractable model with intergenerational human capital investment and collateral-constrained entrepreneurship. We show that UBC weakly dominates UBI in welfare and leads to higher human capital and entrepreneurial investment, with strict gains whenever early constraints bind. We further show that these gains are amplified in environments with greater dispersion in human capital, entrepreneurial returns and risk, implying that asset-based redistribution becomes relatively more valuable as inequality rises. The SWF provides an additional insurance and redistribution channel that strengthens welfare and education outcomes, particularly in high-dispersion environments. Thus, combining UBC with a SWF yields the strongest theoretical performance. To assess the quantitative relevance of our proposed scheme, we embed the model's mechanisms in a richer overlapping-generations framework with lifecycle risk, occupational choice, investment in children and intergenerational transfers, and general equilibrium feedbacks. The quantitative model permits direct comparison with the existing UBI literature and allows us to discipline the interaction between inequality and policy. Our analysis highlights how assetbased redistribution and public ownership of capital may promote equality of opportunity in ways that income-based transfers from distortionary taxation cannot, particularly in economies characterized by rising inequality. It also adds non-trivial considerations for a government deciding on the optimal level of public debt.

We look forward to welcoming you at the seminar.