

The woes of Universal Basic Income

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January 26, 2016

In March 2015, I wrote on Universal Basic Income (UBI), calling it “an income unconditionally granted to individuals without question, as a means to their basic livelihood.” I also ruefully said that governments of large countries wouldn’t pick it up until at least some proof-of-concept existed. And here I am, nearly 10 months later, to report that it’s being greeted with skepticism or outright rejection. I think the idea is intellectually very appealing, but underdeveloped. As it stands, it probably won’t pass in any major country’s legislature with bipartisan support. America in particular is hostile toward it. All this while, it is increasingly unlikely that there will be many low-level jobs available to college students in five years.

A non-means-tested allowance (i.e. government financial-assistance given without eligibility testing) given to all citizens is a compelling idea with advantages that everyone on the political spectrum can like. Small government conservatives will love the UBI guarantee because of its reduction in bureaucratic overheads and the reduction of benefit fraud, especially compared to massive, unwieldy welfare programs. Progressives love the idea of a social security net without holes that contributes to fair redistribution of income during times of increasing automation. They also like that it addresses the concerns of the “precariat,” a neologism describing an emerging class of people who earn wages, but without much job security.

It is highly unlikely that the political establishment in the United States will give it an easy pass. I can already envision pundits hysterically denouncing “free money handouts” on television. Politicians will likely also jump into the anti-UBI bandwagon.

But, there are several issues unrelated to money that need to be solved with UBI. If such a sweeping change is to come, there needs to be support from both sides of the aisle.

UBI doesn’t solve the problem of some welfare benefits declining at a greater rate than wages go up. This problem has been identified by the Cato Institute and a 2014 report by the Illinois Policy Institute. For example, it’s possible for a minimum wage job to only pay a post-tax amount of \$50 a week with the loss of welfare benefits greater than \$50, and an increase in transportation and child care costs.

Even if the trap wasn’t a problem, UBI won’t really solve poverty, except statistically. Yes, a check that technically puts you above the governmental poverty line will allow the government to show that poverty has been eliminated on paper, but only on paper. In reality, UBI shifts the burden of responsibility to the citizen to carefully spend every dollar. Some of these people might have children, who as minors will be dependent on their parents. Is more money then

given to those with children? Doesn't verification mean that the premise of a non-means-tested allowance is defeated?

Finally, having UBI could indirectly harm America's golden goose: immigration. Legal immigrants have long been a source of increasing prosperity in the nation. Forty-two percent of Fortune 500 companies were started by immigrants, while Silicon Valley relies on wave after wave of foreign talent. But with UBI, it could become politically fashionable to choke immigration to keep more money for those who are already citizens.

Despite all this, I'm glad to see UBI is catching on in the media. There have been successful test programs run in countries as diverse as India, Canada, and Namibia. It seems like an idea whose time is coming, especially with traditional employment in jeopardy. While UBI seems a great idea, I can't see it working unless the above selection of problems is demonstrably solved. The barriers are both political and practical, but I'll be behind it all the way.