



# \$11,000 for Every Household: Could Guaranteed Income Work for America?

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Between 1974 and 1979, the Canadian government tested a program called Mincome in Dauphin, Manitoba, a town of fewer than 10,000 residents. Under Mincome, a family with no sources of income would receive 60% of the low-income cut-off -- a type of poverty line that Canada uses. Every dollar in income earned reduced the benefit by \$0.50. It didn't matter *why* you didn't have an income -- whether you were elderly, disabled, or simply unemployed. You only needed to earn below a certain amount.

What were the results of the economic experiment? Did people stop working? Did prices surge?

And should we think about running such an experiment in the U.S. today?

## **The outcomes of a guaranteed annual income**

The Dauphin trial ended due to incredible inflation pushing the project over budget (inflation soared past 11% in the U.S. in 1979), as well as a change in government. With no funding to analyze the data, the results were boxed up and archived until Evelyn Forget, with the University of Manitoba, unearthed the records to publish a paper in 2011. She discovered that about a third of Dauphin families qualified for a part of the Mincome at any given time, and because benefits were reduced for every extra dollar earned, many payments were not large.

Her other findings include:

- **Students were more likely to advance in school.**  
"Dauphin students in grade 11 seemed more likely to continue to grade 12 than their rural or urban counterparts during the experiment while, both before and after the experiment, they were less likely than their urban counterparts and not significantly different from their rural counterparts to complete high school."
- **Hospital visits decreased by 8.5%.**  
"By 1978, Dauphin residents had a significantly lower rate of hospitalization than the controls, but this began to narrow so that, by 1985, the significant difference in hospitalization separation rates between Dauphin subjects and the comparators

disappears entirely." Specifically, accidents, injuries, and mental-health-related hospitalization decreased.

- **Two groups of people worked fewer hours.**

Adolescents and new mothers were the only groups to spend less time working, meaning they could spend more time in school or raising a new child. Forget attributes this to the well-designed incentive for more work, given benefits only decline by \$0.50 for each extra dollar.

### **Would such a program work in the U.S.?**

Given the increase in automated work, the prospect of having too few jobs for a thriving workforce is weighing on minds around the world. In Switzerland, a petition guaranteeing about \$33,000 per year drew enough support to earn a public referendum, with early polls indicating 45% of voters in support. A book about income inequality, Thomas Piketty's *Capital*, became a best-seller despite the dry and depressing topic.

Given the renewed interest in guaranteed income and its seeming benefits, what about the U.S.?

In the U.S., guaranteed income has a high hurdle that's rooted in the values of the American Dream. According to Pew Research in 2012, only 59% of Americans believe "it's the government's responsibility to take care of people who can't take care of themselves," down from 69% in 2007. Additionally, the political parties that would be in charge of crafting such policy are further apart than ever. The gap between Republicans and Democrats on that same belief statement grew from 21 points in 2007 to 35 points in 2012. It would take a large shift in culture to accommodate a basic income.

Though, as former Secretary of Labor Robert Reich says:

We've got to seriously think about how we widen the circle of prosperity, how we get shared prosperity. Otherwise, who's going to be the customer? And a minimal guarantee with regard to income, it seems to me as almost inevitable in terms the direction that the structural changes of our economy are taking us in.

If Reich is correct that one day we will have a guaranteed income, how much would it cost? Are claims that it would be a net savings for the government true?

### **The basic income tally**

If implemented in the same way as Dauphin's Mincome, the program would actually be quite affordable, yet would most likely fail to cover basic needs.

According to the Census, 50 million Americans live in "supplemental poverty," which adjusts traditional poverty-line measures with government benefits, cost of living based on city, and health care. Given an average household size of 2.6 people and a payout of 60% of the poverty threshold -- currently between about \$16,000 and \$20,000 for two- and three-person households -- the average household in poverty would receive almost \$11,000 in basic income. With 20 million households in poverty, the total bill would be a little over \$200 billion.

Right now, federal spending on low-income programs totals around \$750 billion. State and local governments spend nearly \$300 billion to support those with low income, according to the Cato Institute. This means if the government scrapped the current support programs in favor of a Dauphin-style Mincome, it would save over \$800 billion. However, such a savings raises a red

flag -- and that's because \$11,000 is not nearly enough for the average American household to get by.

To support two adults, the Living Wage Calculator at MIT puts the necessary annual income at \$41,000 for those living in Washington, D.C. Adding a child brings that necessary income to about \$49,000. A basic income of \$11,000 is far short of either.

What if we raised the annual basic income or tweaked it in other ways? Here are a few other calculated scenarios.

### **Ends short of meeting**

There could be great social benefits to finding ways to fund programs like Mincome. But it will likely take decades for an agreeable solution to arise, as well as ideas on how to cut expenses or raise revenue to cover such a program that *would* be able to cover basic needs.

### **Until a basic income arrives, here's a little-known tax "loophole"**

Recent tax increases have affected nearly every American taxpayer. But with the right planning, you can take steps to take control of your taxes and potentially even lower your tax bill. In our brand-new special report "The IRS Is Daring You to Make This Investment Now!," you'll learn about the simple strategy to take advantage of a little-known IRS rule. Don't miss out on advice that could help you cut taxes for decades to come. [Click here to learn more.](#)