



Could Free Money Solve Poverty?

By Nina Misuraca Ignaczak
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Poverty is not cheap.

According to a 2007 [study](#) by the Center for American Progress:

the costs to the U.S. associated with childhood poverty total about \$500 billion per year, or the equivalent of nearly 4 percent of GDP.

Those costs come in the form of reduced productivity (accounting for 1.3 percent of GDP), increased costs of crime (another 1.3 percent of GDP), and health costs (another 1.2 percent of GDP.)

Programs to manage poverty in the United States aren't cheap either. The combined costs of supplemental food assistance, Earned Income Tax Credit, and Medicaid top a trillion per year, according to the [Cato Institute](#)—over \$20,610 per year per poor individual, when the minimum poverty threshold was \$12,119 in 2013.

That last part is important: **the amount spent per person on poverty reduction was nearly twice the amount needed to lift each person out of poverty.**

And yet the United States still has a [poverty rate of fifteen percent](#), a figure that has now leveled off since the Great Recession but shows no signs of going down.

Clearly, something is not working. And that something, according to some advocates, may be captured in one word: overhead.

To get those benefits to the poor, poverty programs require caseworkers, foreign aid workers, offices, computer equipment, transportation, and management.

Advocates of the universal income concept argue that to end poverty, governments should just cut out the middle-man and guarantee a basic income to all citizens—no strings attached. Basically, give away free money.

The idea is not a new one—the American revolutionary Thomas Paine was the first to propose it—and is not without precedent. A [Canadian experiment](#) in the seventies which gave all residents of Manitoban town a guaranteed income (a “mincome”) was shown to eradicate

poverty, and increase health and education measures. While people did work less, most of those were new mothers and students.

And more recently, experiments that gave direct cash instead of expensive foreign aid workers or social welfare programs to [poor African villagers](#) and [London vagrants](#) showed success. [Switzerland](#) will hold a public referendum on the topic sometime in the next two years.

The idea appeals all across the ideological spectrum. Rutger Bregman writes in [decorrespondent](#), a Dutch-language online newsmagazine:

Proponents cannot be pinned down on the political spectrum: it appeals to both left- and right-wing thinkers. Even the founders of neoliberalism, Friedrich Hayek and Milton Friedman supported the idea. Article 25 of the Universal Declaration of Human Rights (1948) directly refers to it.

It's an idea made in libertarian heaven. No more HUD, no more SNAP, no more burdensome and confusing tax credits.

Even Google is buying in, [donating 2.5 million](#) to support [GiveDirectly](#), a nonprofit that allows individuals to bypass international aid organizations and directly transfer cash to the bank accounts of poor Kenyans and Ugandans.

Overhead is a [hot-button issue](#) in the charitable nonprofit world. Sometimes it requires professional expertise and costs money to do the work.

[Except when it doesn't](#). Sometimes, the resources are available locally. Sometimes, it comes down to simply being able to buy inventory to start a business, or buy the groceries every week so the kids can go to school with a full belly.

In those cases, instead of a case worker or a Peace Corps volunteer, maybe a government check or a wire transfer from the other side of the world may be just enough to tip the scale toward a better life.