

Would Universal Basic Income Actually Work?

Martin Morse Wooster

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One of the topics in social policy I've never gotten around to discussing is the debate over a "universal basic income," in which the welfare state would be partially or completely replaced with a guaranteed income that would be given to everyone.

The chief reason I haven't written about it is that tons of proposals, papers, and ballot initiatives appeared last year. Some donors set up pilot projects. The Swiss rejected it. People found the shelves in the libraries where the dusty reports from the 1970's were stored and eagerly read about large-scale social experiments that tested it.^[1] In June, the Hawaii legislature passed a resolution urging the state to implement a universal basic income. And the latest test of basic income has just been announced for next year in Stockton, California, where a random sample of the 300,000 residents will get \$500 per month (\$6,000 a year) with no strings attached. It was all too much.

Jesse Walker, books editor of *Reason*, has an interesting intellectual summary of how the idea of a universal basic income is over 200 years old. He begins by reporting on a panel held by the Cato Institute last year, featuring Charles Murray of the American Enterprise Institute^[2] and former Service Employees International Union president Andy Stern. Both favor a form of the universal basic income. Stern likes it because it would provide an income floor to workers he thinks will be displaced by automation. Murray would trade a universal basic income for the welfare state.

As Walker notes, some variant of universal basic income has attracted thinkers from the left and right since the late 18th century. Although some people claim that St. Thomas More invented the notion in his book *Utopia*, Walker says the true inventor of the universal basic income was Thomas Paine (who also, by the way, invented school vouchers.)

In his pamphlet *Agrarian Justice* (1797), Paine argued that because the earth "in its natural, uncultivated state was ... the common property of the human race" landowners should pay a "ground-rent" for the privilege of private property, which Paine thought could lead to everyone in Britain getting fifteen pounds when they turned 21 and another 10 pounds when they turned 50.

Two years earlier, the village of Speenhamland decided it would aid the poor by giving everyone a minimum payment. The Speenhamland system lasted until 1834, and was adopted by other cities, until the system was superseded by a more means-tested method of fighting poverty.

Some sort of basic income, says Walker, was a favorite belief of the non-socialist left, including Henry George and C.H. Douglas, and an inspiration of the Social Credit Party of Canada. When the Social Credit Party came to power in Alberta in 1935, newly elected premier William

Aberhart promised to give every Albertan a “dividend” of \$25 a month. The government never came up with the money and the program died by 1937.

The right then stepped into the debate with the negative income tax, which subsidizes workers until they reach a particular income level, at which point they begin to pay income tax. George Stigler and Milton Friedman thought up the idea of the tax in the 1940’s, and in *Capitalism and Freedom* (1962) Friedman enthusiastically endorsed it.

When Richard Nixon became president in 1969, Daniel Patrick Moynihan, one of his top aides, proposed “the Family Security System” which included a watered-down version of the negative income tax. Walker writes that when Moynihan “presented his plan to the president in 1969, Nixon asked if it would ‘get rid of social workers.’ The aide (Moynihan) replied that it would wipe them out, and Nixon took the news with pleasure.”

Like most federal government proposals, the Nixon welfare-reform program was watered down to the extent that Milton Friedman ultimately opposed it as retaining too much of the welfare state. The plan passed the House twice but was never considered by the Senate. However, a watered-down version of the negative income tax survives as the Earned Income Tax Credit.

The second half of Walker’s article summarizes current efforts to research basic incomes. Perhaps the one of most interest to philanthropists is that of GiveDirectly which uses donations and gives them to poor people in Africa. Research from GiveDirectly found that people who got the cash from the organization used it to start businesses or other productive activities. GiveDirectly is now raising \$30 million to test in villages in Africa with four kinds of aid in a randomized trial, in which one group of 80 villages will get the equivalent of 75 cents a day for two years, a second group will get the money for 12 years, a third group of 40 villages will get a lump-sum payment equivalent to two years’ worth of aid, and the fourth group of 100 villages will be a control group and get nothing. The goal, says GiveDirectly’s Ian Bassin, is to test the effectiveness of a basic income in fighting poverty with more traditional temporary forms of assistance.

The idea of a universal basic income has been pretty thoroughly debated. But here are two ideas that I don’t think have been well considered.

The first is for people who look forward to living on a universal basic income. Ask yourself this question: as you come to the end of your life, what you have accomplished? Those in the labor force can point to things they’ve done. Engineers can show the buildings they’ve worked on, and artists can show the books they’ve written and the paintings they’ve created. If people no longer have to work in order to acquire the necessities of life, how do you replace the sense of accomplishment that a lifetime of productive work provides?

My second thought is about the iron law of bureaucracy – government organizations, once created, can never be destroyed. So those on the right who think a universal basic income will cause tens of thousands of social workers, disability lawyers, and the like to lose their jobs should answer this question: Since this has never happened in the past, how can you be so certain that converting social services into vouchers will shrink the welfare state?