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Nixon-era proposal to give “basic income” to all people springs back to life

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Andy Stern spent his career organizing service workers, fighting for higher wages and improving working conditions as head of the Service Employees International Union.

He left at the height of his career as one of the country’s most successful labor leaders to tackle a problem he couldn’t find any clear answers to.

“A tsunami of labor-market disruption is coming and nobody wants to talk about it,” Stern told a crowd gathered for the Colorado Center on Law and Policy’s Pathways from Poverty Awards Breakfast on Thursday morning in Denver.

Stern is now a leading advocate for universal basic income (UBI), a policy that President Richard Nixon promoted, but which is seeing a revival of interest from the political left and right and is making its way into social policy discussions.

Technological innovations are about to disrupt labor markets in a massive way that people don’t understand or appreciate, slicing into occupations once considered untouchable, from truck drivers to highly-paid surgeons, he warned.

An Oxford University study estimates nearly half of U.S. jobs are at risk of being automated over the next two decades, and other studies put those losses at 10 percent to 40 percent of occupations. Any losses will come in an economy already performing below par at providing opportunities.

If those estimates pan out, the country’s future will increasingly be filled with more workers than employment opportunities, a recipe for social disorder. Stern argues that will force the federal government to step in by either providing jobs, as it did temporarily in the 1930s, or by boosting incomes, something Nixon sought in 1969 with his Family Assistance Plan.

Stern’s streamlined version of a universal basic income, which he details in his book “Lifting the Floor,” would automatically provide all U.S. citizens ages 18 to 64 with \$1,000 per month, enough to pull everyone above the poverty line, now at \$11,994.

“It would be a supplement, but not a substitute for work,” Stern told his Denver audience.

Stern said he didn't know much about UBI when he started a fellowship at Columbia University three years ago. But of all the solutions he has looked at, it seems to offer the best answer to the worsening economic dislocation underway.

Lest anyone think Stern is baking up another liberal pie in the sky proposal, Richard Murray a scholar at the CATO Institute, a Libertarian think tank, is also an ardent supporter.

"The real case for a universal basic income in my view is not financial, but is moral," Murray argues in a video presentation.

Murray's version would provide \$10,000 annually to people from age 21 until their death. To avoid busting the budget, the subsidy would phase out when a person's income rose above \$30,000 a year.

His version would cost less than the \$1 trillion now spent across more than a hundred government transfer programs, he argues. Allowing individuals greater freedom to determine how they spend that money would foster a more fulfilling life, while also reducing bureaucratic overhead.

"The right question is not can we afford a universal basic income; the right question is how are we going to maintain the current system," Murray argues.

Stern and other progressive supporters come at it from a different angle. Inflation-adjusted wages, not including health care premiums, have stagnated since the late 1990s. Job growth is anemic and the share of working-age adults engaged in the labor force is at a three-decade low.

A record number of young adults in the U.S. now live with their families, typically because they don't make enough money to support themselves. They are delaying getting married, having children and buying homes.

More Americans are living paycheck to paycheck, with minimal financial reserves, and surveys show an increasing number of people believe their children and grandchildren can look forward to a lower standard of living.

All that has contributed to a sense of anxiety that is resonating through the presidential campaign. And in all the chatter, Stern argues most people don't realize what is actually going on.

An uncertain future

Computing power and technological advancements are nearing the level where they will trigger an inflection point in developed economies, not unlike the seismic shift from the agrarian to industrial age, Stern said.

Inflection points share two things in common. People don't realize what happened until well after the fact, and they deny the real reasons behind change until it is too late, he said.

Talks about higher tariffs, tougher trade agreements and the return of manufacturing jobs to U.S. shores entirely miss the bigger problem that no one is willing to address, he said.

Textile workers in Vietnam or Cambodia — and not North Carolina — may be making the clothes that Americans wear. But sewing bots can assemble garments faster, cheaper and with fewer mistakes, putting their jobs at risk, Stern said.

Self-driving vehicles offer another example. Many people dismiss the technology as years in the future and not anything they would ever trust. But trucking companies and ride-sharing services hold a much different attitude, Stern said.

A single driver recently led a convoy of four other automated semi-trucks behind him across Europe recently. The jobs of 3.5 million truck drivers and the 6 million workers who support them in the U.S. are at risk, Stern said.

Ride-sharing service Uber is testing a self-driving car service in Pittsburgh. That technology will reduce the need for drivers, many of whom started driving because they lost opportunities in other parts of the economy.

Nor is the issue only about blue-collar and service jobs. Oncologists at Memorial Sloan Kettering Cancer Center have trained a version of Watson, IBM's famous cognitive computer, to diagnose and develop treatment plans for cancer patients.

Stern said Watson Oncology is making the right call in about 80 percent of its cases versus a 50 percent rate among humans. One reason: Watson can digest and incorporate the 3,000 research articles that come out in the field each month, something practicing oncologists don't have the time to do. That means Watson will only get better over time.

Likewise, studies comparing human surgeons using robotic devices to robots performing surgery alone found the machines do a better job, he said.

Service workers have long coped with downward wage pressures, but white-collar workers will increasingly face them. That could provide the broad base of support needed to win passage of some form of a universal basic income, Stern said.

Test run needed

Nixon's basic income plan made it through the House but failed to pass the Senate, in part because some Democrats feared the dismantling of government support programs. Another concern — then and now — is whether people could be trusted to put the money they received to the best use. Would indolence replace productivity?

Murray acknowledges that issue gave him greatest pause and Stern said the idea of just giving money out rubs people in the wrong way.

Stern said more research needs to be done to understand how people would use the basic income the government provided them, and to craft the right incentives. Studies are underway in Finland, Canada, the Netherlands and even in Silicon Valley, the cauldron of so many experiments.

The largest out of five basic income studies done in the U.S. during the Nixon era involved 4,800 families in Denver and Seattle from 1971 to 1982.

About 17 percent of women receiving the guaranteed income in the Seattle-Denver study left the workforce versus 7 percent of men, although that number may be slightly overstated, Boston College researcher Alicia Munnell found in a review.

Households with income support were more mobile, a plus when a tough economy requires moving to pursue a better opportunity. They were more likely to pay for child care rather than relying on family members. And they had higher rates of home ownership, although it wasn't clear if they simply bought homes earlier than they might have otherwise.

But the study also found a large jump in the divorce rate among couples that received support. While some of that may have reflected women escaping abusive relationships, it caused concerns among basic income backers.

Murray argues UBI immediately lifts up the involuntarily poor who despite hard work and their best efforts aren't advancing in today's economy. Stern adds that a UBI provides workers with more flexibility, whether to relocate, attend college or obtain training or stay home to take care of children or aging parents.

In perhaps the program's most important contribution to the country's economic future, a UBI would give people more room to test their entrepreneurial impulses, Stern said.

Most of the wonder kids hailed as Silicon Valley innovators received a version of UBI, just under a different name — parental basic income. A system that gives people more room to test ideas and risk failure could unleash more opportunity and help with the difficult economic transition ahead, Stern argues.