

The Street



What If You Were Guaranteed a Minimum Income?

Mark Henricks

March 1, 2016

What if the government paid every citizen a minimum guaranteed income? Proposals to do something like that have been around for decades and even tried a few times on small scales. Now the idea is making the rounds in a number of countries, including some that plan to put it to a vote. In the United States guaranteed income is supported by an exceptionally broad spectrum of people from libertarians to liberals.

The basic concept is straightforward. "Essentially, it is the idea that the government would provide all adults with a certain income not connected to any other requirements," says Michael Tanner, a senior fellow at the Cato Institute in Washington, D.C. "It's simply a flat grant of income to everybody."

Guaranteed income appeals to fiscal conservatives like economist Milton Friedman because of its potential for replacing a costly, complex, inefficient and ineffective net of welfare programs. Liberals as far back as Martin Luther King hoped it could do a better job than existing programs at easing poverty, homelessness, hunger and other social ills.

Today, libertarians including a number of Silicon Valley entrepreneurs propose it as a way to ease the impact when advancing technology wipes out jobs. And for anyone concerned about retirement funding, guaranteed income promises to drastically reshape that issue.

Switzerland will be the first country to vote on a guaranteed minimum income proposal. Voters will cast ballots in June 2016 to decide whether to pay every Swiss citizen the equivalent of \$34,000 a year. While the Swiss proposal is not given a good chance of passing, different national plans are being considered in the Netherlands, Greece, Finland and elsewhere. And in Canada, the province of Ontario has announced it will conduct a pilot of a basic income program.

While the theoretical appeal of guaranteed income is broad, concerns about how it would actually work have kept it from being tried on a big scale. One problem is cost. If all 319 million United States citizens were to receive \$10,000 a year, notes Tanner, the bill would approximate the entire federal budget of \$3.8 trillion.

"Even if you were to abolish all the other federal anti-poverty programs, it would still cost much more than we're currently spending," Tanner he says. "So that's not going to work."

Adding a means test would control costs by limiting payments to people who earned below a certain amount. Even if payments were \$20,000 per year per recipient, a means test would greatly reduce the cost of the program. Another modification would pay households instead of individuals, or adults only. These approaches could cut cost below combined federal and state outlays for things like Social Security, food stamps and unemployment insurance, so that guaranteed income might be a money-saver.

The means test also has potential problems, however. One is that the program would become much more complex, requiring rules and definitions of what constitutes income, for example. Another worry is that people would have a disincentive to go to work, since earning income might disqualify them for the basic income payment.

Practical concerns like these have kept national guaranteed income proposals from becoming reality, Tanner says. Guaranteeing income seems so radical that, without proof of feasibility, no nation is willing to take the first step. "We just don't have any evidence to go by," he says. "There's no data out there. We don't know how it would work in practice."

Pilot programs have been tried at the local level in various places, including the United States and Canada. And, while detailed data are indeed incomplete, there's been no indication that many people stopped looking for work or the programs proved excessively costly.

For now, guaranteed income seems destined to be a part of the discussion about how to deal with poverty, hunger, homelessness, long-term unemployment and other social issues, including how to pay for retirement. And with impetus building for trials in Europe and elsewhere, skeptics and fans may soon have some real evidence to support their cases for or against. "That's terrific," says Tanner, "because then we'll have data to work with."