



What Is a Universal Basic Income — and Could It Work?

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What if every month, the government sent money to help you pay your bills?

This is the essential idea behind a universal basic income.

Facebook founder Mark Zuckerberg and business magnate and inventor Elon Musk support the concept. Meanwhile, Finland is experimentally giving 2,000 of its citizens the equivalent of \$587 a month, no strings attached.

But what exactly is a universal basic income? Here's a primer.

How Does A Universal Basic Income Work?

It doesn't matter if you work, or how much you make. And it doesn't matter what you spend the money on.

A universal basic income means the government sends everyone the same amount of cash periodically, with the intention that no one's pay falls below that baseline.

That said, the policy can manifest in different ways. The money may go to families or individuals. And rich people can get taxed, so the pay they receive ultimately goes back into the system.

But should universal basic income replace or supplement current welfare programs?

What Problems Does Universal Basic Income Solve?

Supporters say a universal basic income can solve a number of issues.

Musk, for one, fears that workers are at risk of replacement by robots. A guaranteed income would ensure that people don't fall through the cracks as they lose their jobs — especially when many don't have the skills to get another.

More importantly, the practice confronts income inequality. The top 1 percent in the U.S. earn 81 times more than the country's poorest half.

Some argue a universal basic income could streamline pre-existing welfare programs.

As Cato Institute Senior Fellow Michael Tanner tells CNBC, “We have over a hundred different welfare programs all with different rules and regulations. They're overseen by dozens of different agencies. Simplifying, consolidating and moving to cash would make a great deal of difference I think.”

Finland recipients already say they're feeling less stressed.

Why Do Some People Oppose A Universal Basic Income?

Less than half of Americans support a universal basic income.

Critics resist the idea of “getting something for nothing.” And some contend that the policy could erode people's desire to work. Others are unsettled by the notion that the money can be spent on anything.

The price tag can also be daunting. Economist Karl Widerquist estimates that a universal basic income could cost \$539 billion a year, if the U.S. spends \$12,000 on every adult and \$6,000 per child.

Granted, that's less than 25 percent of the country's current spending on entitlements.

What Countries Have A Universal Basic Income?

Finland has been the most conspicuous country lately to experiment with a universal basic income, but the Netherlands and Canada have also tinkered with the idea.

Does a universal income work? We must wait and see.