



## **OPINION: Is an allowance for all Americans as crazy as it sounds?**

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Looking for the next big political idea? How about this: Let's scrap our entire social welfare system, including all of our anti-poverty programs, unemployment insurance, Medicare and even Social Security. In its place, just send every American a no-strings-attached check for enough money to ensure that no one falls below the poverty line.

Controversial? Absolutely. Politically explosive? Almost certainly. Crazy? Maybe not. In fact, a growing and diverse group of people from across the political spectrum have been debating just such an approach to revamping the safety net. The latest is Facebook founder and CEO Mark Zuckerberg, who told graduating Harvard students last week that we should blow up the existing New Deal-based social contract and replace it with a universal basic income (UBI).

In calling for a universal basic income, Zuckerberg joins a growing number of Silicon Valley entrepreneurs who back a UBI.

To be sure, there is a fair degree of self-interest in the tech community's call for a universal basic income. There has been growing concern in some arenas that advances in automation and artificial intelligence could lead to widespread job loss, especially for low-skilled workers. The fear is that politicians may respond by limiting technology or imposing other burdens on the industry.

Already, San Francisco is debating a ban on robotic delivery vehicles. A UBI is seen as a way to ameliorate the pain of a changing work environment without retreating into luddism.

But there may be other reasons to consider replacing the existing welfare state with a universal basic income. The most obvious one is that current welfare programs have so clearly failed to help people escape poverty. The federal government currently funds more than 100 separate anti-poverty programs, at an annual cost of nearly \$700 billion per year.

State and local governments spend another \$300 billion per year on anti-poverty programs. Yet, despite this roughly \$1 trillion investment, poverty rates (even using more accurate alternative measures) have not significantly improved since the 1970s, and economic mobility among the poor remains stagnant.

A universal basic income would have several advantages over the current welfare system. It would obviously be simpler and far more transparent than the hodgepodge of existing anti-poverty programs. With different, often contradictory, eligibility levels, work requirements and

other restrictions, our current welfare system is a nightmare of unaccountability that fails to effectively help people transition out of these programs and escape poverty.

Finally, and perhaps most importantly, a UBI would provide far better incentives when it comes to work, marriage and savings. Because current welfare benefits are phased out as income increases, they, in effect, create high marginal tax rates that can discourage work or marriage. In contrast, a universal basic income would not penalize someone who left welfare for work.

For those who believe in getting government out of people's lives, a UBI would also be far less paternalistic, expecting the poor to budget and manage their money like everyone else. It all adds up to a strong case, yet there are also serious trade-offs.

For example, a recent study from scholars at the [American Enterprise Institute](#) suggests that the only way to afford a universal basic income would be to replace not just anti-poverty programs and unemployment insurance, but also middle-class entitlements, such as Social Security and Medicare. The poor would be big winners under such a shift, but politically powerful seniors would lose out. That seems like a political nonstarter.

A negative income tax, which limited the basic income to lower-income people, would be more affordable, but would also import all the complexity, fraud and abuse of the current U.S. tax code. For example, how would a negative income tax handle someone who had little income but substantial assets? It would also recreate many of the same incentive problems we see in the current welfare systems, imposing high effective marginal tax rates, which discourage work.

Moreover, as with other government programs, there would be constant pressure to expand benefits. Once we've established the idea that people are "entitled" to an income, it becomes much harder to say "no" in the future. How long would it be before we heard that no one can live on whatever benefit the UBI provides at the moment?

Finally, we should be careful of the illusion of bipartisan agreement on the issue, even among its advocates. Free-market advocates see the UBI as a replacement for the existing welfare state. Many on the left call for a UBI as an additional benefit on top of existing programs, funded through new taxes on carbon, natural resources, businesses, or "the rich." Bridging those differences will likely be much harder than advocates on both sides may believe.

Still, advocates of free markets and welfare reform should not dismiss the idea out of hand. The current welfare state is a clear failure. A universal basic income may or may not provide a better alternative, but it's almost certain we will hear a great deal about in the next few years.

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