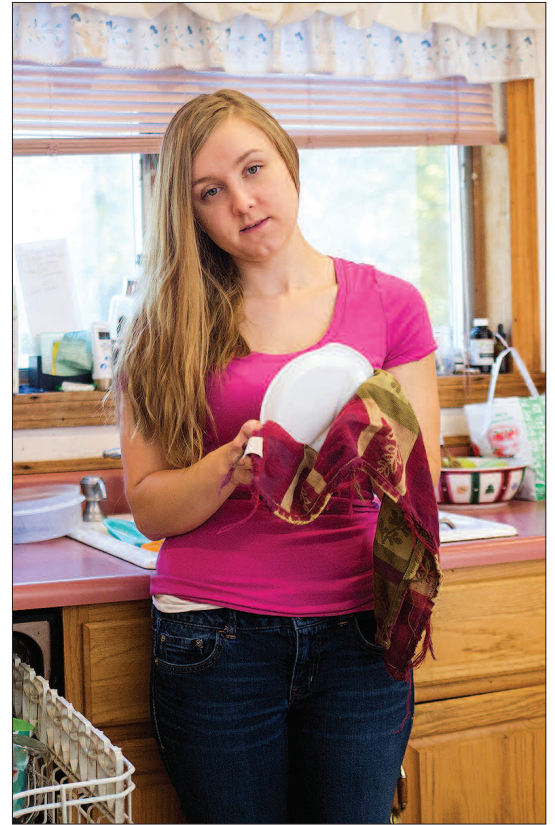


Universal Basic Income

Would cash payments relieve job losses due to automation?

The prospect of automation replacing workers has helped to revive an old idea: a government check covering basic expenses paid to everyone. Silicon Valley proponents say a guaranteed income — or universal basic income (UBI) — could be crucial in a future with less work to go around. The idea has won enthusiasts among libertarian conservatives who see it as a less bureaucratic alternative to welfare, and liberals who say it could combat inequality and wage stagnation. But UBI supporters on the right and left differ over whether to pay for it by diverting money spent on existing welfare programs or raising taxes. Others dismiss the idea outright, saying it would bust the budget and breed laziness. Still, trial efforts are underway in California, Finland and Canada to investigate whether free cash encourages idleness or, alternatively, boosts education and health — benefits found in 1970s-era American and Canadian experiments and among Alaskans and Native Americans sharing community wealth.



Samantha Watson, a single mother and nursing student in Parsonsfield, Maine, has received benefits from the nation's primary welfare program for low-income families, Temporary Assistance for Needy Families (TANF). Unlike TANF, which requires recipients to prove they are poor enough to qualify, the universal basic income envisioned by some proponents would provide all citizens with a fixed stipend, regardless of income.

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Universal Basic Income

BY SARAH GLAZER

THE ISSUES

Scott Santens, a freelance writer in New Orleans, is living a life some social reformers only dream about. Since last year he has been receiving \$1,000 a month, no strings attached, from over 300 contributors via the crowdfunding website Patreon, which supports artists, musicians and bloggers.

"I'm able to focus on what I most want to do," Santens says, which is writing and advocating for an unconditional basic income, like the one he receives, for everyone. That financial freedom, he says, is possible because of the knowledge that he won't go hungry or homeless if no work comes his way.

As a longtime freelancer who started in Web design, the 40-year-old says, "I feel like I've been living the 'future of work' for my entire adult life," referring to the trend of people increasingly relying on part-time, short-term jobs with no benefits. "I don't have health care, I don't have unemployment insurance; I'm doing what

I can to earn money each month. That's really the direction we're headed — alternative forms of work where people don't have these classical jobs for 40 hours a week."

The idea of a universal basic income (UBI) is gaining renewed attention from governments and Silicon Valley's tech industry, with experiments planned or ongoing in California, Canada, Finland, the Netherlands, Spain and Kenya. With advocates on both the right and left, support for a UBI springs from concerns that increasing automation and the growing gig economy could leave a



Getty Images/Paul Marotta

Facebook co-founder and CEO Mark Zuckerberg told the Harvard graduating class on May 25 that a universal basic income (UBI) should be explored "to make sure everyone has a cushion to try new ideas." Some Silicon Valley leaders advocate a UBI as a spur to entrepreneurship and as a solution to job instability, which they expect growing automation to exacerbate.

huge number of Americans without permanent jobs, as well as worries about growing income inequality, stagnating wages and rising welfare costs.

Others oppose the whole concept, saying it would cost too much and encourage idleness. And even supporters say a UBI is unlikely to be implemented anytime soon, in part because proponents disagree on how to pay for it.

The idea of a universal basic income is not new. Republican President Richard M. Nixon proposed a guaranteed income in the 1970s, but the idea died in Congress. Two long-standing unconditional

cash payment programs already exist in the United States, although neither is sufficient to cover living expenses. For the past 35 years, every Alaskan has received an annual dividend, ranging in recent years from about \$1,000 to \$2,000, derived from the state's oil revenues. And since 1997, every member of the Eastern Band of the Cherokee Nation has gotten a yearly cash dividend, ranging from \$4,000 to \$6,000, as their share of the tribe's casino profits.¹

Ideally, according to proponents, a UBI is a periodic cash payment covering essential needs, paid to everyone, rich or poor, without any conditions attached. Advocates usually propose pegging it at or above the U.S. poverty level of about \$12,000 a year for each individual.²

A variation that guarantees a minimum income, known as the negative income tax, was tested in government-run experiments in the United States and Canada in the 1970s. Under this approach, low-income individuals receive payments totaling the difference between

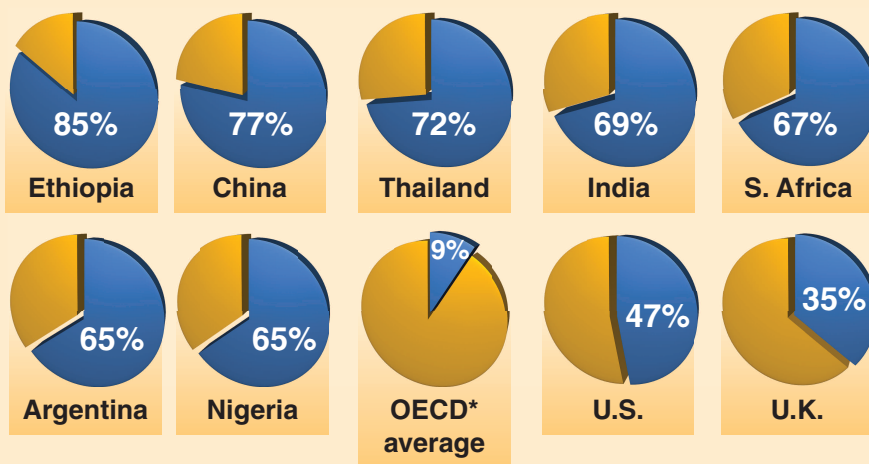
their income and a basic income established for the experiment. Benefits are phased out as earned income rises.

Studies predicting that robots, artificial intelligence and new technologies — such as self-driving cars — will soon eliminate jobs involving cognition and judgment have intensified worries over the impact of automation on workers. A widely cited Oxford University study estimated that automation could replace 47 percent of U.S. jobs, although other analyses put the proportion far lower.³ For instance, the Organisation for Economic Co-operation and Development

Automation Threatens Jobs Worldwide

The majority of jobs in developing nations such as China, Ethiopia and India are vulnerable to automation. Technological advances, such as the use of robots in manufacturing, are more likely to affect low- or semi-skilled workers than high-skilled ones, but they are putting high-skilled jobs at risk as well. As jobs disappear, advocates contend that governments should provide people with a basic income to keep them out of poverty.

Percentage of Workforce Potentially Affected by Automation, by Country



* Twenty-one nations belonging to the OECD (Organisation for Economic Co-operation and Development) were included in the average.

Sources: "Fear thy Robot: Chances of Workers Being Replaced by Automation Vary by Country," Statista, 2016, <https://tinyurl.com/y8mrafgd>; "The Risk of Automation for Jobs in OECD Countries," Organisation for Economic Co-operation and Development, May 14, 2016, <http://tinyurl.com/zdbzkhz>

(OECD), an economic research organization in Paris made up of 35 member countries, predicted that automation might replace only 9 percent of U.S. jobs, and the McKinsey Global Institute think tank, looking at the question globally, put the figure at less than 5 percent.⁴

Even without robots, the rapid growth of the so-called gig economy — based on temporary or part-time, nontraditional jobs that typically provide no benefits — is raising similar concerns.⁵ Already, 40 percent of American workers are engaged in such "contingent" jobs, including standard part-time jobs and alternative work arrangements, according to the U.S. Government Accountability

Office (GAO).⁶ Some Silicon Valley leaders advocate a basic income as a solution to such job instability, which they expect growing automation to exacerbate, and as a spur to entrepreneurship. Facebook co-founder Mark Zuckerberg told the Harvard graduating class in May that a UBI should be explored "to make sure everyone has a cushion to try new ideas."⁷

Some in the tech industry think a free check could provide an unprecedented degree of creative and entrepreneurial freedom. Sam Altman, president of Y Combinator, a Mountain View, Calif., company that helps tech startups, is planning to test how people would use their time by giving \$1,000

a month, no strings attached, to up to 3,000 individuals, starting next year.

"Fifty years from now . . . it will seem ridiculous that we used fear of not being able to eat as a way to motivate people," Altman said.⁸

Silicon Valley's interest is "one part optimism and one part guilt," for the jobs being eliminated by new technology and automation, says Natalie Foster, co-founder along with Facebook co-founder Chris Hughes of the Economic Security Project, a \$10 million, two-year initiative to explore the feasibility of a universal basic income.

Former labor leader Andy Stern, who built the Service Employees International Union (SEIU) into the nation's second largest union before retiring from the union presidency in 2010, says a UBI could return to workers some of the bargaining power lost as labor unions have declined. And some libertarians are pushing for a basic income as an alternative to current welfare programs. Welfare degrades "the traditions of work, thrift and neighborliness," according to Charles Murray, a libertarian political scientist at the conservative American Enterprise Institute (AEI) think tank in Washington.⁹

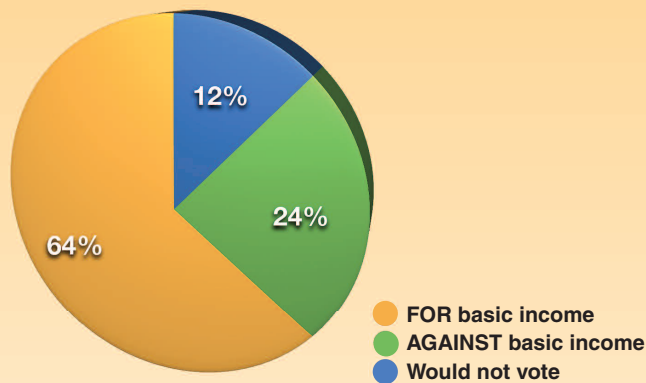
Despite the unusual coalition of liberal and conservative supporters of a basic income, doubts remain that a UBI could ever be adopted, partly because advocates differ widely on how to fund it and whether it should replace all, some or no existing welfare programs. Others, also on both the right and left, oppose it outright.

Some opponents say a UBI would bust the federal budget. A UBI financed entirely by tax increases "would require the American people to accept a level of taxation that vastly exceeds anything in U.S. history," according to Robert Greenstein, president of the Center on Budget and Policy Priorities, a liberal anti-poverty think tank in Washington.¹⁰ Paying every American \$10,000 a year would cost more than \$3 trillion — three-quarters of the entire federal

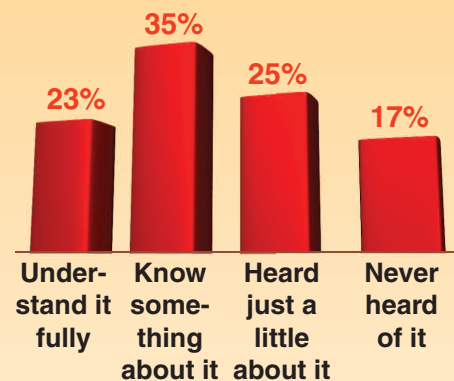
Europeans Back Basic Income — But Few Fully Grasp It

A majority of residents of the 28-nation European Union would support a referendum calling for a universal basic income (UBI) policy, but only about one in four say they fully understand the concept, according to a 2016 poll by Berlin-based Dalia Research. Countries such as Finland and the Netherlands already are considering some form of universal basic income.

Percentage of Europeans Who Would Support or Oppose a Referendum on UBI



Europeans' Familiarity with the Basic Income Concept



Source: "Europe: 64% of People in Favour of Basic Income, Poll Finds," Basic Income News, May 22, 2016, <https://tinyurl.com/ybx4rppj>

budget and equal to all current federal tax revenue, according to the center.

Providing a limited sum to all Americans, rich and poor, would likely increase political pressure to reduce current levels of welfare assistance and eliminate Social Security and other bedrock social programs, Greenstein has warned.

Pavlina Tcherneva, an economist at Bard College, in Annandale-on-Hudson, N.Y., says UBI money would be better spent on a guaranteed-job program, which could be reduced as unemployment falls. A UBI providing everyone a living wage would cost 20-35 percent of GDP, she says, but a program guaranteeing the unemployed a job would cost only 2-4 percent. (See "At Issue," p. 741.)

In addition, joblessness "affects one's psyche and well-being," she says, citing research linking stretches of unemployment to ill health.

Others say a UBI would encourage laziness. "We already know that unemployment benefits discourage people from working," wrote Daniel Mitchell, a senior fellow at the Cato Institute, a libertarian think tank in Washington that promotes a free-market ideology. "Why would anyone think we'll get better results if we give generous handouts to everyone?"¹¹

However, a recent review of research on what people do with unconditional cash payouts — such as the Alaska and Cherokee dividends — found that, on average, recipients reduce the number of hours they work only slightly, if at all. The extra income also leads to improvements in education and health, according to the review, released by the Roosevelt Institute, a liberal think tank in New York City.¹²

Given such improvements in well-being, "If people choose to work a little less, then it's not clear you should

judge a decrease in work as a bad thing," says Ioana Marinescu, an economist at the University of Pennsylvania and author of the review.

Foster concedes that the idea of a universal basic income is "far off politically." Interim steps might get more political traction, she says, such as imposing a carbon tax on industrial polluters and returning the revenue to citizens, an idea favored by some environmentalists and some conservatives.

The conservative Niskanen Center think tank in Washington has proposed a universal annual federal benefit of \$2,000 per child.¹³ As a step toward that goal, the center supports an expanded child tax credit proposed by Sen. Marco Rubio, R-Fla. And Rep. Ro Khanna, a California Democrat who represents Silicon Valley, has suggested doubling the existing Earned Income Tax Credit, which reduces the amount of tax owed by low- and moderate-

UNIVERSAL BASIC INCOME

income workers. Workers whose credits exceed their tax liability receive a refund for the difference.¹⁴

As the nature of work changes radically, both work and welfare will need to be overhauled, say UBI proponents. “Ultimately we have to rewrite the social contract for the 21st century for the way people work today,” says Foster.

As government officials, legislators, scholars and advocates for the poor

Such conditions are paternalistic and invasive, UBI advocates say. Already, some welfare recipients trade food stamps for rent, indicating that current restrictions do not provide what people need, says Diane Pagen, a New York City social worker and co-founder of Basic Income Action, a national organization that advocates for a UBI. “I have thousands of stories where people could have solved their problem if

freedom in how they spend their TANF funds. Since then, the percentage of TANF funds distributed as cash assistance has dropped from 70 percent in 1997 to less than a quarter in 2015.¹⁸

In defense of imposing conditions on welfare recipients, AEI resident scholar Michael Strain wrote: “We need a little paternalism. If we take money from John to give to Matthew . . . then we owe it to John” to make sure the money is spent on food and shelter, “not on Matthew’s alcohol and gambling.”¹⁹

However, research on how members of the Eastern Band of the Cherokee Nation spend their casino dividends showed teen substance abuse and drug dealing declining among recipient families.²⁰ “You don’t need to resort to those things” if you have economic security, researcher Marinescu says.

Some anti-poverty advocates say a UBI would increase both poverty and inequality by using welfare funds now spent on the poorest two-fifths of the population to provide cash to people of all income levels. The payments would have to be smaller than current welfare benefits, according to Greenstein, of the Center on Budget and Policy Priorities, if spread so widely.²¹

Komal Sri-Kumar, a senior fellow at the Milken Institute, a nonpartisan economic think tank in Santa Monica, Calif., has argued that a UBI could help alleviate stagnating low-income wages. And if everyone received a government check, it would reduce the “shame at receiving handouts,” he wrote.²²

That hypothesis was supported by a basic-income experiment known as MINCOME, conducted in Dauphin, a rural town in Canada’s Manitoba Province, in the 1970s, according to a recent analysis of recipient surveys conducted at the time. The government automatically supplemented residents’ income when it fell below a certain level, which happened periodically in a farming town subject to crop failures. Participants reported their income by mail monthly, without being subjected



AFP/Getty Images/Steffi Loos

Michael Bohmeyer, an entrepreneur in Berlin, is conducting an experiment to explore whether a universal basic income (UBI) would be workable. In 2014 he founded Mein Grundeinkommen (My Basic Income), funded by crowd sourcing, which raffles off a one-year basic income of 1,000 euros a month to random individuals. A majority of residents of the 28-nation European Union would support a referendum calling for a UBI. Countries such as Finland and the Netherlands already are studying some form of UBI.

consider evolving U.S. economic and social trends, here are some of the questions being debated:

Is a universal basic income with no conditions a good idea?

The most radical feature of a universal basic income as envisioned by some proponents would be the absence of conditions on recipients. In contrast, most welfare programs today are “means-tested,” requiring recipients to prove they are poor enough to qualify. And in-kind welfare, such as food stamps, can be exchanged only for specific types of groceries.¹⁵

someone [in the welfare system] had just handed them money,” she says.

Under the nation’s primary welfare program for low-income families, Temporary Assistance for Needy Families (TANF), states can spend their federal funds to promote a range of other goals such as encouraging marriage, instead of providing cash assistance.¹⁶ “Poor people cannot eat these services,” Pagen has objected.¹⁷

That trend has been increasing since Congress rewrote the nation’s welfare law in 1996, turning it into a block grant program in which states had more

to “invasive and degrading caseworker discretion,” writes David Calnitsky, a sociologist at the University of Manitoba. ²³ (See sidebar, p. 736.)

Only 6 percent of MINCOME participants said they would accept welfare, which most viewed negatively. One resident thought welfare was for people “too lazy to work” but viewed MINCOME as a stopgap for when he was “short of money.” Participation in MINCOME “did not produce social stigma,” Calnitsky concludes, theorizing that occurred because the program was offered to all without distinguishing between the “deserving” and “undeserving” poor. ²⁴

Oren Cass, a senior fellow at the conservative Manhattan Institute think tank in New York City, rejects the whole UBI concept. “A UBI that reduces the perceived importance of work while putting cash in [young people’s] pockets can only reduce the likelihood of their making the daily trek to low-wage jobs” — the first rung on the ladder to upward mobility, he wrote. ²⁵

The current conditions attached to government aid are rooted in widely shared American values about who deserves help, critics of an unconditional UBI maintain. “We had a problem of children who didn’t have enough food to eat, so we started food stamps,” says Strain. “We had elderly Americans dying in tenement houses, so we started Social Security.”

Once lawmakers face large numbers of constituents with such problems, he predicts, “It wouldn’t take long for a universal basic income to turn into our current safety net.”

Would a universal basic income improve quality of life?

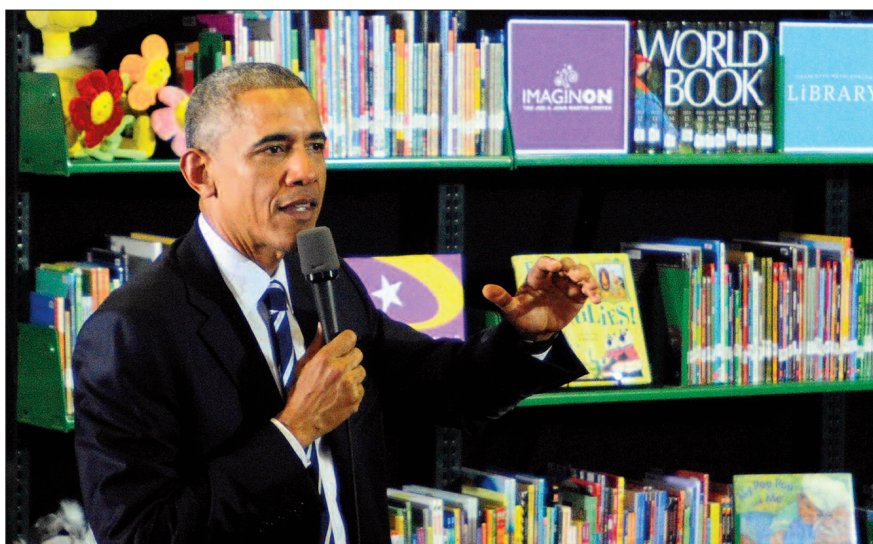
When the United States and Canada conducted the first guaranteed income experiments in the 1970s, politicians wanted to know if a basic stipend could be structured to encourage more welfare recipients to work. The experiments paid stipends only to low-income individuals and families, so the pay-

ments were not the population-wide, universal basic income favored by many advocates today.

Conventional wisdom held that welfare recipients were reluctant to take jobs because for every dollar they earned the government would reduce their welfare benefits by the same amount. To reduce that work disincentive, both governments created a variation of the so-called negative income

recipient families’ quality of life.

In the U.S. experiments, which provided a family of four up to \$25,900 a year in today’s dollars, households reduced their work hours by about 13 percent across the programs in four states — New Jersey, Pennsylvania, Iowa, North Carolina — and in Seattle, Denver and Gary, Ind. ²⁷ But male heads of households reduced their work hours by only about 7 percent.



Getty Images/Charlottesville Observer/David T. Foster

Former President Barack Obama said that the rise of technology and artificial intelligence has made consideration of a universal basic income inevitable. “Whether a universal income is the right model – is it gonna be accepted by a broad base of people? – that’s a debate that we’ll be having over the next 10 or 20 years,” Obama told Wired magazine.

tax, generally deducting only 50 cents in benefits for every dollar earned. Benefits would be phased out once a recipient’s income reached a specific level. ²⁶ However, when the initial results of the largest portion of the U.S. experiment — in Seattle and Denver — were reported in the 1970s, congressional lawmakers were dismayed to learn that recipients apparently had worked less — not more.

Yet recent analyses of those results showed that recipients did not stop working in droves but simply reduced the number of hours they worked. And more recently, researchers have found that the extra income and freedom to work fewer hours may have improved

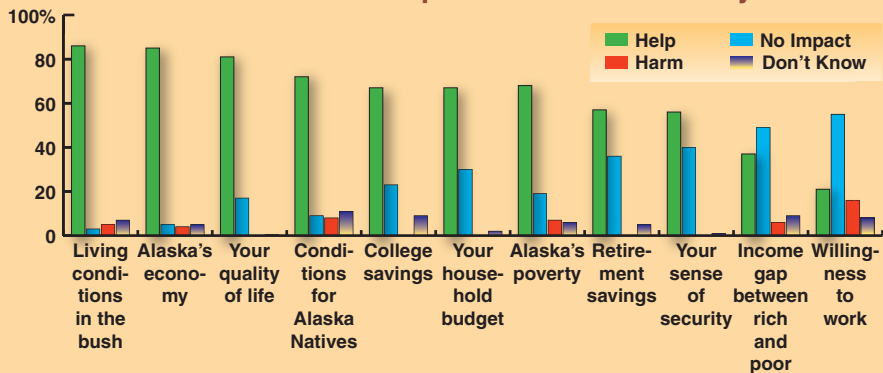
The biggest reductions (17 percent) occurred among wives and single mothers. Teens also delayed entering the workforce and stayed in high school longer. ²⁸

Similarly, in the Canadian experiment in Dauphin, many women used the stipend to take longer maternity leaves, which “was also happening in the United States,” says Evelyn Forget, a University of Manitoba economist whose influential 2011 analysis concluded the extra income improved quality of life in Dauphin. While it had been common for teenage boys from low-income families in Dauphin to drop out of high school to work, during the experiment they were more likely to graduate, For-

Most Alaskans Approve of Oil Profit Dividends

The majority of Alaska residents say an annual dividend they receive from the state has had a positive impact on their quality of life (top). The Permanent Fund Dividend (PFD), instituted in 1982 and ranging from about \$1,000 to \$2,000 per person, comes from profits from the state's oil revenues. Thirty percent of residents say they use the money — a low-pay variant of a basic income — to pay off credit card or other debt (bottom).

How Alaskans View the Impact of Annual PFD Payments



Source: "The 2017 Long-Term Budget Outlook," Congressional Budget Office, 2017, <https://tinyurl.com/mubxx97>

How Alaskans Use Their PFD Dividends



Source: "What a New Survey from Alaska Can Teach Us about Public Support for Basic Income," Economic Security Project, 2017, <https://tinyurl.com/y9qlm8g9>

get found. Families invested in their sons' education "to prepare for better lives going forward," she says.

A recent Roosevelt Institute study examining the 1970s experiments and the cash dividends paid to Alaskans and Cherokee tribal members concluded that the programs either had no impact on the number of hours recipients worked or resulted in only a moderate decrease. In Alaska, the study found, about 2 percent of recipients

shifted to part-time work.

Overall, there was "a significant increase in other quality-of-life benefits," such as improved mental and physical health, increased education, better parenting and reduced criminal activity.²⁹

Likewise, casino revenue payments to Cherokees improved mental health among tribal members, according to the study. The additional income for the poorest households led to an extra year of schooling.

And for the children of negative income tax recipients in the United States and Canada, school attendance, grades and test scores typically were higher than for similar families, especially among younger and poorer children. Child nutrition also improved in two rural states where residents received the extra income.³⁰

While the early Canadian and U.S. experiments involved only low-income individuals and families, Bard economist Tcherneva warns that a truly universal stipend could spur "very disruptive" inflation. For example, if large numbers of workers were to quit their low-paid McDonald's job in response to more money in their pockets, McDonald's would have to raise wages to attract workers and raise hamburger prices to cover the higher labor costs. "Now their burger is three times more expensive, and the value of their basic income is eroded," she says.

Michael Howard, co-editor of the journal *Basic Income Studies* and a professor of philosophy at the University of Maine, counters that a guaranteed basic income would remunerate those who do a large amount of unpaid, socially valuable work, such as childcare and elder care. "Basic income is a way to address that without surveillance from the welfare state," says Howard.

But Philip Harvey, a professor of law and economics at Rutgers Law School in Camden, N.J., co-author of *America's Misunderstood Welfare State*, and an advocate of a job guarantee, says paid parental leave and a benefit check for every child would be more effective in allowing women to stay home with their children.

Many question what life would be like if it were no longer centered around paid work. But some UBI advocates say the stipend they're proposing, typically \$1,000 a month, would only help cover essential needs and not be enough to provide a comfortable life.

American society is already shifting away from older generations' "work-

centric” worldview, says former labor union leader Stern, now a senior fellow with the Economic Security Project, which funds research on UBI approaches. Younger people, who are having a hard time finding a stable job, “are not as impressed with the value of work,” he says. “They work so they can do other things.”

Middle-class parents already provide a form of basic income to their grown children — subsidizing their rent or covering emergency expenses, Stern points out. But poor people don’t have that opportunity. “Having a regular monthly check . . . allows a woman in an abusive relationship to walk away,” he says. And it “allows workers to walk away from a bad job.”

Some advocates of a basic income, such as Stern, also point out that the tax code is rife with deductions that disproportionately benefit higher earners. Some of those loopholes could be plugged to finance a UBI.³¹

Can governments afford a universal basic income?

Estimates vary enormously on how much a UBI would cost, depending on how much recipients would receive, how it would be funded and — often — the ideological viewpoints of the proponents.

“A lot of people on the left see UBI as an add-on to existing welfare programs; they don’t want to cut any existing programs; they want to raise taxes. Folks on the libertarian, conservative end, say, ‘Cash out existing programs and replace them,’ ” observes Michael Tanner, a senior fellow at the Cato Institute. Like many libertarians, Tanner says he could not support a UBI that required raising taxes.

At the far right end of the political spectrum, AEI scholar Murray proposes eliminating all federal and state welfare and social insurance programs, including Social Security and Medicare, as well as federal transfers — or subsidies — to “favored groups” such as farmers. That would save more than \$2 trillion



Getty Images/Spencer Platt

Shianne Bowlang and her mother wait for groceries at a food bank in Welch, W. Va., on May 20. Some advocates for the needy say the nation’s poorest would be worse off with a universal basic income (UBI) than under current safety net programs. The Center on Budget and Policy Priorities says that replacing food stamps, TANF, the earned income tax credit and Social Security with a UBI would plunge the poor deeper into poverty.

a year, he says, which he would then divide equally among all U.S. citizens ages 21 and up. That would provide enough to pay every adult an annual guaranteed income of \$13,000, he calculates.³² If such a UBI program had begun in 2014, it would have cost \$212 billion a year less than existing income redistribution programs, Murray concludes.³³

Many liberals dismiss Murray’s proposal as impractical, largely because of the enormous popularity of Social Security. The scheme is more attractive to conservative libertarians, who share his view that, given all the millions spent on anti-poverty programs and the millions who are still in poverty, “Only a government can spend so much money so ineffectually.”³⁴

Sharing some of the same frustrations, former labor leader Stern has proposed eliminating some of the same welfare programs as has Murray. However, he would pay all 18- to 64-year-olds \$12,000 a year while retaining Social Security, Medicare and Medicaid but scrapping food stamps, housing

assistance and the Earned Income Tax Credit.³⁵ To help pay for his program, costing up to \$2.5 trillion per year, Stern proposes introducing new taxes, including a tax on financial transactions.³⁶

Recently, basic income proponents have been eyeing other revenue sources that could help pay for a UBI, such as a carbon tax on air polluters, with some of the proceeds going to residents as rebates.³⁷ Such a tax could provide a rebate of about \$160 a month — or \$1,920 a year — for a family of four by 2032, according to a new study cited by an environmentalist-labor coalition pushing for a carbon tax in Washington, D.C.³⁸

Although that amount would not cover essentials, it could help lower the cost of a basic income, say proponents. Boosting taxes on high-income Americans could help raise the rest, they say.³⁹

Many experts doubt that even wealthy countries could afford a basic income. A recent OECD report found that in most rich countries, converting existing cash welfare programs to a universal income for everyone under 65

and leaving Social Security in place would only provide a stipend below the poverty level. Poverty rates would grow, the authors concluded, particularly among the unemployed and single parents, who now receive more in welfare than a UBI would provide.⁴⁰

Some U.S. advocates for the poor agree that the very poorest would be worse off under a UBI than under current welfare programs. The Center on Budget and Policy Priorities estimates that more than 42 percent of Americans are lifted out of poverty by food stamps, TANF, the Earned Income Tax Credit and Social Security.⁴¹ Replacing all or most of those safety-net programs would plunge the poor deeper into poverty, according to Greenstein, the center's president.

Alternatively, raising the basic income to the same level provided by most national welfare payments would require substantial tax increases, according to economist James Browne, who co-authored the OECD report. "The prospect of having to very significantly increase taxes would make it difficult for a government to introduce," he says.

In an editorial, the free-market *Economist* magazine condemned the UBI idea as "fantastically costly." The United States could afford to pay a basic income of \$10,000 a year, the editorial said, only if it raised taxes to the same level as Germany's — equal to 35 percent of GDP instead of the current U.S. level of 26 percent — and replaced all existing welfare programs and Social Security. In addition, the editorial said, if wealthy countries adopted such a UBI, they would have to either close their borders to immigrants or create a second-class citizenry excluded from the benefits.⁴²

"It just doesn't work," said Jason Furman, former chief economic adviser to President Barack Obama and now a professor at Harvard's Kennedy School of Government. "You would need to double the current income tax to make it work."⁴³

Tanner, who calls himself a "sympathetic skeptic" when it comes to a UBI, says he hasn't figured out how it could be financed without raising taxes. For example, Tanner says Murray's basic income would pay for itself, but only because Murray would gradually tax back the stipend as a person's earned income rose above \$30,000. By the time a recipient's outside earnings reached \$60,000, the basic income would be slashed in half under Murray's approach.⁴⁴

"If you do that you begin to create work disincentives," much like existing welfare programs, Tanner says. A 2013 Cato Institute study found that in 35 states a mother with two children participating in seven common welfare programs could receive more than what she would earn from a minimum-wage job.⁴⁵

"Right now we do a reasonable job of taking care of material poverty but a poor job of making people masters of their own lives," says Tanner. "A UBI could potentially do both of those, but the devil is in the details." ■

BACKGROUND

Founding Ideas

English radical Thomas Paine, who emigrated to America in 1774 and ardently supported the American Revolution, argued in a 1797 pamphlet, "Agrarian Justice," that each U.S. citizen should receive a basic financial stake upon reaching age 21 and an old-age pension upon reaching 50. Arguing that the Earth was "the common property of the human race," Paine proposed that every owner of cultivated lands be charged rent, which would fund the stipends and compensate citizens for the loss of their "natural inheritance."⁴⁶

Although his proposal was never adopted, it has inspired advocates of a basic income for more than 200 years.

In 1848, German philosopher Karl Marx, in his *Manifesto of the Communist Party*, advocated the redistribution of wealth, an idea that would later become a tenet of communist governments and influence socialist movements worldwide.

To undermine support for socialism and build workers' support for the German empire, Chancellor Otto von Bismarck between 1883 and 1889 set up the first comprehensive system of compulsory workers' insurance, covering illness and old age. His approach helped lay the theoretical basis for programs, such as Social Security in the United States, typically funded by contributions from workers.⁴⁷

By the 1920s, worries about accelerating technology led British engineer C. H. Douglas to propose a government-paid "social credit" to make up the difference between wages and the rising cost of goods. But such notions, tied to national wealth, would play little part in the rise of social security, the minimum wage and welfare programs in Europe and the United States, which were generally tied to work.⁴⁸

As Europe was recovering from World War I, the idea of a basic income gained popularity among some European philosophers and politicians. In 1918 British philosopher Bertrand Russell wrote in *Roads to Freedom* that human beings have a fundamental right to a basic income "sufficient for necessities . . . whether they work or not."⁴⁹

That same year, British Quaker political leader and Labor Party member Dennis Milner argued for a weekly "state bonus" to end widespread poverty in postwar Britain. Economist James Meade endorsed Milner's idea, saying publicly owned assets should finance a "social dividend."⁵⁰

In the United States, the basic income idea gained currency during the Depression in the 1930s, especially among citizens impatient with Democratic President

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Chronology

18th-19th Centuries *Proposals emerge for a form of universal basic income (UBI).*

1797

Thomas Paine proposes giving every citizen 15 pounds at age 21, funded by a land tax.

1883

Germany establishes first social insurance program.

1900s-1930s *Philosophers and politicians propose various types of basic income to combat poverty.*

1918

In Britain, philosopher Bertrand Russell says people have a right to basic income whether they work or not; Quaker leader Dennis Milner proposes a weekly “state bonus” and economist James Meade suggests financing it with public assets.

1934

Populist U.S. Sen. Huey Long, D-La., proposes taxing the rich to give each “deserving” family a guaranteed income.

1935

President Franklin D. Roosevelt proposes Social Security for seniors.

1938

U.S. enacts first minimum wage.

1960s-1970s *A guaranteed minimum income is proposed to fight poverty.*

1962

Conservative economist Milton Friedman proposes a negative income tax — a supplemental income for those earning below a certain amount.

1964

Democratic President Lyndon B. Johnson creates food stamp program.

1967

Civil rights activist Rev. Martin Luther King Jr. supports guaranteed income as an alternative to welfare.

1968

Federal government tests a negative income tax, with pilot programs in four states, Seattle, Denver and Gary, Ind.

1969

Republican President Richard M. Nixon proposes guaranteed income.

1970

U.S. House passes Nixon plan, but Senate rejects it.

1972

Democratic presidential candidate George McGovern proposes a guaranteed minimum income.

1974

Canadian government tests guaranteed income in Dauphin, Manitoba.

1975

Congress passes Earned Income Tax Credit to supplement working people's income.

1977

Democratic President Jimmy Carter proposes guaranteed income.

1978

Experiments in Denver and Seattle find recipients of a negative income tax work less and divorce more often, spurring objections to Carter's plan.

1979

House passes Carter's revised minimum income plan, but it dies in Senate.

1980s-2000s *Alaska, Cherokees establish basic income-style payments to residents and tribal members; new studies revive interest in basic guaranteed income.*

1982

Alaska begins sending each resident an annual dividend from oil revenues.

1996

Eastern Band of Cherokee Indians begins sharing casino profits with tribal members in an annual payment; research finds health, education benefits.

2011

New research finds Canada's 1970s basic income in Dauphin improved health, education.

2016

Swiss voters reject UBI in referendum. . . . Washington state rejects carbon tax-rebate ballot initiative. . . . Gov. Bill Walker, R-Alaska, slashes state dividend by half amid falling oil prices.

2017

Finland and Ontario, Canada, begin two-year basic income experiments. . . . California business incubator Y Combinator starts pre-pilot UBI project. . . . Washington, D.C., and five states propose a carbon emissions tax and using the revenues to help finance a UBI.

2018

Y Combinator scheduled to begin UBI experiment in two states.

Testing Basic Income in Canada — Again

New effort expected to produce similar results to '70s-era trial.

In the 1970s, the small prairie farm town of Dauphin, Canada, became the site of an almost forgotten experiment to guarantee all inhabitants a minimum income that would keep them from falling into poverty. During the years the program was in effect (1974-1979), about 20 percent of the town's residents received the basic-income stipend, equivalent to 60 percent of Canada's poverty threshold at the time.¹

The government-funded experiment, known as MINCOME, has recently drawn renewed attention, with Ontario running experiments with a basic income beginning this fall. Lawmakers in British Columbia and Quebec also have expressed interest but those provinces have no definite plans to initiate a similar project.

Initially funded by the liberal government of Pierre Trudeau, the Dauphin pilot was widely viewed as a prelude to the establishment of a government-guaranteed basic income. But by 1979, a conservative government was in power, and MINCOME was shut down. No analysis of the experiment was done in the years immediately following the end of the project.²

However, almost 30 years later, University of Manitoba economist Evelyn Forget delved into 1,800 dusty boxes of data and obsolete tapes left over from the experiment, as well as local hospital records. In an influential analysis published in 2011, she found that hospitalizations dropped significantly while the program was in effect, especially for mental health problems, accidents and injuries.³

"The mental health findings are pointing toward tensions that accompany low income and that make your life that much harder," she says.

Within families receiving the stipends, Forget found, women reduced the number of hours they worked, mainly using the extra income to stay home longer with newborns before going back to work, while male heads of households reduced their

work hours only minimally. Doreen Henderson, now 70, who participated in the experiment, stayed home with her two kids and helped grow a lot of the family's food while her husband worked as a janitor. "They should have kept it," she said of the minimum income program. "It made a real difference."⁴

Teenage boys also reduced their work hours dramatically or delayed entering the labor force, raising high school graduation rates. During the experiment, an 11th-grader from a low-income family was more likely to have friends continuing on to 12th grade than before the experiment began, an important peer influence in deciding whether to stay in school, Forget has written.⁵

The positive results Forget uncovered have been influential in reviving interest in trying out a basic income in Canada, according to Canadian advocates. Ontario is initiating an experiment that will send a basic income to 4,000 low-income residents in three regions of the province starting this fall.⁶ The stipend will be higher than it was in the 1970s: about 75 percent of Canada's poverty threshold.

Like the earlier experiment, benefits will phase out as a recipient's earnings rise. For each dollar earned, benefits will drop by 50 cents — the equivalent of being "taxed back" at 50 percent. That could pose a disincentive to working, but without that feature the program would "cost a lot of money," Forget says.

To make the experiment politically feasible in Canada, Forget says, the stipend will go only to those in the lower-income brackets. By contrast, leading proponents of a universal basic income say it should go to everyone regardless of income.

"I can't imagine a universal basic income taking hold in Canada where everyone, rich and poor, would receive the same amount of money," she says. Forget predicts the latest experiment will have the same impact on families as the Dauphin project did in the 1970s, "but in different ways."

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Franklin D. Roosevelt's (1933-45) failure to end the Depression in his first 100 days in office. In 1934, Louisiana's populist Democratic Sen. Huey Long proposed a Share Our Wealth program, to tax the rich and give every "deserving family" a stake equaling "one third of the average wealth" — enough to own a comfortable home, car and radio — coupled with a guaranteed annual income.⁵¹

Long's program was soon overshadowed by Roosevelt's New Deal programs, which Roosevelt privately admitted to an adviser was his attempt

to "steal Long's thunder."⁵² In 1935, FDR proposed his Second New Deal, including Social Security pensions for the aged, although it excluded domestic and farm workers, among the poorest working Americans.⁵³ Included in the Second New Deal was Aid to Dependent Children, which provided minimum income assistance to fatherless families with children. It was renamed in 1962 Aid to Families with Dependent Children (AFDC) and in 1996 became Temporary Assistance to Needy Families. The 1996 welfare reform act, which imposed work requirements and a five-

year lifetime limit on benefits, remains the principal welfare program for poor families today.⁵⁴

In 1938, Congress enacted the first minimum hourly wage, set at 25 cents, under the Fair Labor Standards Act. It also required overtime pay for hours worked over a set number of weekly hours.⁵⁵

War on Poverty

In the 1960s, poverty was still pervasive in the United States, even though the nation had emerged from World

For instance, she says, “We’ll see fewer people showing up at their doctor’s office complaining of depression or anxiety — as we did in the ’70s.” But since today’s mental health treatment relies heavily on psychotropic medications, it will likely show up in fewer prescriptions, she says. And because most school-age children today finish high school, the extra income might lead instead to higher community college attendance. For those already in the work force, it might lead them to seek training to qualify for a different job, she adds.

However, Forget cautions, “We won’t answer the big questions about political acceptability among people who might see their taxes increase” or who worry recipients will quit their jobs. “I think we’ll see a very small effect, if any,” on people significantly reducing their work hours, she says. “But that’s something you have to show people over and over again before it convinces anybody.”

Ontario provincial elections are scheduled for June 2018. Many political observers predict the province’s current Liberal government, which initiated the experiments, will not survive the three-year pilot program. Sid Frankel, associate professor of social work at the University of Manitoba in Winnipeg, questions whether participating families will make a long-term investment in something such as education knowing the pilot program is sponsored “by a not-very-popular government that might not be around at the end of the trial.”

Moreover, the Canadian government seems lukewarm about the concept. The federal government is planning to roll out a new poverty-reduction strategy this fall, but “the whole idea of a basic income has been completely absent from any of the federal government consultation documents,” according to Frankel.

Yet basic income may be just the tonic needed for Ontario cities hit hard by the loss of jobs, according to Rob Rainer, chairman of the Ontario Basic Income Network, a basic-income advocacy



CQ Researcher Staff

In the mid-1970s, the Canadian government gave a basic income stipend to residents in Dauphin, a small farm town.

group in Ottawa. For instance, residents of Thunder Bay, one of the cities chosen for the experiment, have suffered devastating job losses because of the decline of the local forestry industry.

It will be interesting to see, he says, whether “even a modest influx” of income for those jobless residents “can act as an economic stimulus in some fashion.”

— Sarah Glazer

¹ David Calnitsky, “More Normal than Welfare: The Mincome Experiment, Stigma, and Community Experience,” *Canadian Sociological Association*, 2016, <http://tinyurl.com/y8sjw4tn>.
² Sarah Gardner, “On the Canadian prairie, a basic income experiment,” *Marketplace*, NPR, Dec. 20, 2016, <https://tinyurl.com/ycokedza>.
³ Evelyn L. Forget, “The Town with No Poverty,” *University of Manitoba*, February 2011, <https://tinyurl.com/ov4zukq>.
⁴ Whitney, Mallett, “The Town Where Everyone Got Free Money,” *Motherboard*, Feb. 4, 2015, <http://tinyurl.com/yckckglxu>.
⁵ Forget, *op. cit.*
⁶ “Ontario’s Basic Income Pilot,” *Canada Ministry of Community and Social Services*, April 24, 2017, <https://tinyurl.com/yqyq3kyg>.

War II as the world’s richest country and was experiencing generally high employment and economic growth.⁵⁶

In 1964, Democratic President Lyndon B. Johnson proposed his Great Society programs, also known as the War on Poverty. One was the food stamp program, now known as the Supplemental Nutrition Assistance Program (SNAP), which provides food vouchers for low-income people.⁵⁷

But even liberals were skeptical that Johnson’s programs could eradicate poverty. In 1964, more than 1,000 economists signed a document urging Congress to adopt a system of income

guarantees — “a decent basic income,” in the words of signatory and Harvard economist John Kenneth Galbraith.⁵⁸

In his 1967 book *Where Do We Go From Here: Chaos or Community?*, the Rev. Martin Luther King Jr. delivered a withering critique of welfare. Instead of a patchwork of programs aimed at individual needs like housing or hunger, “the solution to poverty is to abolish it directly by a now widely discussed measure: the guaranteed income,” the civil rights leader wrote.⁵⁹

Conservatives also disliked welfare programs, but for different reasons. Wel-

fare rolls were rising rapidly despite high employment, as were rates of fathers deserting children and out-of-wedlock births. The female-headed family had become “the symbol of welfare dependency,” according to Harvard sociologist Daniel P. Moynihan, who as an adviser to Republican President Nixon championed a guaranteed national income.⁶⁰

Some conservatives said the AFDC program had a built-in work disincentive: For every dollar earned, a welfare recipient lost a dollar in benefits. Originally designed for widowed mothers, the program could withdraw assistance

Finland Tests Basic Income for the Unemployed

Critics call it a “publicity stunt” to get people to accept low-wage jobs.

Finland’s northern city of Oulu was once a busy hub for mobile phone developer Nokia. Yet the company’s decline in the face of fierce competition in recent years put thousands of software engineers out of work, halving local Nokia jobs.

That makes Oulu fertile ground for start-ups looking for talent among former Nokia workers. But hiring them can be difficult. One Oulu entrepreneur said he offered a part-time job to an ex-Nokia employee for 2,000 euros (about \$2,240) a month, but the prospective hire already received more than that in unemployment benefits.

“It’s more profitable for him to just wait at home for some ideal job,” said the entrepreneur, Asmo Saloranta.¹

Under Finland’s generous welfare state, going back to work part-time can mean losing not only unemployment benefits but other assistance as well, such as housing subsidies and grants for study. Thus, jobless Finns say it is often not worth it to take a part-time job because it will not pay significantly more than benefits they will lose by taking the job.²

The solution may be for the government to pay jobless people a basic stipend whether they work or not, which some see as a limited test of the universal basic income (UBI) concept.

To test the hypothesis that such an approach would encourage more unemployed citizens to work, the Finnish government in January began paying a monthly stipend of 560 euros (\$657) to 2,000 randomly selected jobless Finns, promising them that during the two-year experiment they will not forfeit monthly benefits, even if they start working at a new job.³

Olli Kärkkäinen, an economist with the Nordea bank in Helsinki, said the experiment is unrealistic because it does not include higher taxes that would have to be levied if everyone

in Finland were to receive a monthly check under a pure UBI. “There are no losers in this experiment,” he said. “The results are bound to be positive.”⁴

Government officials also hope the monthly check, which they’re calling a “basic income” will encourage people “to take extra risk and build their own business,” according to Markus Kanerva, a government adviser who helped design the experiment. Already, some participants have told the Finnish press they will use the cushion to do that or to take part-time work.⁵

International interest in Finland’s pilot is intense. Although it applies only to jobless citizens and thus is not quite universal, it has been hailed by some UBI advocates as the largest nationwide test of the approach in a wealthy country.

So far, most opposition to the concept has come from taxpayers concerned that a guaranteed income would raise their taxes, and from labor unions. Unions say the concept is too expensive, but some proponents say Finnish unions, who play a major role in wage negotiations and control large union unemployment funds, really fear losing bargaining power.⁶

Seventy percent of Finnish citizens like the idea of a basic income, but that drops to 35 percent once they learn that their already high taxes could rise even higher to pay for it, according to polls cited by Kanerva.

The experiment also has drawn harsh criticism from Finns who say it should apply to everyone, not just the unemployed. Otto Lehto, former chairman of Finland’s Basic Income Network, an advocacy group, calls the experiment a “half-hearted” and “badly mangled” effort by a coalition government dominated by conservatives.

if a father was in the household, which critics said encouraged desertion, divorce and unwed motherhood.⁶¹

As an alternative, conservative economist Milton Friedman had proposed a negative income tax in his 1962 book, *Capitalism and Freedom*, which Moynihan called a “spanking good idea.” The tax would give poor people the cash difference between what they earned and the income necessary for a decent standard of living. Friedman’s approach “would give less as earnings increased but never to the point of canceling all advantage of increased earnings,” Moynihan explained.⁶²

A presidential commission had recommended a guaranteed income fund-

ed by a version of Friedman’s negative income tax in 1969. That same year, Nixon proposed a basic federal payment of \$1,600 for a family of four (about \$10,881 in today’s dollars) as an improvement over services from a bureaucracy. “The best judge of each family’s priorities is that family itself,” Nixon said.⁶³

Although passed by the House in 1970, Nixon’s Family Assistance Plan died in the Senate, due to “an unlikely combination of liberals and conservatives,” says Leslie Lenkowsky, a professor emeritus of public affairs and philanthropic studies at Indiana University, Bloomington, who helped staff hearings for Moynihan when he was a Democratic senator from New York (1977-2001). Conservatives opposed Nixon’s

plan as too costly and a disincentive for work, according to Lenkowsky. Moynihan blamed the defeat equally, if not more so, on liberals “who wanted more, not less than it provided.”⁶⁴

The idea was taken up again during the 1972 presidential campaign, when unsuccessful Democratic nominee George McGovern, a U.S. senator from South Dakota, proposed a \$1,000 “demogrant” devised by economist James Tobin.

Early Experiments

Between 1968 and 1980, the federal government tested the impact of providing a guaranteed monthly income

By limiting the experiment just to the unemployed, critics say, the trial is too narrow to test advocates' theory that free money would liberate everyone — including workers in low-paying jobs — to engage in charity, stay home to care for children, find a better job or create their own business.

Antti Jauhiainen and Joona-Hermann Mäkinen, co-directors of the liberal Parecon Finland economic think tank, called the project “a ‘publicity stunt’ by Finland’s austerity-minded government to get jobless people ‘to accept low-paying and low-productivity jobs.’”⁷

Preliminary results from the experiment should be available early next year, according to Kanerva, but final results are expected to coincide with 2019 parliamentary elections, which Finland’s fragile coalition government is unlikely to survive, according to some observers.

“In all likelihood it will be a different coalition, and then basic income could be off the map,” says Jurgen De Wispelaere, who helped design the experiment and is now a policy research fellow at the Institute of Policy Research, at the University of Bath in England. Many people in the Finnish government “are very worried about the unconditional side of basic income,” such as the lack of work requirements, he says.

But the point of the experiment is to find out if giving out free money has the pernicious effects some people fear, such as creating a nation of loafers on the dole.

“Everyone who disagrees does it for political, ideological or moral reasons but not because of any evidence,” says Wispelaere, “because we don’t have any evidence.”

— Sarah Glazer



AFP/Getty Images/Olivier Morin

A homeless woman seeks help in Helsinki, Finland. To encourage unemployed Finns to work, the government in January began a two-year experiment, paying a monthly stipend of 560 euros (\$657) to 2,000 randomly selected jobless citizens.

¹ Peter S. Goodman, “Free Cash in Finland. Must be Jobless,” *The New York Times*, Dec. 17, 2016, <https://tinyurl.com/y8ggsway>.

² “Worldhacks: Does universal basic income work?” BBC, Aug. 8, 2017, <http://tinyurl.com/y7o9cpmc>.

³ “Basic Income Experiment: 2017-2018,” Kela, <http://tinyurl.com/ybgo5m5>. “How basic income affect the other social security benefits,” Kela, <http://tinyurl.com/yd9fzv3m>.

⁴ Sarah Gardner, “Finland to test a basic income for the unemployed,” “Marketplace,” NPR, Dec. 12, 2016, <http://tinyurl.com/ybymh8d7>.

⁵ “Six months on: Feedback on Finland’s basic income trial,” *Yle*, July 26, 2017, <https://tinyurl.com/y7benmzw>.

⁶ Raine Tiessalo, “Universal basic income ‘useless,’ says Finland’s biggest union,” *The Independent*, Feb. 9, 2017, <https://tinyurl.com/he3lr23>.

⁷ Antti Jauhiainen and Joona-Hermann Mäkinen, “Why Finland’s Basic Income Experiment Isn’t Working,” *The New York Times*, July 20, 2017, <https://tinyurl.com/ya8g2kda>.

to low-income families in experiments in New Jersey, Pennsylvania, Iowa, North Carolina and in Gary, Ind.; Seattle and Denver. The largest, conducted in Seattle and Denver, became the center of attention when Congress again debated a version of a basic income in 1977-78.

In 1977, Democratic President Jimmy Carter proposed an anti-poverty scheme — the Program for Better Jobs and Income — that included a jobs program and a form of the negative income tax. The administration requested a basic annual payment of \$4,200 (\$16,449 in today’s dollars) for a family of four, with each dollar earned reducing the benefit by 50 cents. The payments would be eliminated when outside income reached \$8,400.⁶⁵

Moynihan, by then a senator holding hearings on Carter’s proposal, turned against the idea, citing results from the Seattle and Denver experiments that appeared to show recipients working less and divorcing more often.⁶⁶ In a letter to the conservative *National Review*, Moynihan wrote: “But were we wrong about a guaranteed Income! Seemingly it is calamitous. It increases family dissolution by some 70 percent, decreases work, etc.”⁶⁷

Headlines such as “Income Plan Linked to Less Work,” and “Guaranteed Income Against Work Ethic” appeared in newspapers after the hearings. Carl Rowan, a *Washington Star* columnist and a former official in the Kennedy and

Johnson administrations, was among the few journalists who said it might be acceptable for people working in bad jobs to work less.⁶⁸

Over the past decade, however, researchers re-examining the evidence from those experiments have pointed out that most of the cutback in working hours occurred among wives, single mothers or teen family members — not heads of households. Primary earners reduced their work hours by only about 7 percent, on average, while wives cut theirs by 27 percent and single mothers by 15 to 30 percent. Younger earners cut their work hours and some stayed in school longer. Some analysts said earlier findings of increased divorce rates were erroneous.⁶⁹

Other scholars have suggested that some recipients, fearing they could lose welfare benefits, may not have reported all of their earnings, according to researcher Marinescu, so they may have been working more hours than was reported.

The Carter administration's plan fared no better than Nixon's. It passed the House in 1979 but died in the Senate. The government jobs proposed by Carter raised the cost of the program and led to opposition from conservatives worried about both costs and work disincentives.

Just as the U.S. experiments were winding down, similar experiments were starting in Canada. However, the data from those experiments was not analyzed until 2011, when economist Forget published her findings that the Dauphin experiment had led to higher graduation rates, more women staying home and reduced hospitalizations.

After Carter's failure, discussion of a guaranteed income died in the U.S. political arena. Politicians preferred benefits tied to work, such as the Earned Income Tax Credit, which had been enacted in 1975 and which subsidized the income of low-wage workers, supplying about \$3,400 for a family with one child today.

However, the payments to two communities that shared the wealth of unexpected windfalls — Alaskans and the North Carolina Cherokees — are often cited as a form of universal basic income.

In 1976, as the Trans-Alaska pipeline project neared completion, Alaskan voters passed an amendment to the state constitution mandating that at least 25 percent of the money earned from the state's oil revenues, including income from mineral leases and royalties, be placed into a permanent fund, so the state could share its oil profits with future generations. Since 1982, the state has distributed annual dividends, ranging in recent years from about \$1,000 to a peak of \$2,072 per person in 2015, to all permanent residents, including children.⁷⁰ However, that dividend has been imperiled as the price of oil has fallen in recent years.

In 1996, North Carolina's Eastern Band of Cherokee Indians opened its first casino and began sharing profits with tribal members — an annual dividend of up to \$6,000 per person. Within five years, the dividend had halved the number of Cherokees living below poverty. Researchers also attributed other benefits to the dividend: a decline in crime, rising high school graduation rates and a lower likelihood of children and teens suffering from drug or alcohol abuse.⁷¹ ■

CURRENT SITUATION

New Interest

While no nation has implemented an unconditional UBI, the idea is gaining international attention. Several governments and nonprofit groups are studying the concept, usually through small-scale pilot projects as possible precursors to legislative action.

However, in a recent expression of negative sentiment, Swiss voters last year overwhelmingly rejected an initiative that would have required the government to move toward an unconditional monthly UBI of about \$2,500. The Swiss government had opposed the move as "ruinously expensive and morally corrosive," *The Economist* reported, because officials believed it would encourage recipients to stop working.⁷²

In the United States, some UBI advocates view several legislative proposals to provide rebates or tax credits to Americans as an interim step to a UBI. Foremost among those is a proposal to expand the child tax credit, which currently is pegged at up to \$1,000 for each child under 17.⁷³ An expanded credit could become part of a tax reform package being discussed on Capitol Hill.

Sam Hammond, a poverty and welfare analyst for the Niskanen Center, says a bipartisan coalition is forming to lobby for an increase in the child tax credit, proposed by Sen. Rubio. Rubio has recommended boosting the credit from \$1,000 to \$2,500 per child and making it refundable, meaning that workers earning an income too low to pay taxes could still receive the credit in the form of a refund from the federal government. Rubio met with President Trump's daughter Ivanka in June, which led to a White House statement of support for the idea.⁷⁴

Hammond had co-authored a paper last year proposing a monthly universal "guaranteed minimum income for kids," a child allowance similar to those offered in Canada and Europe.⁷⁵ But expanding the child tax credit looks more politically feasible, he says, and could be an interim step to a universal child allowance.

Hammond cites Canada's experience with a child allowance. Canada pays a family with two children under age 6 \$12,800 a year (\$10,000 in U.S. dollars) — the equivalent of a basic income.⁷⁶ "It's dramatically cut child poverty," says Hammond. "You can't point to any other country where you're sending households this amount of cash unconditionally with no work requirement."

However, the average Canadian family now spends 42.5 percent of its income on federal, provincial and local taxes — up more than 2,000 percent since 1961 and more than the average amount spent on basic necessities such as housing, food and clothing combined, according to a study released in August by the Fraser Institute, a Canadian think tank.⁷⁷

It is uncertain whether an expanded child tax credit will be included in a tax reform proposal expected to be drafted by congressional leaders and the White House this fall, and, if so, at what level. It will be a "tug of war" between expanding the child tax credit and lowering corporate tax rates, as Trump has vowed to do, Hammond says.

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At Issue:

Should the United States adopt a universal basic income?



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the United States should adopt a universal basic income (UBI) because it's wrong for anyone to come between people and the resources they need to survive, or to put conditions on access to those resources. And that is what we do. We threaten almost every worker with poverty, destitution and extreme economic uncertainty because we think it's a good way to motivate them to work. But we can motivate people with positive rewards, such as good pay and working conditions.

People don't need bosses to work. People can hunt, gather, fish, farm, build their own shelter and start their own business or cooperative enterprise without a boss. People only need bosses because they control resources. There is nothing wrong with working for someone else, as long as you do so voluntarily, but there is something wrong with working for someone else solely because the law makes it impossible for you to work for yourself.

A UBI system would let everyone — not just a controlling elite — benefit from scarce natural resources, which we all need to survive and that were here long before any of us. Under a UBI system, we would all pay taxes for the resources we own and receive a UBI as compensation for the resources that others own. The UBI must be high enough to meet people's basic needs so no one has to take a job under threat of deprivation. That way, a UBI creates a voluntary-participation economy instead of the current forced-participation economy.

We like to think the poor are lazy if they do not take jobs, but we never ask ourselves if employers who do not offer better jobs are cheap. If we have to threaten people with homelessness to get them to take the jobs we offer, maybe we who endorse a forced-participation economy are the cheap ones.

And maybe our cheapness is self-defeating for all but the wealthy. Average workers have not gotten a significant increase in pay since the 1970s — even though our economy has grown enormously since then. Automation has made it possible for every American to work less and consume more, but the benefit of that growth has gone almost entirely to the wealthiest 1 percent. A UBI can give all workers the power to command better wages and working conditions. It's not just for the poor — it's for everyone who works for a living. And it's long overdue.



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in 2005, Federal Reserve Chairman Alan Greenspan schooled Rep. Paul Ryan, R-Wis., on Social Security. Solvency, he said, was not the problem, since “there's nothing to prevent the federal government from creating as much money as it wants and paying it to somebody. The question is, how [to] assure that the real assets are created which those benefits are employed to purchase?”

This is the problem with the UBI. Mailing checks is easy. Guaranteeing that every recipient can acquire the real goods and services needed for a basic living standard is not. The market already fails to provide affordable health care, education or housing to many income-earning individuals.

The problem is not the payment but the inequitable production process, which the UBI further undermines. While recipients can purchase part of the nation's GDP, they are not expected or required to contribute to its production. This ability to opt out of one's job (whether it is “good” or “bad”) is considered a key “benefit” of the policy.

The solution to “bad” jobs, of course, is to guarantee access to “good” jobs — which my alternative proposal, the Job Guarantee (JG), does. It offers a voluntary job opportunity to the unemployed to work in the public or nonprofit sectors, helping fill the care or environmental needs gaps. It stabilizes the economy, raises incomes at the bottom and reduces the large social costs of joblessness.

A UBI above poverty or at a living-wage level would cost 20-35 percent of GDP. The JG would cost 2-4 percent. A permanent UBI has no counter-cyclical stabilization feature, while the JG expands in recessions and shrinks in expansions, eliminating involuntary unemployment.

UBI experiments show that recipients still desire scarce jobs, a problem the JG solves by guaranteeing a decent job to anyone who wants one. UBI is a giant voucher program — a firm subsidy that removes employers' incentive to pay above-poverty wages while accelerating the “Uberization” of work. The JG, by contrast, obliges firms to match or exceed the JG wage-benefit package. Worse, UBI is often advocated as a replacement for crucial government programs. Why provide Social Security, Medicare or public education if people can buy them with their UBI?

In sum, UBI is a Trojan horse and a false promise. Sending everyone a check is trivial. It takes work to ensure a decent standard of living for all. For that, we'd do much better with a Job Guarantee.

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Another potential stepping-stone to universal basic income is Rep. Khanna's proposal — a response to slow wage growth — to double the Earned Income Tax Credit, to \$12,000 for families with three or more children.⁷⁸ "We would give a 20 percent raise to the bottom 20 percent of the income distribution to compensate them for the stagnancy of wages since 1979," he told *The Atlantic*.⁷⁹

Hammond, who helped draft Khanna's plan, concedes it has zero chance of passage. With an estimated cost of more than \$1.3 trillion over 10 years, he calls it a "thought experiment." But if Congress is contemplating Trump's tax reform proposal of up to \$6 trillion in tax cuts as estimated by the Congressional Budget Office, he asks, "why not use one-sixth of that to bring people's wages back to what they would be with robust growth?"⁸⁰

A group of conservatives, called the Climate Leadership Council, which includes Cabinet members from the Reagan, Bush and Nixon administrations, has proposed taxing oil refineries and coal mines for their carbon dioxide emissions and distributing the proceeds — \$2,000 for a family of four — to all Americans. The proposal should appeal to President Trump, they said, because it's "pro-growth" and "pro-working class" and an alternative to some pollution regulations.⁸¹

However, the White House announced in April that it was not considering a carbon tax as part of tax reform.⁸² But the carbon tax has enough bipartisan support that it could be discussed in the future, says Jason Albritton, director of climate and energy policy for The Nature Conservancy, a founding member of the Climate Leadership Council.

State and Local Efforts

Most discussion over a potential carbon-tax rebate is occurring at

the local and state level, but so far proposed carbon-tax rebates do not approach the levels that UBI advocates generally propose.

For example, a coalition of environmentalists and labor union representatives supports a carbon-tax rebate proposal they hope will be introduced in the Council of the District of Columbia this fall, but the tax would generate only a \$160 monthly rebate for the average family of four and \$277 for a low-income family of four by 2032, according to a recent analysis.⁸³

"We're hoping to send the maximum share of that revenue back to D.C. residents," says Camila Thorndike, carbon pricing coordinator for Chesapeake Climate Action Network, a regional nonprofit that works on climate and energy issues in the District, Maryland and Virginia. Low-income users would receive a higher payment because "energy constitutes a greater fraction of their budget," says Thorndike. Some of the revenues, according to Thorndike, would also go to small businesses and be used for building environmentally friendly infrastructure.

In November, Washington state voters rejected the nation's first carbon tax state ballot initiative, which would have raised \$2 billion, with proceeds going to rebates for residents, businesses and a tax break for manufacturers. However, many environmental advocates opposed the initiative, preferring that the revenue be spent on green infrastructure projects. Social-justice advocates also wanted the money spent in communities most affected by pollution.⁸⁴

That tussle over how to spend carbon tax revenues is a "perennial" issue when such measures are debated, according to The Nature Conservancy's Albritton. Legislators in five states — Connecticut, Massachusetts, Rhode Island, Vermont and Washington — recently introduced proposals to tax carbon, but none has been enacted.⁸⁵

In May, Hawaii became the first state to commission a study of a universal basic

income, among other approaches, to tackle globalization and automation.⁸⁶

Facebook co-founder Zuckerberg recently praised Alaska's 35-year record of sending oil revenue dividends to residents as a "bipartisan idea" and a potential UBI model.⁸⁷ But last year, facing declining oil prices, Gov. Bill Walker slashed the individual dividends to \$1,022, half the previous level.⁸⁸ This year, the Republican-led Alaska Senate beat back efforts by the Democratic majority in the House to restore the dividend to historic levels and introduce a state income tax to help fill the state's coffers. The final budget set the 2017 dividend at \$1,100 — half of its historical formula.⁸⁹

Nevertheless, support for the dividend "is very, very high," says Foster, of the Economic Security Project, citing a recent poll showing that 60 percent of Alaskans prefer initiating an income or sales tax — Alaska has neither — to halving the dividend.⁹⁰

Modern Experiments

Versions of a universal basic income are being tested over the next few years in small-scale experiments in Finland, the Canadian province of Ontario, Spain and the Netherlands and in a much larger pilot in Kenya.⁹¹ (See *sidebars*, pp. 736 and 738.)

In the United States, the only experiment underway is privately funded. Altman, at Y Combinator, the Silicon Valley tech incubator, has begun a small experiment to give up to 50 individuals a monthly basic income of \$1,000 per month, along with a control group, to guide a larger experiment he plans next year.

"I'm fairly confident that at some point in the future, as technology continues to eliminate traditional jobs and massive new wealth gets created, we're going to see some version of this [UBI] at a national scale," Altman has said.⁹² "We hope basic income promotes freedom, and we want to see how people experience that freedom."⁹³

Starting early next year, Y Combinator Research, the company's nonprofit research arm, plans to begin a pilot study on the effects of a \$1,000 unconditional monthly stipend provided to up to 3,000 people over three to five years in two states yet to be named, according to Elizabeth Rhodes, research director for the basic income pilot.

In the largest basic income experiment to date, GiveDirectly, a charity in New York City, will test cash payments to 200 villages in Kenya as an alternative to in-kind foreign aid, starting this month.⁹⁴

To those who question whether results from a study in a developing country like Kenya could be relevant in the United States, GiveDirectly chief financial officer Joe Huston says the questions being studied, such as — “Will people stop working? Can humans be trusted to spend money or will they buy tobacco and alcohol?” — have universal application because they relate to human nature.

In India, where a small experiment in 2010 debunked the idea that a basic income would be wasted on alcohol and tobacco, the government's chief economic adviser, Arvind Subramanian, has proposed giving all adult Indians \$113 a year to cut poverty from 22 percent to 0.5 percent. In a recent editorial, *The Economist* endorsed the idea as an improvement over India's “inefficient and corrupt” welfare programs that put beneficiaries “at the mercy of venal officials.”⁹⁵ ■

OUTLOOK

Basic Bootstraps

Concern that automation will displace humans from their jobs in coming years has given the UBI idea new currency, especially in Silicon Valley.

“The beautiful thing about a universal basic income is it solves a lot of problems

at the same time” — automation, economic uncertainty created by gig economy jobs, poverty, low wages and the need to remunerate child and elder care, says Stern, of the Economic Security Project.

But it is still unclear how many jobs artificial intelligence will actually replace. Previous industrial revolutions, such as the advent of automated looms in the 19th century, raised similar fears but ended up creating more jobs than they displaced. And when ATMs first appeared 50 years ago, rather than eliminating bank teller jobs as feared, the ATMs saved banks enough money to open more branches. The number of teller jobs has increased faster since 2000 than other jobs in the labor market.⁹⁶

While the concept of a basic income is drawing some enthusiasts from both liberal and conservative quarters, their fundamental differences about which welfare programs should be eliminated to fund it are likely to be exacerbated when it comes to designing an actual program.

“There's a bit of a myth that basic income is really simple to implement,” says Jurgen De Wispelaere, a policy research fellow at the Institute for Policy Research at the University of Bath in England who has advised governments in Finland and elsewhere on how to design UBI pilot programs. “The moment you get into the nitty-gritty of design and implementation you have to deal with a huge amount of issues,” he says, because the program must interact with other programs such as welfare and Social Security.

In addition, no one knows how a UBI would affect the foundations of society. While proponents cite improvements in the quality of life, *The Economist* recently suggested tensions may develop “between those who continue to work and pay taxes and those opting out” of the workforce. Those tensions could rip a society apart, the magazine editorialized.⁹⁷

In many ways the UBI debate is experiencing growing pains as it moves from a “utopian project in the clouds,” to a serious policy, De Wispelaere says.

Yet, while he criticizes some of the more unrealistic visions of UBI, a cash payment can eliminate “the stigmatizing, undignified ways we treat people” in the welfare system, he argues.

Countries testing a basic income, such as Finland and Canada, already have much more generous social insurance programs than the United States. So it is unclear how much the United States, with its tradition of self-sufficiency and individualism, can learn from those experiments. But advocates like De Wispelaere say Americans have the same need as other countries for a basic guaranteed income to prevent a descent into poverty.

“Americans like to talk about how people should pull themselves up by their bootstraps,” he says. “Basic income is your bootstraps.” ■

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Lowrey, Annie, "Ro Khanna Wants to Give Working-Class Households \$1 Trillion," *The Atlantic*, April 28, 2017, <https://tinyurl.com/y7d6uxfo>.

A Democratic California congressman describes his proposal to double the Earned Income Tax Credit for low-income working people, which some herald as a move toward a universal basic income.

Morris, David Z., "Universal Basic Income Could Grow

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Strain, Michael R., "Universal basic income won't make America great again, either," *The Washington Post*, April 4, 2016, <http://tinyurl.com/yamfcdqd>.

The director of economic policy studies at the conservative American Enterprise Institute argues a universal basic income that gives the same amount of money to both the disabled and those more capable would be unfair.

Reports and Studies

"Basic income as a policy option: Can it add up?" Organisation for Economic Co-operation and Development, May 2017, <https://tinyurl.com/ycc82tqm>.

An organization representing 35 member countries, including the United States, finds that an unconditional payment to everyone would require large tax increases or cuts in welfare benefits, increasing poverty rates in some countries.

Forget, Evelyn L., "The Town with No Poverty," University of Manitoba, February 2011, <https://tinyurl.com/ov4zukq>.

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Marinescu, Ioana, "No Strings Attached: The Behavioral Effects of U.S. Unconditional Cash Transfer Programs," Roosevelt Institute, May 2017, <https://tinyurl.com/y6wekz2j>.

A University of Pennsylvania economist finds improvements in health and education — but only a minimal reduction in work hours — among recipients of cash stipends in Alaska, the Cherokee tribe and U.S. government experiments in the 1970s.

Tanner, Michael, "The Pros and Cons of a Guaranteed National Income," Cato Institute, May 12, 2017, <https://tinyurl.com/ycrv7aae>.

A senior fellow at the free-market think tank weighs the benefits and drawbacks of a guaranteed income, including the costs and the effects on work incentive.

The Next Step:

Additional Articles from Current Periodicals

Carbon Tax

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Levitan, Dave, “Republicans Offer to Tax Carbon Emissions,” *Scientific American*, Feb. 8, 2017, <https://tinyurl.com/z55oe2j>.

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Paletta, Damian and Max Ehrenfreund, “White House disavows two controversial tax ideas hours after officials say they’re under consideration,” *The Washington Post*, April 4, 2017, <http://tinyurl.com/y9eooazc>.

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Ellis, Ryan, “Top Marginal Tax Rates, Child Tax Credits, And Tax Reform In The Trump Era,” *Forbes*, July 10, 2017, <https://tinyurl.com/y7j6ebmx>.

Ivanka Trump and Sen. Marco Rubio, R-Fla., seek common ground on a higher child tax credit, which some UBI advocates see as an interim step to a universal basic income, says a *Forbes* contributor.

Jagoda, Naomi, “Rubio hosting events to build support for child tax credit proposal,” *The Hill*, Aug. 11, 2017, <https://tinyurl.com/yadds582>.

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Maag, Elaine, “Simplifying And Targeting Tax Subsidies For Child Care,” *Forbes*, March 23, 2017, <https://tinyurl.com/ycpdmpkq>.

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Two researchers say that to raise wages, liberals and conservatives alike would support raising the Earned Income Tax Credit.

Yamachika, Tom, “On the new earned income tax credit, the devil is in the details,” *Maui News*, July 26, 2017, <https://tinyurl.com/y8b2h3fn>.

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Harkinson, Josh, “Hawaii Considers Radical Idea to Make Life in Paradise a Little Easier,” *Mother Jones*, June 15, 2017, <https://tinyurl.com/yaw8mz5w>.

Hawaii has directed state agencies to study a guaranteed income, making it the first state to consider offering residents “basic financial security.”

Weller, Chris, “Finland’s basic income experiment is already lowering stress levels — and it’s only 4 months old,” *Business Insider*, May 10, 2017, <https://tinyurl.com/yrcb4ejo>.

Four months after Finland undertook a two-year experiment guaranteeing residents a basic income of \$600 a month, 2,000 recipients have reported lower stress and anxiety levels.

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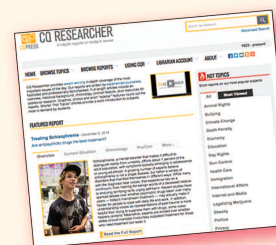
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