



Money for nothing: The good and the bad of a guaranteed government paycheck

Trent Gillies

July 30, 2017

What if the federal government gave everyone a check, every month?

Tesla CEO Elon Musk and Facebook CEO Mark Zuckerberg are among those who say universal basic income, or UBI, is a good idea. With inequality widening, the idea of an unconditional, periodic cash payment that the government makes to everyone has suddenly become a hot topic.

The idea is whether a person is unemployed or wealthy, a \$1,000 monthly government check could replace all current welfare programs, including Social Security.

"I think it would theoretically be superior to the existing social welfare system," Michael Tanner, senior fellow at the Cato Institute, told CNBC's *"On The Money"* in an interview. "It would be more efficient. It would be more humane and it would be a lot less paternalistic."

The robots are coming

The conversation about UBI has reached a crescendo as the workforce leans more heavily on technology. Nearly half of all U.S. jobs could be replaced by robots in the next decade or two, according to an Oxford University study.

Last November, Tesla's Musk said there was "a pretty good chance we end up with a universal basic income, or something like that," as a rising number of workers lose jobs due to automation.

UBI supporters say the cash from the government could fund basic needs, like food and housing, freeing people up to find new jobs in the digital economy.

"A lot of people when they first hear this idea really like it," said Jason Furman, former chief economic advisor to President Obama. That is, until you read the fine print

"And then when you look at the details it turns out it just doesn't work," Furman explained to CNBC. "It costs two to three trillion dollars. You would need to double the current income tax to make it work."

Furman, a professor at Harvard University's Kennedy School of Government, added that "the premise underlying it is wrong too. There's going to be a lot of automation but there's also going

to be a lot of jobs and our focus should be on making sure people can get those jobs not giving up. And universal basic income represents giving up in the face of that challenge."

Yet Tanner took aim at the current social safety net. He argued the current "social welfare system spends nearly one trillion dollars a year fighting poverty, and it doesn't do a very good job of enabling people to rise and get out of poverty and to be in control of their lives."

He added: "Looking for some new alternative for that is not a bad idea."

The debate has been heightened by Europe's experiments in providing UBI to citizens, which have had mixed results. Those experiments have amplified calls to try a similar approach in the U.S.

"Our current system is certainly imperfect, I don't want to be the defender of the status quo," said Furman. He cited research where current government anti-welfare programs "that invest in children" providing food stamps, Medicaid and housing vouchers are successful and "increase their mobility."

Yet Furman added that "it's too simplistic to say, just write everyone a check, let's spend trillions of dollars doing that, rather than doing the hard work of trying to get the (government) programs right."

Tanner countered that it's hard to determine which federal programs are effective and which aren't. "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."

So might a UBI program work in America? "We don't have a lot of wide scale evidence yet there are a number of ongoing experiments in places like Finland, the Netherlands and Canada," Tanner acknowledged.

Still, Furman doesn't see UBI or the "rise of the robots" as coming anytime soon.

"Maybe 50 or 100 years from now we have enough robots to make everything and they can just hand the proceeds over to us," the academic said. "But I'm trying to think in the scale of the next 10, 20, 30 years, (robots) are not going to take our jobs on any time scale that I'm capable of envisioning."