



## As Democrats spar over guaranteed jobs, universal basic income and \$15 minimum wage, which would best help Americans?

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October 17, 2019

Democratic presidential candidates dueled this week over ways to lift lower-income and unemployed Americans out of poverty: a guaranteed \$1,000 monthly income, a higher minimum wage or a guaranteed job?

In one corner is businessman Andrew Yang, who has made universal basic income the centerpiece of his campaign. Yang is proposing a \$1,000 monthly **“freedom dividend”** to everyone over the age of 18. Yang says with automation shaving away jobs, the steady stream of money will let unemployed Americans regroup, focus on their education or find other lines of work.

Approximately 36 million Americans could one day lose their job due to automation and artificial intelligence, according to one **estimate** by the Brookings Institute, which has variously been described as centrist, conservative and liberal.

But the World Economic Forum says automation and technology could produce **58 million new jobs** across the globe.

During Tuesday’s debate, Yang **said** his idea “actually recognizes the work that is happening in our families and our communities. It helps all Americans transition.”

In another corner is Sen. Cory Booker (D-N.J.), who says the federal minimum wage should be \$15 per hour (it has been \$7.25 per hour since 2009). A handful of states, including New Jersey, are already phasing in a \$15 minimum wage.

Booker said it would put more money in people’s pockets than giving them \$1,000 a month. “We have to start putting the dignity back in work,” he said.

Many other candidates — including former vice president Joe Biden, Sen. Elizabeth Warren (D-Mass.) and Sen. Bernie Sanders (I-Vt.) — support the \$15 minimum wage.

Sanders also proposes a federal jobs guarantee. “We could put 15 million people to work rebuilding our roads, our bridges, our water systems, our wastewater plants, airports, etc.,” he said during Tuesday’s televised debate.

**The case for universal basic income**

Ioana Marinescu, a University of Pennsylvania economics professor who has studied universal basic income, said minimum-wage increases and/or a jobs guarantee would only benefit people in a position to work. It wouldn't help people who were unable to work because they're sick or caring for relatives.

Universal basic income could also let job seekers make better choices instead of jumping at the first offer. "It allows you to search longer for a higher paying job," she said.

However, an experiment involving out-of-work universal basic income recipients in Finland found that while the cash influx made them happier in the short term, it **didn't raise their chances of getting a job.**

Marinescu said a \$15 minimum wage was a "rather good idea at this point," but in an ideal world, universal basic income was the better approach. "It's a more ambitious plan, for sure, and therefore the rub is the cost," she said.

One estimate said universal basic income could cost more than **\$3 trillion** a year.

Critics say universal basic income would **discourage** people from working.

Marinescu's **research** on Alaskans, who receive a yearly cash dividend from the state, showed no effect on employment and a slight increase in part-time work. The 2018 checks were \$1,600 per person.

Michael Tanner, a senior fellow at the Cato Institute, a libertarian think tank, has pointed out that people on both the liberal and conservative ends of the political spectrum are interested in the idea of universal basic income.

The system could apply to everyone and be simpler than the current welfare system, he said. Universal basic income "is far less paternalistic than traditional welfare, which often treats the poor like 10-year-olds receiving an allowance," he said.

Instead of paying people cash and trusting them to make their own choices, government benefits, like food and housing subsidies, tell recipients how to spend their money, **he added.**

### **The case for a \$15 minimum wage**

Michael Reich, an economics professor at the University of California at Berkeley, preferred Booker's proposal to Yang's plan. "A \$15 federal minimum wage would do much more to increase incomes and reduce adult and child poverty," he told MarketWatch.

Universal basic income "runs the risk of creating a political opportunity to eliminate much better-targeted safety net programs," he said.

Reich's **research has found** that higher wages wouldn't kill jobs. "That's because minimum wages are mainly absorbed by very small price increases, mainly in restaurants, and because greater purchasing power stimulates more spending," he said.

A \$15 federal minimum wage would increase wages for 17 million workers making less than that amount, according to a July **analysis** from the Congressional Budget Office, a non-partisan federal agency. An estimated 1.3 million workers would lose their jobs, the office added.

That outcome, however, would lead to significant job losses and create a “survival-of-the-fittest” labor market, where only more skilled workers come out on top, said Rachel Greszler, a research fellow at the Heritage Foundation, a conservative think tank.

### **The case for a federal jobs guarantee**

Some researchers say a federal jobs guarantee “would eliminate cyclical and structural unemployment and provide workers with the dignity and sense of purpose that comes with employment.”

More workers would mean more spending and, in turn, more money into state and local tax coffers, Duke University and New School researchers **wrote** last year. A guarantee would also give workers extra traction to get ahead in the job market. “For private employers to attract employees, they would have to offer a job that is at least as good as the one offered by the government,” they said.

The program would cost \$543 billion a year, they said.

Reich said “most economists would want such a program to be limited to times when unemployment is very high.” The unemployment rate is currently 3.5%, **a 50-year low.**

“A jobs guarantee at even a \$15 minimum wage when the unemployment rate is low is not only superfluous; it runs the risk of creating a new labor market norm of \$15 for jobs that currently pay more,” he said.

“What make us think the government is able to provide a very large number of jobs, and do something effective with all these people?” Marinescu asked. If there’s no convincing answer, supplying unconditional cash in universal basic income could be the better large-scale approach, she said.