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## Universal basic income: Even conservative economist says it's 'our best hope'

James Varney

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It might seem a pipe dream straight from one of the left-wing darlings of the moment: a guaranteed regular paycheck from the government.

But universal basic income (UBI) has its fans on the right as well, including no less than Charles Murray, the pioneering conservative scholar at the American Enterprise Institute who in 2016 called it “our only hope to deal with a coming labor market unlike any in human history” and said it “represents our best hope to revitalize American civil society.”

Billionaire entrepreneurs in Silicon Valley have backed UBI, as it’s known in the circles that debate it. And top economists endorsed some version of a UBI during last year’s economics summit in Lindau, Germany.

The idea attracts both those concerned with perceived wealth inequality and the eradication of jobs through accelerating technology, as well as those who view the sprawling, modern system of social support and transfer payments as too costly and demeaning to recipients.

But it’s yet to actually catch fire among the politicians who would have to translate the theory into action.

Sen. Bernard Sanders, who lit the liberal fire within the Democratic Party with his 2016 presidential bid, says a UBI is worth exploring, but he hasn’t actually backed it.

His acolyte, Democratic congressional candidate Alexandria Ocasio-Cortez, also has kept at it arm’s length: The only public utterance the avowed socialist appears to have made was a tweet on April 2 that read, “UBI is still being hashed out on a macroeconomic level, I believe.”

While conservatives have mocked some of Ms. Ocasio-Cortez’s economic ideas about things like unemployment, she is largely correct in her assessment of UBI, at least in the United States.

What Ms. Ocasio-Cortez, who knocked off longtime Rep. Joe Crowley of New York in a Democratic primary last month, has embraced is a federal job guarantee, another concept that is often bandied about in discussions that include the universal basic income. But the job guarantee is more akin to the New Deal’s federal work program, whereas a UBI is exactly as advertised: a tax-free fixed income.

Some futurists say a UBI will have to happen, saying it's the only solution in an economy where robots and artificial intelligence will perform more work.

Indeed, support for the idea is growing in polls — though it remains far more popular among the political left than it is on the right.

Some pilot UBI programs have been launched. The jury remains out on whether they are effective.

In Finland, for example, a random sample of 2,000 unemployed people began receiving 560 euros a month in 2016. The Finnish agency that runs the program, Kela, had sought an extension of it, but the government rejected that and the program will wind down next year as planned.

The statistics and findings from that pilot program remain a closely guarded secret and aren't expected to be made public until 2019 or 2020.

In Ontario, Canada, a small-scale UBI program also began in 2017, and in Scotland, too, a debate about UBI began in November, when the government announced it was providing more than \$325,000 in seed money to begin UBI programs in pockets of Edinburgh and Glasgow.

In the U.S., some municipalities are moving toward some form of UBI, including the California city of Stockton, which declared bankruptcy in 2012 and hopes to float its UBI in August. The money to provide 300,000 people there with \$500 a month won't come from the straitened public coffers, however, but from outside groups. The first \$1 million has been provided by a "pro-basic income and advocacy group" called the Economic Security Project, funded largely by Chris Hughes, a co-founder of Facebook.

### **'A redistributive society?'**

None of the tests, however, have touched on the biggest hurdle: the cost.

"The theoretical case for a Universal Basic Income is actually quite strong," said Michael D. Tanner, a senior fellow at the Cato Institute. "But if you did one around \$10,000 a year for every single American — George Soros, Bill Gates, poor people — it would cost more than the entire current federal budget."

The money the federal government spends on redistributive and transfer payments, plus all that goes into traditional social safety net programs is an immense sum, swollen by the bureaucracies that run it all. Indeed, economists note that if the figure was divided by the number of households in the U.S. at or near the poverty level, a check could simply be sent to each such household and that would theoretically end poverty.

The price tag is the UBI's "Catch-22." As England's Institute for Policy Research put it in a paper on the topic, "an affordable basic income would be inadequate, and an adequate basic income would be unaffordable."

Tweaks could be made. For example, Mr. Tanner noted you could do it by household rather than individual, which would still be extraordinarily expensive but would at least go a long way

toward realizing one of UBI's great benefits from a conservative or libertarian standpoint: reducing that mammoth current federal budget.

Or, as Nobel laureate Christopher Pissarides has posited, the UBI must be calibrated so it does not exceed minimum wage and thus throw the labor market out of whack.

From the liberal point of view, however, UBI is usually seen as a supplement to the existing panoply of transfer payments and social safety net most Western nations already have in place.

They often place it alongside plans for universal government-sponsored health care, tuition-free college and other expansive spending proposals as the cornerstones of a liberal vision.

Mr. Murray, in his 2016 Wall Street Journal piece on UBI, said that can't happen.

"A UBI will do the good things I claim only if it replaces all other transfer payments and the bureaucracies that oversee them," he wrote. "If the guaranteed income is an add-on to the existing system, it will be as destructive as its critics fear."

Mr. Tanner warned that the entire UBI concept could crash if it isn't worked out completely before it is proposed as policy. Either the left or the right will desert a plan they think jettisons their overarching goal.

Such evaporating support has doomed UBI-like plans in the past, some experts said.

Economist Milton Friedman's idea of a negative income tax was incorporated by George McGovern in his 1972 presidential bid, then usurped by Richard Nixon in a proposal crafted by Daniel Patrick Moynihan at the time. Nixon's move took away any wind McGovern may have gotten from the idea, and the proposal died in Washington.

"I don't think they're going to be fliers for that reason," said Varadarajan V. Chari, an economic professor at the University of Minnesota who specializes in tax policy and public economics. "The proponents of UBI as an add-on do not seem to have an understanding of how huge tax increases would impact the behavior of the affluent and the economy as a whole."

Yet those who envision the UBI as a cheaper alternative often have unrealistic ideas about where the UBI would have to be set, Mr. Chari said. The idea that a UBI in the neighborhood of \$10,000 to \$13,000, with some portion of that dedicated to health insurance — figures that are often given in association with UBI schemes — will never prove sufficient to replace government's existing framework.

The political catch, Mr. Chari believes, is that while policies that serve as essentially insurance against catastrophe enjoy broad public support in America those seen as purely redistributive do not.

"When people see it correctly as paying a premium against something that there but for the grace of God go I, then almost everyone supports it," he said. "But what is the level we want to reach as a redistributive society? That is where the rubber meets the road in the United States."