

Will universal basic income ever become an American reality?

December 22 2016, by Jason Kornwitz

Finland is on the verge of launching a two-year experiment in which a randomly selected group of 2,000 unemployed people—from white-collar computer programmers to blue-collar construction workers—will receive a monthly stipend of \$580 in lieu of their typical benefits.

Meanwhile, the Silicon Valley startup incubator Y Combinator is preparing to launch a pilot project in Oakland, California, in which 1,000 families will receive unconditional cash grants ranging from \$1,000 to \$2,000 per month.

Will these basic income projects stimulate job growth and boost the economy? Will they improve people's happiness and well-being? Will universal basic income ever become a reality for us here in the U.S.? We asked associate professor of economics Mindy Marks, an applied microeconomics expert with a particular focus on labor, health, and education.

First and foremost, what are the pluses and minuses of a basic income guarantee?

The main plus is in the name. A basic income guarantee ensures every man, woman, and child will have some money to cover basic needs regardless of characteristics or circumstances. An additional plus is that these unconditional cash transfers can be cheaper to administer than our current system, which entails a costly (both in time and dollars)

eligibility process. The negative that economists are most focused on is if one is provided income, then the incentive to work falls. In labor economics this is referred to as the income effect. Empirical evidence supports the existence of an income effect but scholars debate its magnitude.

Another concern stems from paternalism. Currently the social safety net targets benefits to those individuals who are deemed "deserving." Examples of these groups include children, the poor, the disabled, and the elderly. Some states and programs further restrict eligibility to those looking for work or who pass a drug test. A fear is that non-deserving individuals would benefit from a basic income. A related concern is that people will spend their cash on items such as alcohol, drugs, and gambling, which is why many of our existing programs provided in-kind benefits as opposed to cash.

A recent McKinsey & Company report estimated that 45 percent of all U.S. jobs were at risk of computerization. In your view, is basic income part of the proper response to automation?

No. Automation is real phenomenon that does and will have a profound impact on the labor market. The process of automation creates winners and losers and likely contributes to the widening of [income distribution](#). However, it is incorrect to say that automation leads to a net loss of jobs. Some jobs are indeed replaced by machines but the expanded production creates jobs in the new areas. In the early 1900s, around 35 percent of the labor force was employed as farmers. Due to early waves of mechanization, that share has fallen to around 2 percent of the labor force and yet one-third of the [labor force](#) is not idle.

Providing every American \$10,000 per year would

cost the U.S. government approximately \$3 trillion per year, roughly eight times what the country now spends on social service programs. And President-elect Donald Trump's labor secretary pick, Andy Puzder, is critical of simply raising the minimum wage to \$15. With this in mind, do you think universal basic income could ever become an American reality, or is it too much of a political nonstarter?

We are unlikely to see a basic income in the U.S. First, as I mentioned earlier, it would be costly. In addition, there are the fears of abuse. One recent example comes from Washington state, which had a ballot initiative to impose a carbon tax that would have redistributed the revenues from the tax as lump sum payments to the state's citizens. Basically, this was a small [basic income](#) programs to be funded with a tax on pollutants. This initiative failed.

There are, however, efforts at the federal and state level to expand the social safety network via increasing access to Medicaid and increasing the earned income tax program. The later is a program that provides wage subsidies to low-income workers. This program has received support from both sides of the aisle as a program that helps low-income individuals without discouraging work.

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