Why the Government should Implement a Universal Basic Income

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The United States of America is currently facing one of the greatest stock market and economic crashes in its history. With unemployment rates on the rise, many people are considering a universal basic income as a viable option.[[1]](#footnote-0) This paper will first give background information on what a universal basic income is and the ways it has been used in the past. Then it will present the view of the proponents, who believe that a universal basic income would solve income inequality, poverty, and many other social and economic problems. The opponents believe that a universal basic income would do more harm than good by reducing incentive to work and costing more than we can afford. After learning the beliefs of both sides this paper will show the solution to the universal basic income debate. If the United States did not have such a high poverty rate and currently an especially high unemployment rate it would be smart to say dramatic change is not needed. However, that is not the case. Now is the time to implement a universal basic income in a way that not only solves economic problems but also environmental ones.

A universal basic income is an unconditional annual or monthly payment to all people part of a state or country. Some universal basic incomes have age restrictions. Universal basic incomes have been used mostly in trials. However, Alaska has had The Alaska Permanent Fund that began in 1981 and is still going. Alaska takes twenty-five percent of its oil revenue and gives that to the Alaska Permanent Fund Corporation which invests that money into global stocks. The money earned from that investment fund is distributed in equal shares to every citizen annually, usually $1000-$2000.

An example of a trial universal basic income is in northern Uganda. It was funded by the Youth Opportunities Program. It gave small groups of young people $328 to spend on learning or improving skills in order to help them end their poverty. In the first four years it helped a lot, as the families who received it rose out of poverty, but five years later at the end of the trial the control group had caught up to the recipients.[[2]](#footnote-1) This proved that universal basic income only sped up the escape from poverty, which is a great result but not the ideal one.[[3]](#footnote-2) The best result would have been the recipients having a higher sustainable income as compared to those who did not receive the basic income boost.

Another universal basic income trial is an ongoing one in Kenya. This trial will be tested in two large counties in Kenya: the first is Siaya with a population of 940 thousand and the second is Bomet with a population of 860 thousand. There are 630 thousand people below Kenya’s poverty line (US$15 per household member monthly). This trial has 4 groups. The first is a control group of 100 villages who will receive no extra money. The second is the long-term trial where 44 villages will receive US$0.75 per day, enough to cover basic needs, for 12 years. The third group is a short-term trial where 80 villages will get US$0.75 every day for 2 years. The last group is the lump sum trial where 71 villages will receive a one-time payment of US$500, which is equal to the total the short-term trial will get. Because this trial began in 2018, the first set of results will not be released for another few months, so it is hard to say how it will change things. Still, it is the largest trial yet and will provide a lot of valuable information for assessing the effectiveness of universal basic income.[[4]](#footnote-3) Even though GiveDirect, the NGO behind this trial, has not released any of their findings, the Kenyan government has reported an increase in happiness and life satisfaction, and a decrease in stress and depression.[[5]](#footnote-4)

The success of the Alaska Permanent Fund, benefits for workers, creating a system that is better than welfare, and the potential to end poverty are all reasons a universal basic income has gained significant traction in the last few years. Since its creation in 1981, the Alaska permanent fund has proved to be very beneficial. Using the Gini coefficient, a way of measuring income inequality, each state was ranked, with 1st being the best and 50th being the worst. At the creation of the fund, Alaska was ranked 30th, but by 2015, 34 years later, it had risen to 2nd, largely due to its universal basic income program. Because universal basic income increased each citizen’s purchasing power, the Alaskan economy grew and 10,000 new jobs were created.[[6]](#footnote-5) A research paper published in 2019 by Damon Jones, a professor at the University of Chicago’s Harris School of Public Policy, and Ioana Elena Marinescu, a professor at the University of Pennsylvania’s School of Social Policy and Practice, looks at how unemployment rates in Alaska have changed since 1981. Their study shows that since the creation of this program, it has not caused a decrease in employment and instead caused a slight increase. The Alaska Permenant Fund also has decreased the probability for a 3-year-old to be obese by 4.5%, and it has reduced the total number of 3-year-old obesity cases by 22.4%. This is because for many poor people the cheapest option for food is fast food and most healthy food is more expensive, but with the universal basic income they can afford healthier food without worrying about not being able to pay for other things.[[7]](#footnote-6)

The core of any economy is people working and earning money. 44% of 18-64 year olds are employed in low wage jobs, but if these workers had the ability to find higher-paying jobs it would improve not only their livelihoods but also the economy.[[8]](#footnote-7) A universal basic income would provide low wage workers a safety net to give them the freedom to explore other careers, go back to school, or get better at a skill to get a higher-paying job where they already work.[[9]](#footnote-8) A universal basic income would also give workers some bargaining power in the job market, so they do not have to settle for a job that does not pay enough.[[10]](#footnote-9) If workers find themselves between jobs, they do not have to worry about not being able to provide for themselves or their families, making it easier for them to spend additional time to find a new well-paying job.[[11]](#footnote-10)

Universal basic income also improves quality of life. Many people have families at home. People would get to spend more time with their children if they earned a higher wage that allowed them to work fewer hours. Or, working fewer hours might give them more time to care for an elderly parent or a loved one in need.

Universal basic income creates a safety net. The United States has had its fair share of crises. With the nature of the economy, or because of natural disasters, stock market crashes, disease, or war, recessions happen and people lose their jobs. A universal basic income would act as a buffer, if everyone was able to keep having an income during a crisis. If people who have lost their jobs still had a basic income, their spending power could keep stimulating the economy and could help avoid another recession.[[12]](#footnote-11)

A universal basic income also comes with many smaller benefits that can still help a lot. Welfare programs are an alternative to universal basic income. One problem with welfare programs, however, is that they only start helping people when they hit rock bottom; a universal basic income would help prevent people from even getting to that point.[[13]](#footnote-12)

Scot Santens, founder of the Economic Security Project, said, “ A UBI set at $1,000 per adult per month and $300 per child per month would eradicate US poverty entirely.”[[14]](#footnote-13) Of course giving out that amount of money may not be possible without cutting programs or raising taxes, but the fact that it could do this means that any amount of basic income could result in real progress toward ending poverty.

Some people believe a universal basic income is not worth the cost and reduced working hours it would create. What opponents of a universal basic income usually mention first is the cost of it. It is difficult to say a definite cost because there are so many different approaches. However, looking at Andrew Yang’s universal basic income program allows us to work with a number. Yang, a politician who built his campaign around a universal basic income, proposed giving $1000 monthly or $12,000 yearly to everyone over 18. If one multiplies $12,000 by 209,128,094, the number of people 18 and up, the total cost annually would be $2,509,537,130,000 or about $2.5 trillion. The total cost of welfare annually is roughly $1.03 trillion. That leaves a $1.47 trillion deficit to fund universal basic income if all welfare was removed. If welfare was kept, universal basic income would cost an additional $2.5 trillion, for a total of 3.53 trillion in welfare a UBI expenditures. Considering how much debt the U.S. already has, it could be very dangerous to implement a universal basic income. To free up that much money would require major tax increases and cutting programs. The reason welfare is so much cheaper is because there is a separation of who needs help and who is fine, so getting rid of that separation is what causes the increase in cost.[[15]](#footnote-14)

Opponents of universal basic income also argue that it would hurt the poor more than help them. Since everyone would pay a tax to fund it, and everyone regardless of income level would receive it, a universal basic income program would take money from the poor and distribute it to the wealthy. It also would be giving money to people able to work, while elderly people or people with disabilities who need it the most would be taxed to support the program.

Opponents also argue that welfare not only costs less, but also more directly helps. Welfare provides people with more than just money, it gives them help with addiction, health, and lack of skills. Unlike universal basic income, welfare has conditions, since many of the programs require people to be looking for a job to qualify for payments. Welfare also includes things like medicare, disability insurance, the Children’s Health Insurance Program, Social Security, unemployment insurance, and Section 8 housing vouchers. $12,000 every year would not cover those benefits.[[16]](#footnote-15)

Reduced labor or working hours is another major con of a universal basic income. "If we pay people, unconditionally, to do nothing... they will do nothing," says Charles Wyplosz, PhD, Professor of International Economics at the Graduate Institute in Geneva. Economist Allison Schrager, PhD, says most people work hard because there is a level of uncertainty for the future. By ensuring people's monthly payments, they lose that uncertainty and feel more comfortable not doing anything. Elizabeth Anderson, PhD, Professor of Philosophy and Women's Studies at the University of Michigan, says that a universal basic income would cause people "to abjure work for a life of idle fun... and depress the willingness to produce and pay taxes of those who resent having to support them."[[17]](#footnote-16)

It is easy to claim that a universal basic income would cost too much, because it is generally presumed that it would be funded by cutting programs or raising taxes on everyone. However, using the plans this paper is about to present the American people could be reaping the benefits of a universal basic income without spending more money than it already does on welfare.

Yang, the politician who built his campaign around a universal basic income, proposed a value added tax. 160 out of 193 countries currently have this tax in one form or another. That tax would take 10% of the profits from major technology companies like Apple, Google, and Microsoft. This would generate about $800 billion annually. This tax is a great way to get some of the money needed to fund a universal basic income program.[[18]](#footnote-17)

Another plan to fund universal basic income is a type of carbon tax. A 2017 study done by the Office of Tax Analysis shows that a $49 tax on every metric ton of carbon dioxide released would result in about $220 billion annually.[[19]](#footnote-18) This plan is an important one because it would in the long run discourage companies from producing as many greenhouse gases. Although no states in the U.S. have a carbon tax, British Columbia implemented one in 2008 that proved by 2012 to not adversely affect the economy and reduce emissions by 10%-15%.[[20]](#footnote-19)

The last payment plan this paper suggests is another one of Yang’s plans. A study done by the Roosevelt Institute projected that a universal basic income would increase the economy by $2.5 trillion annually and create 4.6 million new jobs, that in turn would then generate $800-900 billion in additional tax revenue annually due to economic growth.[[21]](#footnote-20) With all four of these plans in place there would be at least $2 trillion generated to fund a universal basic income program. That is $460 billion more than the $1.54 trillion deficit mentioned earlier.

Because this paper has presented an effective way to pay for a universal basic income, the next step is to determine how to set it up best. Every person 18 and up would be given $1000 every month. There would be no condition on who gets it, from the poorest to the richest. It would also not have any restriction on what someone purchases with the money. The universal basic income would significantly reduce income inequality because Alaska was able to go from 30th worst in income equality to the 2nd best over 35 years. Although that may seem like a long time, it is the blink of an eye when viewed historically and in the long-run any massive change like that is well worth it.

Covid-19 has caused an economic crisis due to the fact that people are getting laid off from their jobs or cannot work from home. Now is the perfect time to start seriously considering a universal basic income. In addition to a massive corporate bailout program, the United States has already given a $1200 stimulus check to all eligible individuals and it is too early to know what effect that will have, but it is a step in the right direction. The next step is to keep stimulating the economy, and if the government quickly created a universal basic income like the one previously suggested, it would pump $4.5 trillion in the economy. Once everything passes it would create 4.6 million new jobs for people who have been laid off because of the shutdown and the associated recession.[[22]](#footnote-21) It would be expensive, but with the 3 payments plans it would certainly be possible.

A universal basic income is something America needs right now. In the short term, it will help get everyone through Covid-19, and help get the economy back where it was before. In the long term, it will solve problems like income inequality and poverty. Opponents of a universal basic income claim that it costs too much and would create disincentives to work. However, this paper shows that generating the money necessary to fund a universal basic income program is feasible and multiple studies have shown that during universal basic income trials there has been no meaningful decrease in working hours or employment rates. It also makes no sense to think that a $12,000 annual income will allow people to avoid work entirely, as opponents suggest. Due to the many benefits of a universal basic income, and the fact that it is affordable, America should implement a universal basic income.

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