

# The Case Against UBI

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## 1 Introduction

UBI stands for “Universal Basic Income”. In its simplest form, UBI is a direct payment to every citizen every month. It would (at least in theory) replace other government programs that alleviate poverty, such as means-tested welfare. It is growing in popularity as a political proposal. In this essay, I'm going to make the case against UBI.

The basic argument for UBI is that we already agree on the existence of a social safety net, and UBI would be simpler and fairer than existing welfare schemes. As it is typically conceived, UBI would just be a direct payment from the government to all members of a society, without the complex bureaucracy that administers means-tested welfare schemes. Because it would be universal rather than means-tested, it would also eliminate or reduce certain perverse incentives of existing welfare schemes.

## 2 Means-Tested Welfare Scheme

Let's consider some of the problems with means-tested welfare scheme. They require means-testing on an individual basis, so they need a bureaucracy to administer and enforce. They can be abused in various ways, such as by working on the black market, using false identities to claim extra benefits, or lying about family relationships. They create a perverse incentive not to work. If a person on welfare gets a job, she loses her welfare benefits. This means that the net benefit from getting a job might be very small, especially considering the lost work at home and the costs

of employment. Means-tested welfare schemes also create perverse sexual incentives. They disincentivize marriage and pair-bonding (because a husband's income might disqualify a woman from receiving benefits). They create a financial incentive to have more children, because welfare typically increases with each child. The overall effect is a welfare-dependent culture of single mothers, short term sexual relationships, and black market employment (such as dealing illegal drugs). Means-tested welfare has a lot of negative consequences.

I agree that UBI would partially remedy some of those problems. However, it can be very misleading to compare an existing scheme to a hypothetical scheme. It is very easy to be fooled by such a comparison (or use it to fool others). It is much easier to imagine something than to make it real. People are often seduced by utopian dreams that turn into dystopian nightmares (e.g. communism).

UBI would still require a bureaucracy. It would be less complex to administer and enforce per recipient, but it would be on a larger scale. Overall, it appears to be much simpler, but that's partly because ideas are simpler than realities. To make it a reality you'd have to add a lot of detail to the basic idea. For example, who decides how much the UBI should be? What is a "basic income"? Is a basic income in New York City the same as a basic income in Kalamazoo? Is a basic income for a paraplegic the same as a basic income for a healthy young person? What about medical and retirement benefits? Are those schemes subsumed by UBI, or do they exist in parallel? UBI might be simple in theory, but reality is complex. You can imagine replacing all welfare schemes with a single one, but doing it in practice is another matter.

UBI would reduce the disincentive for welfare recipients to work, but it would create a much broader disincentive to work. There are many people who would choose not to work, or choose to work less, if they received a free basic income. Welfare might be a trap that is hard to get out of, but it also has barriers to entry. To get welfare, you have to qualify for it, and often you have to look for a job or demonstrate that you are unemployable. Welfare is low status compared to employment. Many people will not go on welfare because of the bureaucratic barriers to entry and/or because it is low status. Those barriers would be removed by UBI. It would make living off the government easier and more socially acceptable. The UBI would create a kind of dependency trap that is not as deep as welfare's, but much broader.

### **3 UBI's Effects On Relationships In Society**

UBI would have a similar effect on the perverse sexual incentives. It would eliminate the financial incentive for welfare-dependent women to stay single, but it would further increase the financial independence of women from men, by giving women another source of support. In the past, most women needed husbands to protect them and provide for them. In the modern world, women are protected by the state (men in uniforms) and they can provide for themselves by selling their labor. This has weakened the pair-bond. It is psychologically harder to create a pair-bond in this situation. When women can sell their labor in the market, they can replace husbands with jobs, to some extent, but there is a trade-off. When women receive a free lunch from the state, there is no trade-off. The value of men to women is directly reduced by any state subsidy to women.

Family and society are both work-exchange systems. They are held together by exchanges of work. That is the hard reality behind the emotions and flowery rhetoric.

Love between a man and a woman is an emotional mechanism to create an exchange of labor. In the pair-bond, women provide reproductive services (bearing and raising children) and men

provide protection and support. This exchange is reflected in our emotions. Women are attracted to men who can protect and support them. Men are attracted to young, fertile women who can bear and raise lots of children. Those emotions still react to the same stimuli, even if people prefer not to have children. Income is a source of male power and male attractiveness, and male power is perceived by women in relative terms, not absolute terms. Women want a man who makes more money than they do (and is taller, stronger, etc.). The more that wealth is transferred from men to women through the state, rather than through the pair-bond, the weaker the pair-bond will become.

Social bonds are also based on exchanges of labor. Employment is an exchange of labor. Friendship is an exchange of labor. Membership in a society, although not exactly voluntary, is an exchange of labor (society does things for you and you do things for it). In the modern world, these exchanges have mostly become monetized. State and market exchanges have replaced personal exchanges. This weakens other bonds, because the bonds that hold us together are essentially proportional to the amount of labor that is exchanged. Today, people become emotionally attached to corporations that provide them with services. This is not the result of deception or coercion. It is a natural result of the positive exchange relationships that they have with those corporations. The person who “loves their Starbucks” feels positively toward the corporation because it provides them with something they intuitively value at a price that they are willing to pay. There is nothing intrinsically bad about replacing personal relationships with state or market relationships, but many people view it as a bad thing, and it can be pathological.

Replacing exchange relationships with redistribution is generally destructive. It removes the incentive to be productive, it weakens the family, and it treats adults like children. As a redistribution scheme, the UBI would have those general effects, although the strength of them is hard to predict. It would make people less dependent on employment, friends, and family, and thus it would weaken those relationships. For example, it would make young adults less economically dependent on their parents. For those receiving net benefits, it would create an artificial parent-child relationship to the state, in which the state is viewed as a parent who hands out free goodies. For those bearing the costs of the redistribution scheme, the state would not be viewed as parental, but as parasitic or predatory. Redistribution, in general, weakens both family and society.

The biggest problem with the welfare state is that it provides a reproductive free ride. It allows people to reproduce at the expense of others. In the long run, the welfare state is unsustainable because it breeds an unproductive population. Some proponents of UBI believe that this problem would be reduced by UBI, because it would only be given to adults, and there would be no increase in benefits based on the number of children. However, in that case UBI would not replace existing welfare schemes, unless we were willing to allow children to live in abject poverty. So, there would still be a need for other welfare programs or additional UBI based on the number of children. The reproductive free ride has only two possible solutions in the long run: (1) allow children to die from poverty, or (2) coercively limit reproduction. (I have argued for the latter.)

## **4 Fallacious Arguments for UBI**

Now I will talk a bit about the fallacious arguments for UBI.

Most arguments for UBI depend on the fallacy of composition, which is the false assumption that what is true of one part is true of the whole. Holistic reasoning about complex systems, such as the economy, is difficult. Most people are incapable of reasoning about the economy as a whole. They don't have a basic understanding of how the economy works, or even of what it is. People tend

to reason about a proposed social policy by imagining its direct effects on an individual, typically themselves. They do not think about it holistically. This is a huge problem, because it creates false knowledge. Fallacious arguments in economics are very persuasive to ordinary people.

For example, if we propose a \$1000/month UBI, most people will imagine themselves having \$1000 more than before, and everything else staying the same. So, they will imagine themselves having \$1000 more spending power at current prices. The truth, however, is very different. If everyone were given \$1000/month by the government, the entire economy and financial system would change in ways that are hard to predict. There's no way to know exactly what would happen without doing the experiment, but we can say with absolute certainty that it would not give everyone \$1000 more spending power at today's prices. Instead, it would almost certainly reduce average spending power, because UBI would reduce the incentive to work, and thus reduce overall production. Lower production implies lower consumption. And of course the \$1000 would have to come from somewhere, either from taxation or money printing. The person who imagined that he would be \$1000 richer might find himself \$1000 poorer in actual spending power.

The UBI proponent will typically commit the fallacy of composition in his arguments, often implicitly by appealing to intuition while not reasoning holistically. He will almost always argue from imaginary examples to conclusions that simply do not follow. For example, he might say "This will make it easier for women to stay home and look after children". Now, that could happen, but the opposite could also be true. It might seem intuitively obvious that single-income families would be better off, but we can't trust that intuition, because it is based on an implicit fallacy of composition.

If I gave a family \$2000/month extra without changing anything else, then of course that family would be better able to afford the mother staying home. But UBI would give every family \$2000/month extra, while also taxing them more, or printing money. It is easy to imagine giving \$2000 to a family. It is hard to imagine the holistic effects of giving \$2000 to every family. We know that it would not make people better off on average, because no wealth is created by handing out money. It would change the distribution of spending power, thereby changing incentives, prices, and the entire economic system.

Would UBI make the average single-income family better off in material terms than the average single-income family today? There is no easy way to answer that question without running the experiment. Any such claim is highly speculative. It could make the average single income family wealthier by transferring wealth from double income families and singles. On the other hand, it could make the average single income family poorer by reducing the overall production level of the economy, so that \$2000 plus a single income has less real purchasing power than a single income has today.

The proponent of UBI will typically just claim hypothetical positive effects and ignore hypothetical negative effects, and this will seem intuitively plausible because the negative effects involve complex holistic reasoning about the economy, while the positive effects are easily imagined at an individual level. It is easy to imagine getting a bag of money, and how it would make your life better. That's why free lunch schemes often win elections, although they produce bad economic outcomes in practice. Intuition is a very poor guide to social policies, which is one of the many problems with democracy.

## 5 UBI And The Future

There are some non-fallacious arguments for UBI, but they depend on assumptions about the future. The most interesting, in my opinion, is the idea that we need to transition to a society that is less organized around work. Some people talk about a “post-work” future in which machines do almost all of the labor, and we have to find something else to do with our lives. This is interesting as a long-term possibility. What would a post-work future be like? How would we organize the distribution of goods and services? What would people do with their time? How would we measure the value of an individual to society?

While it's worth thinking about this hypothetical future, there isn't a shortage of work today. Some proponents of UBI believe that there is an imminent problem of automation replacing human labor. This “imminent threat” has been around since the days of the Luddites, but it hasn't materialized yet. Automation has eliminated many jobs, but it isn't the main reason for structural unemployment in modern societies. In the West, unemployment is due to a combination of personal choice, mismatch between educational qualifications and labor force demand, women working instead of staying home, outsourcing labor to lower wage societies, and mass immigration. There are still plenty of jobs for human beings. We often hear arguments, especially from the left, that we need more immigrants to prevent a labor shortage, and to support an aging population. If we cut immigration and reduced out-sourcing (which we should do for other reasons anyway), there would be plenty of jobs in Western societies.

## 6 Conclusion

It is worth reevaluating the role of work in modern societies, and thinking about how it might change in the future. I agree with the view that our culture attaches too much importance to wage-labor, and too little importance to other kinds of labor, such as caring for one's own children, tending one's garden, writing in one's blog (my little garden of ideas), and so on. However, that is not an economic problem, but a psychological and philosophical one.

Even if everyone were completely liberated from wage-labor someday, there is no reason to expect that it would create a utopia instead of a dystopia. Liberation of any kind creates a problem of what to do with that freedom. We are not divine beings held back from heavenly pursuits by the chains of wage-slavery or anything else. We are earthly creatures that evolved to struggle and fight to survive and reproduce. Even if we could liberate ourselves from wage-labor, we'd have to find some other kind of work to do.