

## **The Cost and Gains of the ‘Freedom Dividend’**

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Andrew Yang, a Democratic candidate for presidency in 2020, made universal basic income (UBI) a key proposal in his policy platform. Termed “The Freedom Dividend”, it is “a form of universal basic income (UBI), a type of social security that guarantees a certain amount of money to every citizen within a given governed population, without having to pass a test or fulfill a work requirement” (Yang). Yang proposed a \$1000 per month to citizens to mitigate the impending concerns of massive job loss due to automation. The funding for this would come from expected savings from reducing social welfare aid and a value added tax (VAT), which is “a tax on the production of goods or services a business produces” (Yang). The true problems and benefit of this proposal is debatable. Using the summary of the “Yang Plan” shared on Frequently Asked Questions of Yang2020’s website, this proposal of UBI is evaluated.

UBI model comes in many flavors, “namely an unconditional full basic income, a partial basic income, and a negative income tax, as well as further possible models” (Kangas et. al, 8). Yang proposes an unconditional, partial basic income for all adult citizens. \$12000 a year is not expected to replace working income but to provide additional support. Therefore, the effectiveness of this policy will differ when considering current income inequality and future widespread job loss. In addition, De Wispelaere and Stirton caution that UBI is not a one size fits all. “[S]uccessfully implementing a universal basic income crucially depends on our being able to match the design features of a particular scheme with the surrounding policy context or administrative environment, which differs extensively from one country to another” (De Wispelaere et. al, 266). However, Yang’s plan appears to inflate the benefits and ease of implementation without fully addressing the existing problems of income inequality and welfare in America and the market feedback in an automated world.

The extra income without strings would positively empower all adults. It is shown that “non-individualized rights often generate employment traps or trap partners into a dependency relation” (De Wispelaere et. al, 266). In this plan everyone gets a cushion of income security. For some, this would mean the ability to negotiate for the right job, or to complete education for a

better opportunity, or to pursue a non-market driven activity. On the other hand, it will further burden the most affected, while superficially absolving the government of responsibility. In this plan, “current welfare and social program beneficiaries would be given a choice between their current benefits or \$1,000 cash unconditionally – most would prefer cash with no restriction” (Yang). However, realistically the cash would not be enough to cover cost of healthcare and food and daily living expenses, even for people with full time jobs. For instance, “52 percent of fast-food workers are enrolled in, or have their families enrolled in, one or more public assistance programs” (Godoy and Aubrey). Such jobs also face high risk of automation, as they are characterized as “routine, predictable physical and cognitive tasks” which could lead to job loss with no other option, in which case \$1000 is just not enough (Muro et. al 5).

Additionally, though the unconditional giving reduces the bureaucratic work, it unwisely allocates resource that leaves the real problem at hand unresolved. Automation will not only disproportionately affect certain types of jobs, but “automation risk varies across U.S. regions, states, and cities, [and] it will be most disruptive in Heartland states” (Muro et. al 6). This presents a two-fold problem. Currently, some of these cities have a low cost of living so they will be able to maximize the use of UBI. However, once automation risk is widespread those are the areas that will struggle the most. Yang underplays this concern by stating that the boost from UBI would “make people and families more mobile and improve the dynamism of the labor market as people seek out new environments and opportunities” (Yang). Once again, the onus of uprooting one’s life is distributed unevenly making it unfair for some.

Finally, Yang overestimates the influence of consumers in the market. The primary funds for this proposal come from the Value Added Tax (VAT) on goods. The obvious concern is that businesses will just raise the price of goods to compensate for that, negating the benefit of UBI. Yang suggests that this would not happen as “consumers are price sensitive, and the demand for most goods is at least somewhat elastic” and “competition between firms that will keep prices in check” (Yang). Even today, with information asymmetry and rising monopolies, consumers have limited voice in influencing prices for many goods and services. However, major tech companies, like Amazon or Google, can thrive with little competition as the early adopters have the power of big data, established user base and immense capital. Would consumers relying on these limited options and surviving on UBI funded by taxes from businesses, really have a say? To raise

corporate accountability, it is imperative for government to enforce such expectations and not rely on market feedback that is corrupted due to capital consolidation driven by technological advances.

While it was certainly a bold move for a presidential candidate to propose universal basic income and it did bring this topic at the forefront of the conversations, the implementation must be strategized. The positive aspect of this plan is that all individuals are considered and trusted and keeps the bureaucracy of administration in check. However, since it does not consider welfare needs, regional variation and disempowerment of consumers, this is a weak solution to income inequality intensified due to automation. To develop a viable UBI plan, the assumptions about people's needs must be quantified. It would be best to treat UBI as a temporary and 'fuzzy' measure. "Fuzzy policy design paints a world in which policy reform explicitly acknowledges the many faces of basic income" and embraces the iterations that will rise from the uncertainties (De Wispelaere et. al, 273).

## References

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