



Written by [William P. Hoar](#) on April 9, 2018

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The Perilous Push for Universal Basic Income

From the print edition of The New American

Correction, Please! The Perilous Push for Universal Basic Income

A sampling of news stories:

Item: “Today, 48 percent of Americans support it [universal basic income], according to a new Northeastern University/Gallup survey of more than 3,000 U.S. adults,” reported CNBC on February 26.



As CNBC’s reporter Anna Nova noted: “Proposals for universal basic income programs vary, but the most common one is a system in which the federal government sends out regular checks to everyone, regardless of their earnings or employment.”

CNBC quoted Guy Standing, co-founder of the Basic Income Earth Network, who spoke on the subject at the World Economic Forum in Davos, Switzerland:

“The claim is often made that if you give people a basic income, they’ll become lazy and stop doing work,” Standing said. “It’s an insult to the human condition. Basic incomes tend to increase people’s work rather than reduce it.”

That’s because research has shown that a basic income can improve people’s mental and physical health, Standing said, as well as encourage them to pursue employment for reasons more meaningful than just a need to put food on the table.

The piece also pointed out that the notion “of universal basic income is more popular with certain groups. For example, 65 percent of Democrats want to see a universal basic income and 54 percent of people between the ages of 18 and 35 do. In comparison, just 28 percent of Republicans support universal basic income.”

Item: An article carried by Salon.com for March 3, which first appeared on AlterNet (a progressive news magazine and a project of the non-profit Independent Media Institute), recalled that Mark Zuckerberg, co-founder of Facebook, “during his 2017 commencement speech at Harvard, optimistically called UBI a ‘cushion’ that would enable everyone to try new ideas that could change the world.”

AlterNet’s Valerie Vande Panne also wrote, “Everyone will potentially get a piece of the poverty pie regardless of income. Call it ‘luxury communism’ and embrace it!”

“And so, many of the richest men in the world — who are inevitably rich because they are skilled at concentrating wealth into their own hands — are telling the public UBI could ensure dignity and self-esteem.”



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"They're also saying it's inevitable. Global business leaders Richard Branson and Elon Musk say a UBI will become a necessity as tech replaces jobs."

Correction: It seems that we have heard this type of siren song before. Here's the come-on this time: Let's just have the government give everybody handouts. But of course, there is no free money.

The promised land is enticing, as it was in Nazi Germany and the Soviet Union, which also held out illusory visions of infinite happiness. What was delivered was decidedly different.

The problem occurs with the actual results. As French political economist and philosopher Bertrand de Jouvenel put it: "There is a tyranny in the womb of every utopia." This is not to suggest that all-embracing Silicon Valley despotism is nigh, but rather to warn that there are ambitious fantasists who would remake the world and have goals that are not readily apparent or could be hijacked by those with toxic aims.

Prominent technology leaders are offering salvation from unemployment via further bloating the welfare state with dollars wrenched from taxpayers. The solution, we are led to believe, is for guaranteed checks to be bestowed on everyone.

Consider a recent piece carried in Recode (a California-based technology news website). The March 8 article pointed out that days earlier, UBI "officially became part of California's Democratic Party platform, signaling that the idea is beginning to enter the political mainstream at the same time Silicon Valley leaders are putting their weight behind it." This is how the plan was described:

Universal Basic Income is the idea that all citizens should receive a certain amount of money from the government, with no regulations on spending attached. In recent years, tech leaders have funded major projects in the space: Y Combinator Research piloted a program in Oakland that gave people \$1,500 a month for a year, and Facebook co-founder Chris Hughes [is funding a project in Stockton, California].

The backing of private pilot programs is one matter. But that is not the ultimate goal. Eventually, the government would take over the plan. California, as one might imagine, is a key breeding ground for such designs. And universal basic income is already being implemented overseas by governments. The *Los Angeles Times* summarized some of these programs last June:

San Francisco's Office of Financial Empowerment is "exploring" whether to launch a demonstration program, according to its director, Sean Kline. So far, the city has joined in a \$100-million grant proposal to the MacArthur Foundation and started planning for a conference of UBI experts this fall.

Other programs are further along. Finland this year launched a three-year test providing monthly checks worth 560 euros, or about \$625, to 2,000 unemployed workers aged 25 to 58. They'll give up their existing government benefits in return, but will still receive the checks if they get jobs. The Dutch city of Utrecht has started a two-year pilot plan awarding 250 residents the equivalent of about \$1,100 a month. The Canadian province of Ontario is about to launch a project giving 4,000 randomly chosen residents in three cities the equivalent of \$13,000 U.S. annually.

The scheme has attractions for many. *Dissent* magazine noted last spring that UBI had just been endorsed by the Movement for Black Lives as part of a reparations program. Meanwhile, Canada's Leap Manifesto called for its consideration on the grounds of environmental sustainability. Jeremy Corbyn said that the Labour Party would investigate the prospects for basic income in the U.K., and experiments in Scotland have been backed by the left-wing SNP. When Benoît Hamon won the Socialist



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Party presidential nomination in France, the party's platform included a basic income.

Photo: Ismailciydem/E+/Getty Images Plus

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There are UBI proponents (and detractors) with markedly opposing political and philosophical views. The above *Dissent* account pointed out that UBI “has the potential to act as a Trojan horse for the left or right: left critics fret that it will serve as a vehicle for dissolving the remains of the welfare state, while proponents herald it as the ‘capitalist road to communism.’”

Some libertarians in the United States, aghast at the current welfare system, have been open (at least in theory) to replacing that tangled quagmire with a simpler solution. The current situation assuredly fits the definition of a “hot mess.” Below is an official graphic from the House Ways and Means Committee (in 2015) that depicts anti-poverty programs, which don’t work but never die.

Mike Tanner, a senior fellow at the Cato Institute, was on target in his description last summer of the failures of these bureaucracies, noting that the federal government was then funding

more than 100 separate anti-poverty programs, at an annual cost of nearly \$700 billion per year. State and local governments spend another \$300 billion per year on anti-poverty programs. Yet, despite this roughly \$1 trillion investment, poverty rates (even using more accurate alternative measures) have not significantly improved since the 1970s, and economic mobility among the poor remains stagnant.

However, Tanner has also suggested that we should consider replacing the existing convoluted welfare state with a UBI. Though such a contention might count as a hypothetical debater’s point, in truth the scheme is likely as castles in the sky. Each of these existing programs has backers with vested interests who would fight tooth and nail to keep their beneficiaries on the dole.

Here’s the more likely outcome in today’s world of “entitlements” should a national UBI be initiated: It would be added to the futile, expensive patchwork of schemes already in place.

Even setting common sense aside for the sake of argument, such notions have a poor track record. Writing in the *Daily Signal* in February, the Heritage Foundation’s Mimi Teixeira observed:

In the 1970s, the government ran four random control experiments across six states to try the negative income tax, a similar policy proposal that was popular at the time. In each test, the work disincentive effect was disastrous. For every \$1,000 in added benefits to a family, there was an average reduction in \$660 of wages from work.

There are many reasons universal basic income proposals fail. The policy tends to direct resources to people who do not need them, while increasing dependency and decreasing work across the truly needy population.

The most apparent flaw in the universal basic income proposal is the lack of work requirements. Work requirements are important because they help those in poverty achieve self-sufficiency. Additionally, a vast majority of Americans believe that people should be required to work in exchange for benefits.

Having the government handing out money to all might sound superficially attractive — but it becomes foolhardy with just a bit of analysis. Indeed, the idea was too much to swallow for *New York Times’*



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economic columnist Eduardo Porter.

Porter simply could not make the arithmetic work. He cited Robert Greenstein of the left-leaning Center on Budget and Policy Priorities, who had taken out his calculator and discovered that writing a check of \$10,000 to 300 million or so Americans would cost more than \$3 trillion annually. “Where would all of that funding come from?” he asked rhetorically in May 2016.

It amounts to nearly all the tax revenue collected by the federal government.... Cut it by half to \$5,000? That wouldn’t even clear the poverty line. And it would still cost as much as the entire federal budget except for Social Security, Medicare, defense and interest payments.

Even those willing to be convinced find themselves doubting about the expense of establishing a universal basic income. Vanessa Brown Calder, an expert in the field, commented in the *Cayman Financial Review* in April of 2017 that the UBI figures did not seem “very feasible — at least not without large tax increases.” She cited calculations made by Cato’s aforementioned Michael Tanner. Those statistics revealed that if the federal government

provided just \$12,316 for every individual in the United States, or enough to bring them to the non-elderly federal poverty line, the cost of UBI in the U.S. would be nearly \$4.4 trillion, more than the entire U.S. federal budget. In his paper on the topic, he notes that “even if the guaranteed national income replaced every existing anti-poverty program, we would still be some \$3.4 trillion short.” In order to make ends meet in this scenario, the tax liabilities of high-income individuals would likely be substantially impacted.

This massive expense would likely mean that UBI would just be limited to low-income individuals, she noted. But, at that point, that would leave “UBI looking a lot less ‘universal’ and a lot more like your average cash transfer welfare program,” said Brown. Even beyond the direct outlays, she wrote,

providing every U.S. citizen with a cash grant is likely to have a large and negative behavioral effect. Economists agree that welfare programs create labor supply disincentives, meaning that individuals reduce work because of government benefits.

If you want less of something, tax it; if you want more of something, subsidize it. That tendency will not change until the laws governing human behavior are repealed. And if you want to recompense people regardless of their effort, you will be likely to get more indolent people — regardless of the alleged high-minded wishes of some proponents of universal basic income.

So what really would happen if, in the name of eliminating inequality, the state were to become the guarantor of all “basic needs” for everyone? Who would actually be empowered in such a case? One could argue over who would be the ultimate winner. However, it stretches credulity to the limit to think that the victor would be individual liberty.

— William P. Hoar

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