



Time for a UBI?

Chicago is about to test an idea whose time, depending on who you talk to, might or might not have come: universal basic income.

[According to](#) The Intercept, Chicago Alderman Ameya Pawar, who failed in a bid to become the Democratic nominee for governor, has convinced 36 of his colleagues on the city council to back a pilot UBI (universal basic income) program of \$500 a month for 1,000 families.



What's UBI? It's free money from the government for everyone, regardless of need, which raises the obvious question about this pilot program: which 1,000 families get the money, and how will the city determine which 1,000 families?

Pawar's Concern

Pawar is concerned that automation is killing traditional jobs and that politicians are pitting Americans against one another along the lines of race, class, and geography.

Truck drivers are an example of the workers who will be left behind as automation kills jobs.

Pointing to investments in autonomous vehicles by companies like Tesla, Amazon, and Uber, Pawar observed that long-haul trucking jobs, historically a source of middle-class employment, may become obsolete. More people out of work means more political polarization, says Pawar. "We have to start talking about race and class and geography, but also start talking about the future of work as it relates to automation. All of this stuff is intertwined."

Add to that joblessness, he says, resentment and the resultant strife between race and class.

Pawar observed that 66 percent of long-haul truckers "are middle-aged white men. So if you put them out of work without any investment in new jobs or in a social support system so that they transition from their job to another job, these race and class and geographical divides are going to grow."

Thus, the UBI is needed to help out those men, and others:

"Nearly 70 percent of Americans don't have \$1,000 in the bank for an emergency," Pawar told The Intercept. "It's time to start thinking about direct cash transfers to people so that they can start making plans about how they're going to get by."

The Intercept did not speculate about how this program will be funded; i.e., who pays? It cited [Alaska's Permanent Fund](#), which sends a \$1,100 to check to every resident of the state. Problem, Alaska's Permanent Fund is funded with oil revenues [invested in the stock market](#).

Chicago does not have oil revenues.

Reich Wants UBI, Too

In a book review for the *New York Times*, [Robert Reich](#), labor secretary for the Clinton administration, [explained similarly](#) that automation will indeed dry up factory jobs for the middle class and leave many



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Americans with too many bills and too little money.

Reviewing two books advocating a UBI, Reich wrote that every American would receive \$1,000 a month, which would “by definition, eliminate poverty for the 41 million Americans now living below the poverty line” of \$12,000. That \$12,000 wouldn’t be enough to encourage laziness, he wrote, because one cannot live on \$12,000 annually, and that extra money might free up many American to devote more time to useful enterprises such as helping an elderly relative or even starting a small business.

And how would we pay for it? Taxes.

The authors propose “laundry lists of potential funding sources — from soaking the rich (raising the top tax bracket to 55 percent, enlarging the estate tax and implementing new taxes on wealth, financial transactions and perhaps even the owners of the robots and related devices that are displacing jobs), to instituting a carbon tax or a value-added tax.”

Another idea from the authors, Reich observed, is simply ensuring that the rich don’t participate, which means the program really isn’t a UBI.

In the end Reich lamented, whatever form a UBI takes, it won’t be enough.

This is not just an economic challenge but also a political one. As we know from recent history, vast fortunes translate directly into political power, and such power effectively resists redistribution. Sadly, neither of these authors discusses how to deal with this paradox.

That means, he wrote, “we will have to confront the realities of vastly unequal economic and political power. Even if we manage to enact a U.B.I., it will not be nearly enough.”

Reich did not explain how “we will have to confront” the wealthy and the powerful, but one suspects from his dour tone that confiscatory taxation will be insufficient, leaving the reader to speculate what Reich has in mind.

Why UBI Won’t Work

Writing at *The Hill*, Greg Archetto, a staff member for Senator Rand Paul (R-Ky.), [explained why](#) UBI would be a “disaster.”

Referring to a survey that shows support among Americans for UBI at 48 percent, Archetto noted that the biggest supporters of UBI are “young people and Democrats. These are two groups that have worked assiduously to remain ignorant of economics and the negative ramifications of poorly thought out legislation.”

Pilot studies to show results on a small-scale, such as that in Chicago, won’t tell us much, he wrote.

The main effect of a UBI would be massive inflation; that is, an increase in prices because the supply of cash in the economy suddenly increased:

If everyone suddenly had an extra \$10K a year, and everyone knew that everyone had an extra \$10K a year, prices would go up and inflation would rise, thus negating the perceived gains of such a program.

[T]he price of any product is based on the maximum amount of money it can command in exchange for it in relation to the number of customers needed to pay that price and keep it moving off the shelves at a predictable pace. In other words, supply and demand. However, this is based on the fact that the shop owner has no way of knowing the wealth level of every customer that walks into his store....



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But, if you add in the knowledge that everybody that walks into your store, because of UBI, now has a wealth baseline of $X + \$10K$, don't you think that shop owner would charge more for his products? He knows you can afford a higher price now.

That price increase will ripple through the economy, he explained, and as prices rose, so would wages, and then prices again, in "an upward inflationary spiral."

Noting that UBI is just another subsidy, Archetto concluded that "the simplest solution is usually the right one; just leave the money in the pockets of the people who earned it to begin with rather than conjure up new-fangled ways to redistribute it once you've taken it from them."

Taking goes to the heart of the problem with UBI: The money UBI advocates want to give away must come from somewhere. That somewhere will be the very taxpayers to whom it is redistributed.

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