

Universal Basic Income

The idea of a universal basic income (UBI) policy has been proposed in many different forms. At its most basic, it consists in a guaranteed stipend provided by the state to its citizenry.¹ Proposals for UBI have recently regained political traction as economies face a new kind of industrial revolution, which continues to change the labor market landscape at unprecedented rates. Proponents of UBI proposals often argue that with work automation cutting entire labor markets, new jobs cannot be created quickly enough to replace those lost and that laid off workers cannot gain the new skills necessary to make them competitive in the new job landscape while looking for a new position. In the United States, a proposal for UBI has been most notably defended by now-former Democratic presidential candidate Andrew Yang. Yang's proposal would guarantee an unrestricted \$1,000 monthly stipend, which he calls a "Freedom Dividend," to every U.S. citizen over 18 years of age. To support the proposal, Yang contends that 1 in 3 Americans is at risk of losing their job within 12 years, and that UBI would give them a chance to both remain afloat and gain the skills necessary to reenter the job market without being haunted by the fear of absolute poverty.² This proposal would be paid for by assessing a new value-added tax, and would replace some existing social welfare programs with UBI by giving program recipients a choice between the two plans.

Many economists support, or have supported UBI, including staunch anti-welfare advocates like Friedrich Hayek and Milton Friedman. Hayek argued that a minimum income floor was a necessary condition for modern life, while Friedman proposed a 'negative income tax', providing enough to survive on but low enough to serve as an incentive to strive for more. Both of these economists, as well as those who follow their schools of thought, believed that UBI should completely replace social welfare program, unlike many of the plans until now implemented.³

Perhaps the best known among UBI policy experimentation is a pilot program conducted in Finland between January 2017 and December 2018. The Finnish government supplied unemployed citizens with the equivalent of \$634/month, with the objective of determining whether such a safeguard would help recipients find jobs. The results were notably inconclusive: The unemployment rate was the same as the control group that did not receive the cash transfer, but the beneficiaries *did* show a marked increase in happiness. Critics of the program argue that its goal was skewed to begin with, but its results remain valid.⁴ The long-term effects of UBI also remain unproven, as most experiments undertaken thus far last no longer than the one conducted in Finland.

Both critics and proponents of UBI make arguments based on fairness as well. Proponents argue that a minimum income, or, more specifically, an unconditional one, would provide a basic level of autonomy for every individual in society to pursue their goals without the fear of poverty, and even provide a safety net to take more economic risks. Critics, on the other hand, argue that society's allocating unconditional income to people who make no effort to receive it is fundamentally unfair to those who produce the economic value from which the funds for UBI would be redistributed.⁵

STUDY QUESTIONS

1. Is an unconditionally-guaranteed income unfair to those who have been economically successful? Why or why not?
2. Would specifying conditions for UBI make a moral difference in terms of fairness? If so, what conditions should be implemented?

¹ <https://basicincome.org/basic-income/history/>

² <https://www.yang2020.com/what-is-freedom-dividend-faq/>

³ <https://www.bloomberg.com/opinion/articles/2019-02-19/universal-basic-income-wasn-t-invented-by-today-s-democrats>

⁴ <https://www.bbc.com/news/world-europe-47169549>

⁵ <https://www.pressenza.com/2018/07/philippe-van-parijs-the-biggest-objection-to-a-basic-income-is-moral/>

