

# Universal Basic Income (UBI)

## *Why?*

1. Income Inequality
2. Loss of jobs (i.e., the feared “robot apocalypse”)
3. Streamline current programs

## *But -*

1. Not well designed to redistribute to the most needy
2. Does not encourage work, enhance skills
3. Loses investment aspect of many programs

# Evidence says...

## ON WORK

*Fact:* Non-college educated individuals have experienced drop in wages and employment

*Likely UBI effect:* Make work less necessary/attractive, lower employment even more

*Alternatives:* invest in skills, subsidize wages (expand EITC), pro-work agenda (child care)

## ON SAFETY NET

*Fact:* Variety of programs, some with undesirable benefit cliffs, many w/ categorical requirements/complications

But many categorical, means-tested programs have large social returns:

EITC (targeted income), Medicaid, SNAP, child care (targeted) -> social & long-term benefits

*Likely UBI effect:* Administratively less complicated, but less social return

*Alternatives:* improve program design, expand investments in children

# UBI Costs & Distribution

- A meaningful UBI (\$10K) extremely expensive.
  - 2020 revenue \$3.7T; spending \$4.8T
  - TANF \$7.1B; EITC \$67B; low-inc housing \$28B; SNAP \$60B;
  - SS-old age ~\$800B; SSDI ~\$142B
- Phasing it out makes it more fiscally feasible
- Compared to current transfers, less redistribution
- Not shown: less money to elderly, disabled, kids as compared to current programs

<i>Income quintile</i>	UBI, no phase-out	\$10K to all adults w/ <20K earnings; 30% phase out	Existing transfers
< 10,000	0.58	0.52	0.65
10,000-40,999	0.47	0.40	0.18
41,000-74,999	0.50	0.28	0.09
75,000-123,599	0.47	0.20	0.05
>=126,600	0.48	0.14	0.04
Cost	\$2.49T	\$1.54T	\$1T

# *But...do you really mean Universal Basic Income?*

- **Unrestricted cash payments to low-income individuals**
  - Stockton Economic Empowerment Demonstration (SEED): \$500/mo to 125 individuals living in neighborhoods w/ median income <\$46K; funded entirely by private donations, supplements existing housing, health care, & other government income support
  - Increasing material support to low-income individuals
- **Negative Income Tax**: an income transfer to people with no income, and then the transfer gets taxed away. Universal in the sense of no categorical requirement, but means tested
  - Conceptually very different from the EITC
  - Increase material support to out-of-work individuals
- **Ad hoc stimulus or social insurance payments**
  - Economic Impact Payments as part of CARES package
  - \$1,200 one-time checks, targeted <\$75K/\$150K: ~\$272B
  - Immediate relief to widespread income loss; stimulus during downturn