

An Introduction to  
**Universal Basic Income**



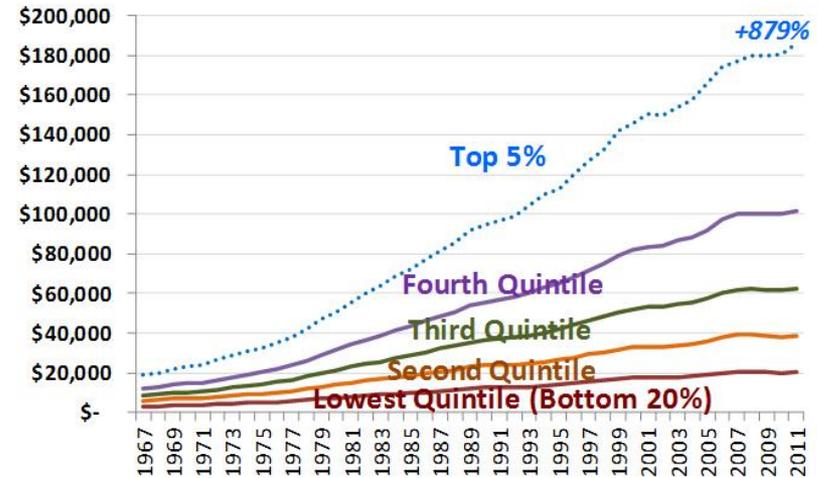
# Our economy is no longer working for most people

- Income inequality highest it's been since Great Depression
- Technology disrupting the labor space, pushing people into the contingent workforce
- These problems are only getting worse

## Historical US Income Inequality

Source: US Census Bureau, Income Limits for Each Fifth and Top 5 Percent of Households

(Current Dollars)



# We need a big solution to address these problems

- Interest growing in universal basic income
- How it works: Give every American enough money to meet their basic needs (~\$1,000 to \$1,500 per person per month)
- A simple idea, but one that could have a radical impact on society

# What makes basic income different

- **It's universal:** Goes to everyone, regardless of age, employment, or need -- receiving basic income would be a fundamental right.
- **It's simple:** Everyone receives same amount, leading to easier administration and less bureaucracy.
- **It ends poverty:** People are poor because they don't have money. With basic income, everyone has enough to cover basic needs.

# Basic income provides stability in chaotic times

- Tech disruptions to labor space not such a disaster when people receive basic income
- If you lose your job, still able to make ends meet, and have time to figure out what's next
- Could do part-time work in the gig economy, train to learn new skills, start your own company, spend more time with family, or whatever pursuit you decide is best

# How we pay for it

- Basic income would be very expensive (~\$3 trillion to cover all adults in the US) -- but there are ways to pay for it:
  - Redirecting costs from other, now-redundant social programs (e.g., food stamps)
  - Dividends from shared resources (e.g., carbon dividend, land tax)
  - Increased taxation from variety of sources (income tax, capital gains tax, corporate tax, sales tax)
- Eliminating poverty would save trillions of dollars in health care and crime prevention costs -- basic income is an investment in the future

# Interest in basic income is picking up steam

- Swiss vote on basic income in June, leading to widespread media coverage
- Former SEIU president Andy Stern just published book advocating for basic income in the US
- Both Secretary Clinton and President Obama recently asked about basic income in interviews
- Y Combinator launching pilot to provide up to 100 people with basic income for 1 year in Oakland



*Swiss launch basic income campaign by dumping 8 million coins in front of Parliament*

# Does a Universal Basic Income Make Economic Sense?

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# Multiple Arguments for a Universal Basic Income

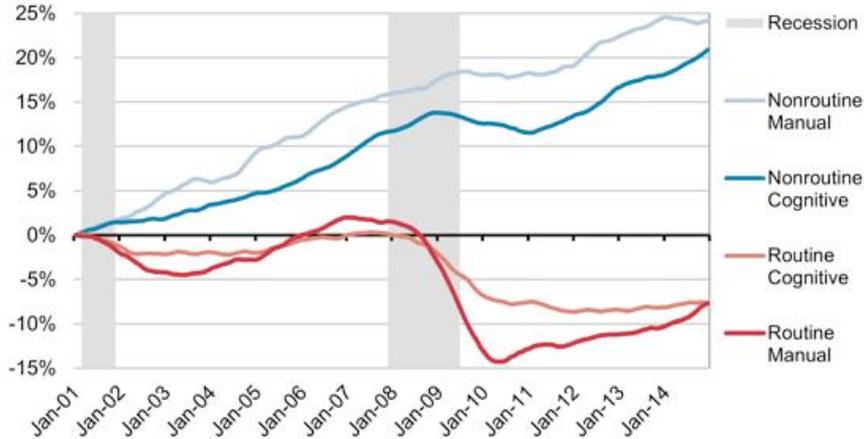
- Administrative—reduce bureaucratic inefficiency
- Humanistic—everyone should have a right to survival
- Anti-Poverty—effective and cost-efficient anti-poverty strategy
- Feminist—just compensation for unpaid labor

# Multiple Arguments for a Universal Basic Income

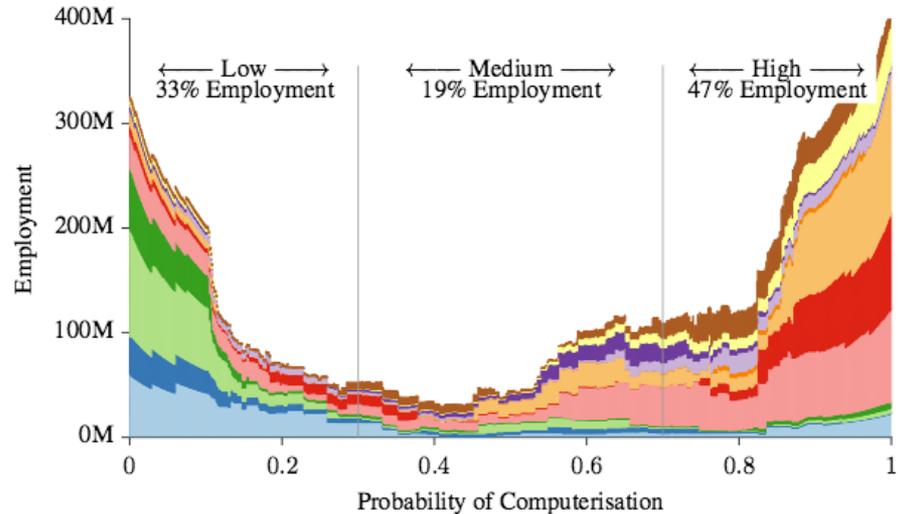
- Technological—because the robots are coming!

## Break Your Routine

When jobs are sorted by whether the work is routine, all job growth since 2001 has been in nonroutine jobs. Percent change in jobs, since 2001, 12-month moving average.



Source: Henry Siu and Nir Jaimovich for Third Way | WSJ.com



# But are the robots really coming...?



15 CENTS

# The Technocrats' Magazine

THIRTY MILLION  
OUT OF WORK  
IN 1933—  
OR  
\$20,000 A YEAR  
INCOME FOR  
EVERY  
FAMILY—  
WHICH?

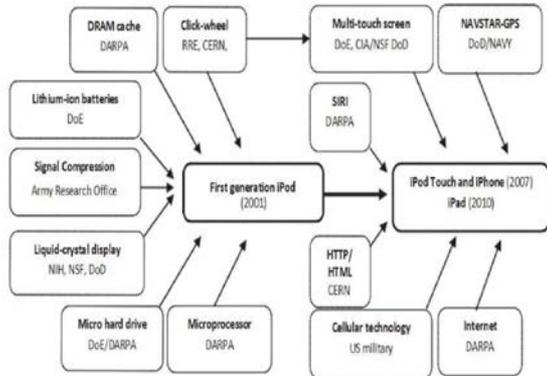
EXPLAINING TECHNOCRACY  
A REVOLUTION WITHOUT BLOODSHED

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# Multiple Arguments for a Universal Basic Income

- Citizen's Dividend—Everyone should benefit from use of common property

What makes the iPhone so 'smart'?



source: Mazzucato (2013), p. 109, Fig. 13



# Arguments Against Universal Basic Income?

- Jobs are a better way of addressing poverty
- UBI gives scarce public money to people who don't need it
- UBI would cause people to stop seeking paid work
- Too expensive
- Politics...

*Let's come back to these in Q&A, but there are strong responses to all of these.*

# What do we actually know about impacts of UBI?

- Manitoba “Mincome” experiment, 1973-1979
  - Guaranteed minimum annual income, randomized controlled trial, city of Winnipeg and rural Manitoba, and later “saturation site” in town of Dauphin
  - Results: Income poverty eliminated; Minimal labor market impacts (1% reduction in hours worked for men, 3% for married women, 5% for unmarried women); Positive health impacts (hospital visits dropped by 8.5%, reduction in psychiatric hospitalization and mental illness). Impacts stronger for Dauphin than random individuals.

# What do we actually know about impacts of UBI?

- Namibia, village of Otjivero, universal unconditional cash transfer pilot project 2008 for 2 years, ~\$7/month
  - Reduction of malnutrition, hunger, poverty levels
  - Increase in school attendance, income and economic activity
  - Reduction in crime levels.

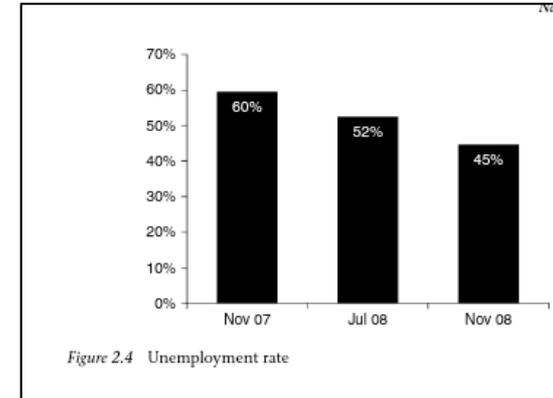
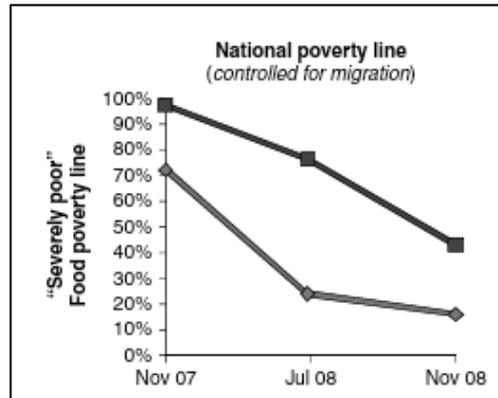
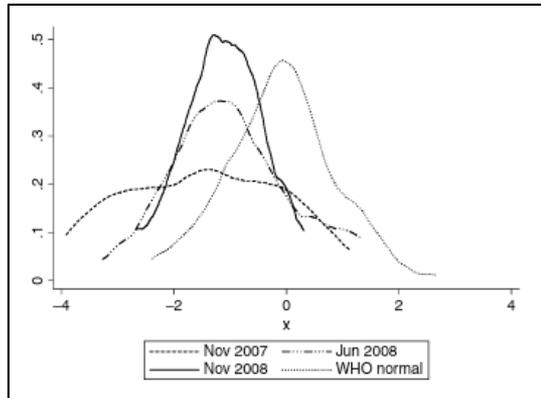
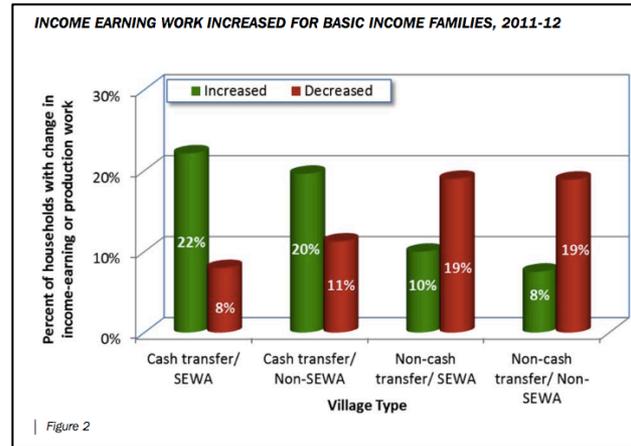
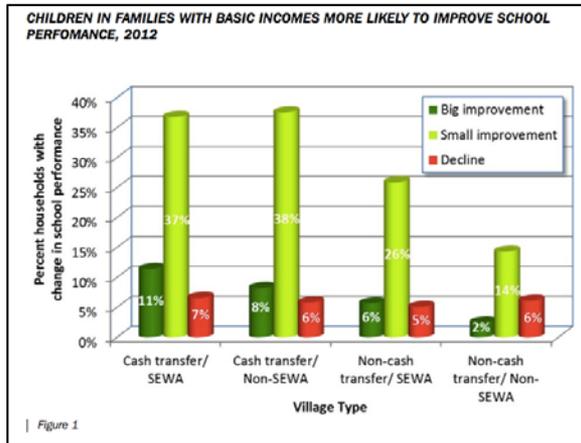


Figure 2.4 Unemployment rate

# What do we actually know about impacts of UBI?

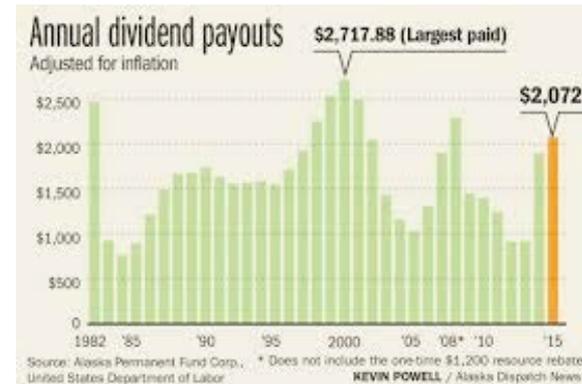
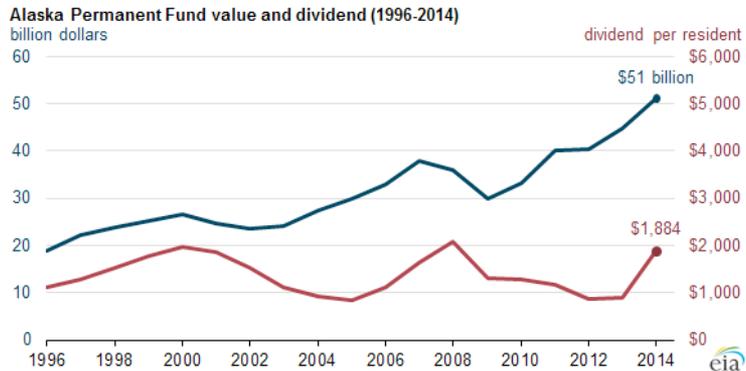
- India in 2011, 8 villages in Madhya Pradesh, Universal basic income grants (~\$4/adult, \$2/child a month) After 18 months:



- Improved health, education, nutrition, equity indicators, and reduced debt and bonded labor
- Increased economic investment (better seeds, sewing machines, equipment repairs, establishment of shops)
- *Increase* in income earning work

# What do we actually know about impacts of UBI?

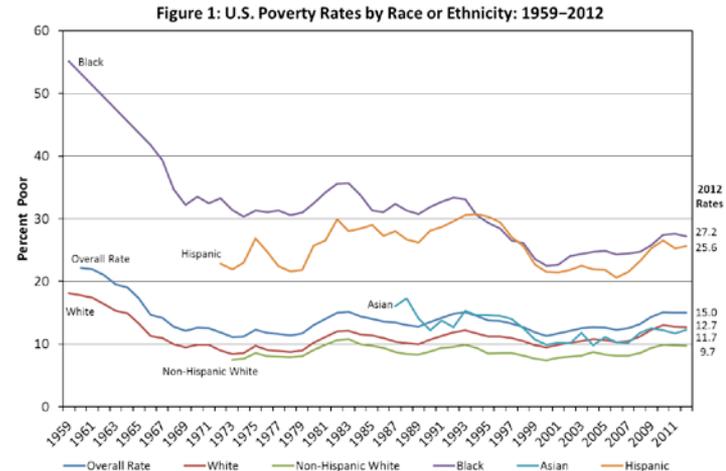
- Alaska Permanent Fund, established 1976. Dividend is truly universal income.
  - Small but meaningful impact (~3-5% average per capita income), ~10,000 additional jobs and stability, some 'proximate' spending around check disbursement, 1/3 to savings/debt reduction, disproportionate benefit to poor, particularly rural poor, no studies on health/education/general welfare



Adjusted for inflation

# Conclusions

- Economic and social arguments for UBI are strong
- Available evidence of potential impact is limited, but shows substantial promise on multiple dimensions
- Disproportionate benefits too poor and POC
- Significant choices on structure
  - Guaranteed minimum versus universal basic
  - Dividend based or guaranteed



Source: U.S. Census Bureau, Historical Poverty Table 2; 2012 Census Report.  
Note: Black poverty rate data from 1960 to 1965 is not available. The line shown connects the 1959 rate of 55.1 percent to the 1966 rate of 41.8 percent and is included to represent the trend but not to imply specific numerical data.

# The Path to an American Basic Income



# Enacting basic income in the US seems impossible

- Basic income a massive program and would be incredibly expensive (\$3 trillion to provide every adult in the US with \$12,000 per year)
- With current gridlock in Washington DC, difficult to even pass budget to fund existing programs
- How could we possibly enact basic income here?

# A path to basic income in the United States

- Despite obstacles, a path exists to enacting basic income in the US
- Requires time, and completion of three major steps



# Step 1: Organize popular support

- Will be critical to have strong popular movement backing basic income policy
- In 1930s, millions organized into Townsend groups calling for end to senior poverty -- lead to passage Social Security
- Can start organizing efforts now to build this movement

# Step 2: Test it out

- Try basic income on limited scale before enacting national legislation
- Prototypes using dividends from shared resources:
  - *Alaska Permanent Fund* -- Annual check to every resident from state oil profits
  - *Carbon Dividend* -- Regular payments to residents from tax on carbon emissions; being considered in several states
- Randomized experiments:
  - *Y Combinator Study* -- Pilot in Oakland, followed by experiment with 1,000 people
- Gain better understand of how basic income works, and increase popular familiarity with unconditional income

# Step 3: Wait for lightning to strike

- Take advantage of Naomi Klein's "Shock Doctrine" -- radical change possible during major crises
- As inequality worsens and advancement of automation continues, likely to be some big disruptive moments in near future
- With strong popular movement and good understanding of basic income from prototypes and experiments, opportunity to enact national legislation



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