

# A government-guaranteed basic income

Democracy in America



## American politics

WHAT if America were to scrap all its anti-poverty programmes—welfare, food stamps, unemployment benefits, the works—and replace them with an unconditional basic income (UBI) for everybody? Even in a Congress beset by less extraordinary levels of dysfunction, the idea would have little chance of becoming law. It's fun to theorise, though. And if Switzerland approves [a referendum](#) to send all of its citizens \$2,800 a month, the debate will have a fascinating new reference point.



Annie Lowrey's [article](#) in the *New York Times Magazine* explains that both the left and the right have reason to favour a basic income. Liberals support the idea because it would elevate [50m Americans](#) above the poverty line overnight. Some on the right, like [Charles Murray](#), are keen to eliminate rent-seeking—and much of the federal bureaucracy—with a UBI that gives everyone the same government benefit. "A single father with two jobs and two children would no longer have to worry about the hassle of visiting a bunch of offices to receive benefits," Ms Lowrey writes. "And giving him a single lump sum might help him use his federal dollars better. Housing vouchers have to be spent on housing, food stamps on food. Those dollars would be more valuable—both to the recipient and the economy at large—if they were fungible."

The economic effects of a basic income are debatable. Some economists think a UBI would disincentivise work; others argue that it would enhance entrepreneurialism by easing the path to start a small business or switch careers. Philippe Van Parijs, a Belgian philosopher, [believes](#) a UBI provides "the real freedom to pursue the realization of one's conception of the good life", whether that means surfing and living small, or trading stocks and living large. Erik Olin Wright, a Marxist sociologist at the University of Wisconsin, posits that a basic income could even [hasten a march toward communism](#) (without the messiness of violent revolution) by raising the bargaining power of the proletariat. If you don't need your job to survive, Mr Wright reasons, you can command a higher salary and better benefits from your boss. Ms Lowrey points out the opposite is also a possibility: McDonald's has little pressure to pay you a living wage if the government is sending you supplemental cheques every month.

Whatever else they say about a basic income, everyone seems to assume that it would decrease income inequality. But those who support the proposal as an egalitarian salve should think twice. Raising the floor for all by adopting an annual UBI would make no dent in the wealth gap. Everybody from a homeless person to a middle-class teacher to a hedge-fund billionaire would receive the same cheque from the government. While the extra thousands would make the most difference to those on the bottom of the pile, the cash would be in lieu of all existing welfare benefits. And the income would not be sufficient to launch most of the poor into the lower middle class. Even if the income could bring a family of four above [the \\$23,550 poverty line](#)—a figure that would cost trillions—it would still leave many Americans in effective destitution, particularly those living in expensive urban centres like New York City where the average monthly rent is now \$3,000. Compounding the problem would be upward pressure on housing prices that a UBI may spur.

Beyond these economic uncertainties, a basic income would do little to ease the indignity of the wealth gap. [T.M. Scanlon](#), a Harvard philosopher, catalogues several reasons inequality is objectionable. The stigmatisation of the lower orders would remain a problem in highly inegalitarian societies like America:

*One consequence of extreme inequality in income and wealth can be that it forces the poor to live in a way that is reasonably seen as humiliating. As Adam Smith observed, there is a serious objection to a society in which some people are so much poorer than others that then have to live and dress in such a way that they cannot go out in public without shame. Here again, the evil is comparative—it is not merely an objection to having ragged clothes, or poor housing, but of having to live and to present oneself in a way that is so far below the standard generally accepted in the society that it marks one as inferior, and as someone that others would not want to associate with. This provides a reason not only to improve the lot of the poor, but also, even if their lot is, in absolute terms, not so bad, to object to the creation of a much higher standard of living for others. This may not, in some cases be a sufficient reason to deny others these benefits, but it is a recognizable cost that these benefits bring, and one that cannot be put down to irrational envy.*

Mr Scanlon isn't exactly arguing for [levelling](#) here—notice his hedge in the last sentence—but he does identify the harms of inequality that a UBI might leave untouched. To cancel every anti-poverty measure and reallocate government funds for a UBI would entrench inequality unless financed with a heavily progressive tax. There are other risks, too. Some poor families receiving a lump sum from the government will make wise financial decisions. Others won't, making fungibility a liability. Libertarians like Charles Murray are untroubled by this possibility. "The [guaranteed income] says just one thing to people who have never had reason to believe it before," Mr Murray [writes](#). "'Your future is in your hands'. And it is the truth."

(Photo credit: AFP)