

AP Seminar

Benefits of Universal Basic Income Relating to Job Loss

As Martin Luther King, Jr. famously said in his speech, “Where do we go from here?”, “I am now convinced that the simplest solution to poverty is to abolish it directly by a new widely discussed measure: the guaranteed income” (King, 1967). The idea of a universal basic income, a certain amount of money provided to a certain group of people independent of their existing income, employment status, etc. with the goal of reducing poverty and inequality, has existed almost since the American Revolution. As work becomes increasingly scarce due to factors like automation, and poverty becomes increasingly common, it is important to address the role universal basic income and other social welfare plays in the labor market. In fact, Youngstown, Ohio, is a perfect example of such job loss. After steel production moved abroad, Youngstown, a “Rust Belt” city, “lost 50,000 jobs and \$1.3 billion in manufacturing wages. The effect was so severe that a term was coined to describe the fallout: *regional depression*” (Thompson, 2015). An increasing number of people are pushing for UBI as a solution to sustain the increasing number of those who find themselves in situations like that of Youngstown. Overall, by exploring historical demonstrations of UBI as well as analyzing possible future and current trials of UBI, it is possible to see many benefits of UBI.

One way a universal basic income is beneficial to society, and by extension, to those who lose their jobs due to automation is through its health benefits. For example, a study by the European Office of the World Health Organization reports that in nearly every universal basic income pilot project conducted around the world, the results have always been an improvement in some health metric (World Health Organization, 2019). Several other, more localized, studies agree with this idea. A study in 1992, called the “Great Smoky Mountains Study of Youth” observed children in the Cherokee American Indian tribe, where the tribe’s leaders had

distributed a universal basic income to every tribe member, deriving from the profits of a recently built casino. The study found several health-related indices improving, like the percent of Cherokees living in poverty (declined by 50%), crime rates, and alcoholism rates (Santens, 2017). Similarly, in the early 1970s, in Dauphin, Manitoba, a pilot universal basic income project called MINCOME was tested. During the project, the researchers behind it discovered that hospitalization rates in Dauphin fell by 8.5% (Forget, 2011). Overall, it is possible to attribute improvements in health-related indicators to universal basic income, as evidenced by the three examples, showing the health benefits of universal basic income programs.

The benefits of UBI programs extend beyond health benefits. Universal basic income also shows improvements in crucial economic metrics like poverty and income inequality. For example, Alaska is well-known as having a form of universal basic income driven by dividends from its oil permanent fund. It was implemented in 1976. 5 years after the implementation, in 1981, Alaska was ranked 30 out of 50 states on income inequality (Husted, 1991, p. 255). By 2015, a Census Bureau survey showed Alaska as the 2nd most equal state in terms of income. Clearly, the implementation of the Permanent Fund universal basic income program had at least some positive effect on Alaska's economic equality. In a more extreme example, in Namibia, a poverty-stricken nation in southwest Africa, an NGO implemented a universal basic income from 2007 to 2009. The percent of citizens below the poverty line was 76% in 2007; just one year later, in 2008, the percentage was 37% (CPI, 2016). In this situation, the implementation of UBI had an even more drastic effect than in Alaska. As shown by the two examples, UBI implementation can have great effects on economic metrics such as poverty and inequality.

Despite the great benefits of UBI programs, many opponents of universal basic income would object that such an implementation in the United States would have an enormous cost. Robert Greenstein, the founder of a federal budget & policy think tank, asserts that “There are over 300 million Americans today. Suppose UBI provided everyone with \$10,000 a year. That would cost more than \$3 trillion a year” (Greenstein, 2019). However, this is not true. As Elizaveta Fouksman, holding a PhD in International Development and a research fellow at Oxford University, explains, “to fund a UBI of \$12,000 per adult, \$6,000 per child every year . . . the US would have to raise an additional \$539 billion per year . . . a small fraction of the figures that get thrown around of over \$3 trillion” (Fouksman, 2018). When the richest UBI “recipients”, who are paying back their UBI and then some through their taxes, are excluded, the cost is significantly lower than what is calculated by simply multiplying the population by the UBI amount. Considering that \$539 billion is only about 5% of the United States GDP, it is certainly an affordable cost, with unparalleled benefits.

As jobs grow increasingly scarce due to factors like automation, technology, and economic instability, a UBI implementation in the US would help reduce the impacts of jobs in decline. In fact, “experts are predicting that up to 47 percent of jobs in the United States may be replaced by automated systems -- and that’s all in the next decade” (Houser, 2017). And, many high-profile businesspeople, such as Elon Musk and eBay founder Pierre Omidyar, have expressed their support for UBI (Houser, 2017). Additionally, American 2020 presidential candidate Andrew Yang is running on his “Freedom Dividend” idea, where every American citizen over 18 would receive a UBI of \$1,000/month, no matter their income, to support economic growth (Friends of Andrew Yang, 2019). However, a limitation of a UBI

implementation is that it “undermines incentives to participate [in work]” (Goldin, 2018).

Without the need to earn money at work to survive, a decrease of those working could occur, because they no longer need to.

Government-instituted universal basic income is beneficial because it has proven positive effects on the recipients' health as well as the greater economic metrics of income inequality and poverty. An increasingly prominent and important issue in the 21st century is the acceleration of job decline due to machines and automation. As increased numbers of people lose their jobs, they will need ways to continue to sustain their livelihoods, without a steady source of income from their job. UBI is the best solution to this issue of work loss because it already has proven benefits.

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