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## Universal Basic Income: Policy Options at National, State, and Local Levels

Michael W. Howard

*University of Maine*, [mhoward@maine.edu](mailto:mhoward@maine.edu)

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## COMMENTARY

# Universal Basic Income: Policy Options at National, State, and Local Levels

by Michael W. Howard

On September 11, 2018, Chicago Mayor Rahm Emanuel announced the formation of a task force “to pursue the exploration of Universal Basic Income in the city.” Emanuel was responding to a resolution proposed by Alderman Ameya Pawar and supported by others on the city council (Byrne 2018; Coelho 2018; McFarland 2018). Pawar was inspired by the pilot project being launched in Stockton, California, which will give 100 people \$500 per month for 18 months. This project was motivated by worries about automation and the desire to provide more opportunity for people in poor communities (Crane 2018). Pilot projects with various kinds of minimum-income schemes have been completed, announced, or begun in Oakland, California; Barcelona, Spain; Ontario, Canada; Finland; Scotland; India; Kenya; Uganda; Namibia; and the Netherlands (<https://basicincome.org/topic/pilot-experiments/>; Haarmann and Haarmann 2014; Kotecki 2018; McFarland 2017a, 2017c; Standing et al. 2015). In 2016, Swiss citizens initiated and voted on a referendum to give every Swiss citizen an unconditional basic income adequate for basic needs and a life of dignity (Martin 2016), and a European-wide initiative for basic income, with the support of 300,000 EU citizens, was presented to the European Parliament in 2013–2014, but was voted down in 2017 (McFarland 2017b). There is worldwide interest in basic income, and the concept has been considered favorably, if not yet embraced, by some

American politicians at the national level (Clinton 2017; Obama 2018).

Supporters of basic income include Silicon Valley tycoons and others who worry that artificial intelligence and automation will displace more jobs than they will create, necessitating new forms of income security for those who are displaced. The concept is also supported by many people who recognize that current welfare policies are not effective at eliminating poverty or moving people into work. Other supporters see basic income as a way to address rising inequality, while some supporters see it as a way to partially decouple income from paid employment, as a way to recognize and encourage care work, volunteering, or more sustainable living (Van Parijs and Vanderborght 2017).

## DEFINITION OF A BASIC INCOME

What is a basic income? Is it a desirable and feasible policy? And could such a policy be implemented on a state or local level?

Although press coverage is rather vague, most researchers use the term basic income to refer to an income that is given to all, periodically rather than in a lump sum, individually rather than to households, and not conditional on need, willingness to work, or other behavioral requirements. Some add that a basic income is sufficient for basic needs, but exactly what this level is, is subject to much debate. We can distinguish roughly between a full basic income that would satisfy some such

requirement, and a partial basic income that would fall short of that level. A basic income is distinct from other forms of guaranteed minimum income including a negative income tax (unconditional, but means tested), a participation income (conditional on making some form of meaningful contribution to society, but not necessarily paid employment), universal child allowances (going unconditionally to all children, regardless of means), and capital grants (universal, but given in a lump sum, for example, at age 18).

## ARGUMENTS IN FAVOR

I have already hinted at the arguments for basic income. If automation displaces more jobs than it creates—a proposition that is debated even among supporters of basic income—then decoupling income from labor may be necessary to avoid growing poverty. An Oxford University study predicted that nearly half of all jobs in America will likely be eliminated by automation in the next few decades (Frey and Osborne 2013). Think of drivers displaced by self-driving vehicles, food-service workers displaced by robot waiters, and retail sales clerks displaced by automatic checkout machines. This conclusion has been challenged by critics noting that, although tasks within jobs may be eliminated, the jobs may remain and be redefined (Arntz, Gregory, and Zierahn 2016; Chui, Manyika, and Miremadi 2016). Still, if 60 percent of a job can be taken over by a computer, then there

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may be a need for only 40 percent of the workers in that occupation. Actual job loss might be closer to 9 percent, according to Arntz, Gregory, and Zierahn (2016).

Related to, but distinct from, the automation argument is the argument from precarity—an insecure or unpredictable existence, which may affect a person’s psychological well-being—(Standing 2014). Although the American economy has been creating jobs steadily, many of these jobs are part-time, temporary, and poorly paid. Thus a second argument for basic income is that it is needed to ensure that workers have adequate income and do not need to work two full-time jobs, or several part-time jobs, to make ends meet. A basic income, which at first glance appears to be *anti-work* by giving people income not conditional on willingness to work, is in fact more *work friendly* than the current system, which creates a poverty trap: people do not seek employment for fear of losing their means-tested and conditional benefits. Because people keep their basic income when they find employment, this disincentive to a job is completely eliminated.

A third argument for basic income challenges what we mean by work. Much of the necessary work in our society is not counted as part of GDP (gross domestic product), and is done without remuneration, and often in conditions of economic dependency. This fact is especially true for household care of children and the elderly, which is done disproportionately by women. A basic income would give recognition to this work, afford women some measure of economic independence, and at an adequate level, lift them and their children out of poverty. Moreover, it would do so without the bureaucratic difficulties that

would arise from trying to administer *wages for housework*. In addition, a basic income would facilitate other kinds of meaningful, but unremunerated, contributions to society, such as volunteering for nonprofit organizations.

## ARGUMENTS AGAINST

Among objections to basic income, the two most prominent are financial and moral. The gross cost of a basic income appears quite large. If every legal US resident were given an annual basic income of, say, \$12,000 per adult, and \$6,000 per child, the gross cost would be \$3.415 trillion (Widerquist 2017). But the gross cost is not very meaningful. Everyone would receive a basic income, but the more affluent would be net contributors: they would pay more in taxes than they would receive in basic income. The poor would be net beneficiaries. And some people would break even.

The more interesting question is the net cost for the net contributors. The answer varies depending on how a basic income is integrated with the tax system. But with a 50 percent tax surcharge on earned income, the net cost would be less than one-sixth of the gross cost, \$539 billion. And that is without considering the potential elimination of other programs, such as food stamps or Temporary Assistance for Needy Families (TANF) benefits, which might be redundant with a basic income. Furthermore, this net cost also does not take into account the savings that would likely result from improved health and lower crime rates. Although \$539 billion is still expensive, it is feasible. Especially if we consider that it would completely eliminate poverty for 43 million people, including 14.5 million children. More

modest proposals of about half this level, such as that of Facebook cofounder Chris Hughes (2018), who favors a means-tested negative income tax with a work requirement—but broadening the definition of work to include care work and other socially useful activities—could be funded with moderate tax increases on those making more than \$250,000 per year.

There are other ways of funding a basic income besides income tax. Andrew Yang (2018), who is running for the Democratic presidential nomination in 2020, favors a basic income of \$1,000 per month, funded by a value-added tax (cf. Walker 2016). Peter Barnes (2014) favors taxing common resources, such as natural resources, electromagnetic spectrum, the use of the atmosphere as a carbon sink, and the right to create money, which could support a basic income of around \$5,000 per year, rather than being given away to private companies. Barnes’s model is Alaska’s Permanent Fund Dividend, around \$1,400 per year paid to every Alaskan, including children, from the annual interest earned by Alaska’s sovereign wealth fund, which has been capitalized with royalties paid by oil companies drilling on the North Slope since the 1970s. The dividend has contributed to Alaska’s relatively low rates of poverty and inequality (Widerquist and Howard 2012a, 2012b). Hillary Clinton (2017) considered proposing something similar, “Alaska for America,” during her presidential campaign. There are pros and cons to these different funding schemes, but the main point is that a basic income is affordable.

The bigger hurdle may well be the moral objection, that it is wrong to give people “something for nothing.” Wouldn’t this be taxing hard-working

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people to give income to able-bodied free-riders? Isn't it better to stick with our current system of benefits, conditional on a willingness to work? Doesn't the social contract include a principle of reciprocity—that those who receive from society should, if they are able, give back by contributing to society?

Responses to this objection are of two sorts. The first concedes the principle of reciprocity, but argues, pragmatically, that conditionality is not worth the cost. Most people, if given a modest basic income, will use it to enable themselves to participate in society. Most will seek employment in order to have more than a poverty-level income. Some will elect to stay at home with children or aging parents. There is evidence to support these claims from numerous experiments with minimum income. A few may choose to live very simply—in itself an environmental boon—while focusing their time on volunteering, further education, or artistic creativity. If fears about automation materialize, a basic income will facilitate work-time reduction and work sharing (whether or not these are legislated), so that people can enjoy greater leisure, rather than suffer greater insecurity, as the productivity of labor rises. If there are a few loafers who decide to do nothing or to take drugs—and let's face it, the current system does not prevent this—the resulting harm is outweighed by the social benefits of unconditional income for all.

The second response challenges the principle of reciprocity by noting that much of the income in modern capitalist societies is already decoupled from labor. Many people inherit wealth and can live entirely on interest and dividends, without doing a day's work in their lives. (That many of these people do work is a further answer to those who think

unconditional income will promote laziness.) Whether you are fortunate enough to inherit wealth, or have family connections or other advantages of affluence, is a matter of luck—something that Chris Hughes (2018) lucidly illustrates from his own experience.

All that basic income does is distribute this luck—the unearned income—more equally, so that everyone starts out on a more level playing field. Reciprocity is not rejected; it just comes into play on the foundation of a more fundamental principle of guaranteeing everyone a fair share of assets. Above the basic income, earned income is distributed in proportion to work (Van Parijs and Vanderborght 2017).

#### POSSIBLE NATIONAL, STATE, AND LOCAL BASIC-INCOME POLICIES

It is not too difficult to imagine a basic income being adopted at a national level. After all, in the 1960s and early 1970s, there was support across the political spectrum for a guaranteed minimum income. Martin Luther King (1967) endorsed the idea. George McGovern ran as the Democratic candidate for president favoring a *demogrant* (Mound 2016), a kind of guaranteed minimum income. Libertarian economist Milton Friedman (1962) favored a negative income tax, a means-tested, but otherwise unconditional minimum income. Richard Nixon's Family Assistance Plan was a modified version of Friedman's proposal, and it passed the House, but failed to pass in the Senate (Steensland 2017). Poverty is still with us, inequality is rising, and we face new threats from technological change. Among political parties, the Green Parties around the world are the strongest supporters of basic income

(Van Parijs and Vanderborght 2017). But the idea is also favored by social movements, such as the Movement for Black Lives (<https://policy.m4bl.org/reparations/>). The social conditions are certainly favorable for a national debate about basic income.

Are basic-income policy proposals relevant at the state or local level? Alaska's Permanent Fund Dividend illustrates how states can create dividends from sovereign wealth funds, or more directly from taxation of the use of common assets. But what about resource-poor states like Maine? Gary Flomenhaft (2012) calculated that even Vermont, also a resource-poor state, has enough resources that, if all the rents were taxed, and the revenue distributed as dividends, every citizen could receive between \$1,900 and over \$10,000 annually. Of course, clawing back these resources after having turned them over to private companies would face major political challenges.

A more modest, partial basic income could be created at the state level in several ways. A state-level carbon tax, desirable as a way to reduce fossil-fuel emissions, could yield a significant universal dividend, and the dividend would rectify an otherwise regressive and unpopular consumption tax. A carbon tax with progressive tax reductions has been implemented successfully in British Columbia (Durning and Bauman 2014).

The earned income tax credit, which exists at the state as well as the federal level, could be made refundable. That is, those without earned income would receive a credit, increasing their income when it falls below a minimum. It is unlikely that refundable tax credits or carbon taxes at the state level could be large enough to adequately address either the environmental requirements or the income needs, but policies at the

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state level can pave the way for more adequate policies at the federal level, when the political environment there becomes more favorable.

Other policies that could be introduced at the state level are a universal child allowance or a refundable child tax credit. Universal child allowances are minimum incomes that go to all children regardless of means or behavioral conditions.

Lastly, at the municipal or state level, pilot projects such as those discussed earlier can generate public discussion of minimum-income policies and empirical evidence to inform policy making. Any Maine city, particularly with grant support, could launch similar experiments. 

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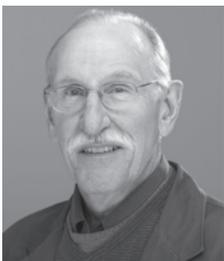
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**Michael W. Howard** is a professor of philosophy at the University of Maine. His research interests are in theories of justice, including

global justice, economic justice, and climate justice. He has coedited two books on Alaska's Permanent Fund Dividend. He is the national coordinator for the US Basic Income Guarantee Network and coeditor of the journal *Basic Income Studies*.