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COMMENTARY

Not Ready for Prime Time: A Response to "Universal Basic Income: Policy Options at National, State, and Local Levels"

by Dave Canarie

In a recent *Maine Policy Review* commentary, "Universal Basic Income: Policy Options at National, State and Local Levels," Professor Michael W. Howard presents the case for a universal basic income (UBI) and suggests it could be tested in Maine. He writes that there was "support across the political spectrum for a guaranteed minimum income" in the 1960s and 1970s (Howard 2018: 40) and suggests three arguments in favor of UBI: to address future job loss associated with artificial intelligence, to fight precarcity, and to support unremunerated work such as caring for children or the elderly.

Universal basic income is an idea that sounds great in theory but struggles mightily when considered in detail. According to an article in the *New York Times*, former Treasury Secretary Larry Summers described UBI as "one of those ideas that the longer you look at it, the less enthusiastic you become"("A Universal Basic Income Is a Poor Tool to Fight Poverty," Eduardo Porter, May 31, 2016). That may explain why universal income proposals were not adopted in the 1960s, even though it was during the height of the War on Poverty.

UBI is staggeringly expensive. The study cited in Howard's commentary (Widerquist 2017) lists a total cost for a nationwide UBI program of $3.415 trillion. This price tag approaches the cost of all current federal spending, which the Congressional Budget Office estimates to be $4.4 trillion for 2019, and it is virtually equal to the $3.4 trillion collected by the Internal Revenue Service for all income taxes in 2017. UBI would require massive an unprecedented expenditure: its cost is almost as large as the entire current federal budget and equal to all current income tax receipts.[1]

The commentary asserts, "the gross cost is not very meaningful" (Howard 2018: 39), but of course it is. Professor Howard claims that the actual cost of the program is one-sixth of the gross cost, or $539 billion, because everyone would receive $12,000 per year ($6,000 for children), while people with earned income would pay "a 50 percent tax surcharge on their income" (Howard 2018: 39). No matter how one funds it—whether from general revenues, a tax increase, or a combination of the two—the program still costs $3.415 trillion. Additionally, the commentary does not explain the 50 percent tax surcharge on all earned income. Is it a flat 50 percent tax rate for all taxpayers? Is 50 percent added to existing tax rates? Is the 50 percent tax means tested? Although the commentary does briefly examine other ways to fund UBI and other basic income levels, the costs of UBI are staggering and will increase every year as the population grows. Moreover, the growth in UBI cost will become exponential when the inevitable calls for cost-of-living adjustments in the annual UBI payout are adopted.

In pre-empting an argument that UBI gives people "something for nothing," Howard asserts, "much of the income in modern capitalist societies is already decoupled from labor" (Howard 2018: 40). I don't think that is true for most people in Maine, however. Even people who are not actively working, for example, Social Security and private pension recipients, receive income that is directly related to their labor because they paid FICA tax and made 401k contributions during their working years.

I also disagree with the claim that the "advantages of affluence [are often] a matter of luck" (Howard 2018: 40). Sometimes they are, but try talking about luck to a Lewiston physician who took difficult courses in high school and college, studied brutally long hours in medical school, incurred a lot of debt, and is coming off a 24-hour shift. Try asking a Bangor CPA about her luck when she is busy all year and works long hours during tax season. Try explaining affluence luck to a small business owner in Kittery who made all-in personal commitments of time, energy, money, and passion to launch and nurture his business. Most Maine people accumulate wealth through hard work, long hours, and by saving and investing their hard-earned money.

The commentary claims that a universal income "would completely eliminate poverty for 43 million people, including 14.5 million children," and as a result we could consider "the potential elimination of other programs, such as food stamps or Temporary Assistance for Needy Families (TANF) benefits, which might be redundant with basic income" (Howard 2018: 39). One of my critiques of Professor Howard's well-researched commentary is that it does not consider the implications of these statements.

If UBI is presented as a way to completely eliminate poverty, there is no doubt that our existing social welfare safety net would be targeted for significant reduction if not elimination. In fact, existing social programs would likely be offered up as a way to fund the cost of UBI. If poverty is eliminated, the argument would likely go, we can eliminate anti-poverty programs and use the savings to pay for UBI.

Perhaps a guaranteed income would adequately replace existing social welfare programs for the current beneficiaries, and they won't lose out in the transition to UBI. That's a huge leap of faith, however, and the migration from the status quo to UBI is fraught with the risk that social welfare beneficiaries will be left with unmet needs as a result of this complex shift in approaches. Consider, for example, a person currently receiving benefits under the TANF and food stamp programs. If UBI is adopted the person would likely lose TANF and food stamp benefits under the approach described by Professor Howard and, in exchange, get $12,000 annually. Meanwhile, someone earning $500,000 a year would also get $12,000 annually under this proposal. Neither outcome appears to make sense.

Converting from our current social welfare program to a UBI is an enormous change, and the risk of program failure is borne entirely by the poor who would get a flat, defined-contribution cash payment on the one hand, but lose their existing social benefits safety net on the other. Proponents of UBI face a monumental challenge in persuading social welfare providers and recipients that we should dismantle our poverty safety net. Social welfare program managers and recipients will "fight tooth and nail" to keep programs in place (Hoar 2018).

The biggest challenge facing UBI is not mentioned in the article, however: namely, that spending for this unprecedentedly expensive program would likely preempt funding for other proposed programs that enjoy perhaps even more public support than UBI. UBI would preempt funding for a national health insurance program, for example, which is a very expensive program. Some estimates suggest that Bernie Sanders's Medicare for All plan would cost $33 trillion by 2031 (proponents of the plan say it would save $2 trillion). Spending for UBI could conflict with attempts to address the $1.5 trillion in college debt that burden graduates for decades after they leave school or with proposals for free college tuition, which could cost $70 billion each year, or with job-producing infrastructure repairs ($2 trillion), budget deficit reduction, or social security reform.[2]

The issue of competing priorities is the greatest challenge faced by proponents of UBI because it means they need to justify: (1) a historic government cost expenditure and (2) the reason UBI should be preferred over other worthy and well-supported programs competing for government funding.

In my opinion, proposals to implement UBI nationwide face nearly insurmountable political, financial, and social hurdles. Moreover, the logistics of implementing UBI—whether the transition in which UBI replaces existing safety net programs or the mechanics of UBI financing—are overwhelmingly complex and have not been adequately explained in the commentary. Although preparing for potential future job losses, reducing precarity, and rewarding unpaid labor are all important issues that we need to address, other policy options, such as a negative income tax, could be as effective as UBI at addressing them. That said, well-developed and transparent localized experiments may be worth pursuing to gather data points on UBI and to inform the ongoing discussion. National UBI, however, is not ready for prime time.

ENDNOTES

1. CBO figures are available here: https://www.cbo.gov/topics/budget; IRS figures are from the IRS Data Book: https://www.irs.gov/statistics/soi-tax-stats-irs-data-book.
2. Information on the figures cited in this paragraph is from the following sources: Medicare for All: Jeff Stein, "Does Bernie Sanders's Health Plan Cost $33 Trillion—or Save $2 Trillion?" *Washington Post* (July 31, 2018), https://www.washingtonpost.com/; student loans: https://www.forbes.com/sites/zackfriedman/2018/06/13/student-loan-debt-statistics-2018/#4d07c5b7310f; free college tuition: https://www.sanders.senate.gov/download/collegeforallsummary/; infrastructure: https://www.nytimes.com/2019/04/30/us/politics/trump-infrastructure-plan.html.

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