

Universal Basic Income in the U.S. and Advanced Countries

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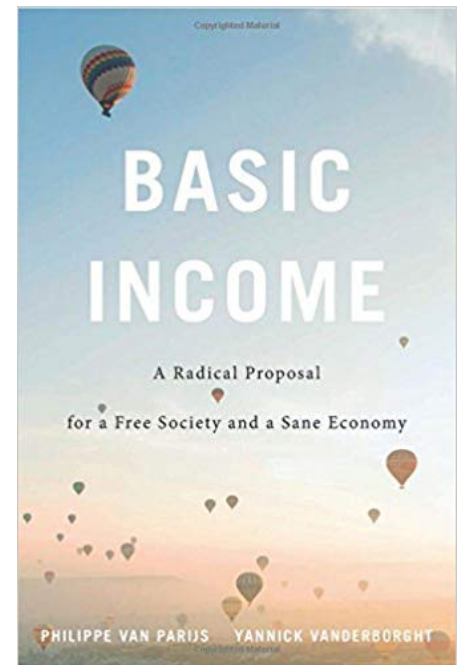
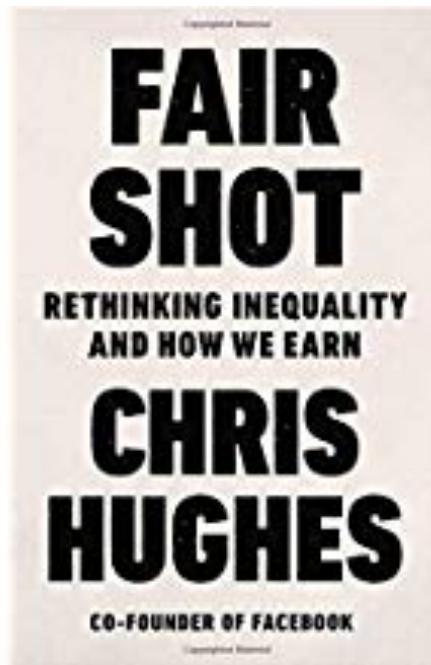
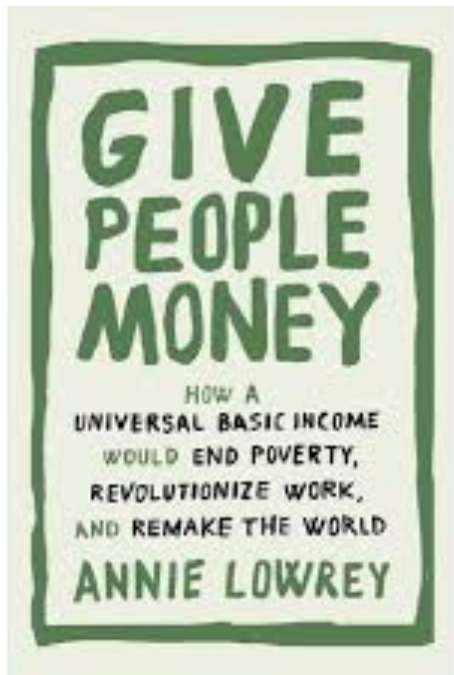
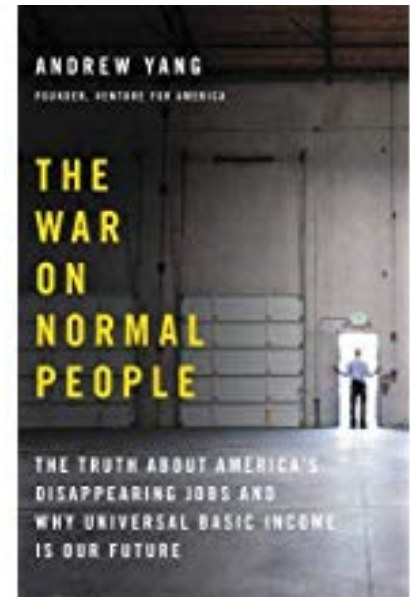
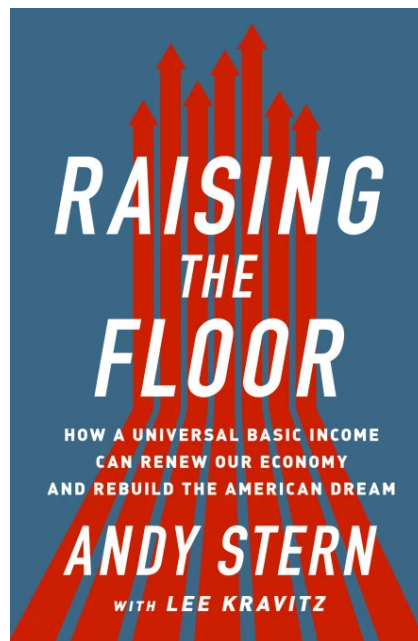
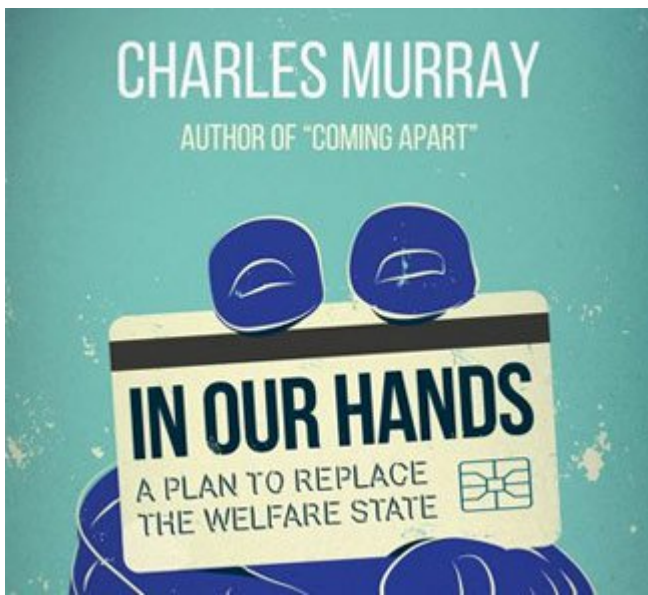
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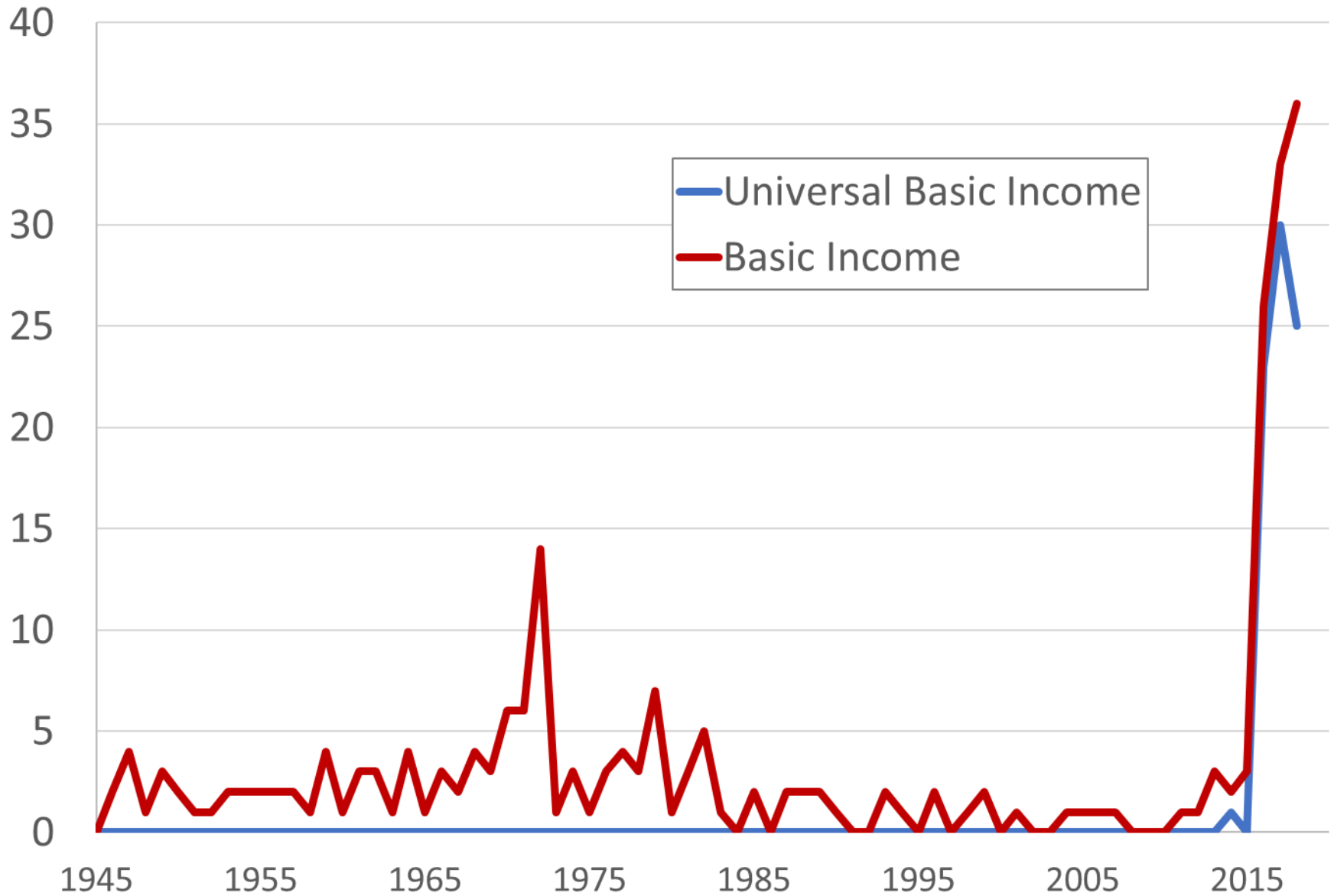
UNIVERSAL BASIC INCOME
AROUND THE WORLD

SIX COUNTRIES have launched **FOUR** *basic income pilots:* **COUNTRIES** have proposals:

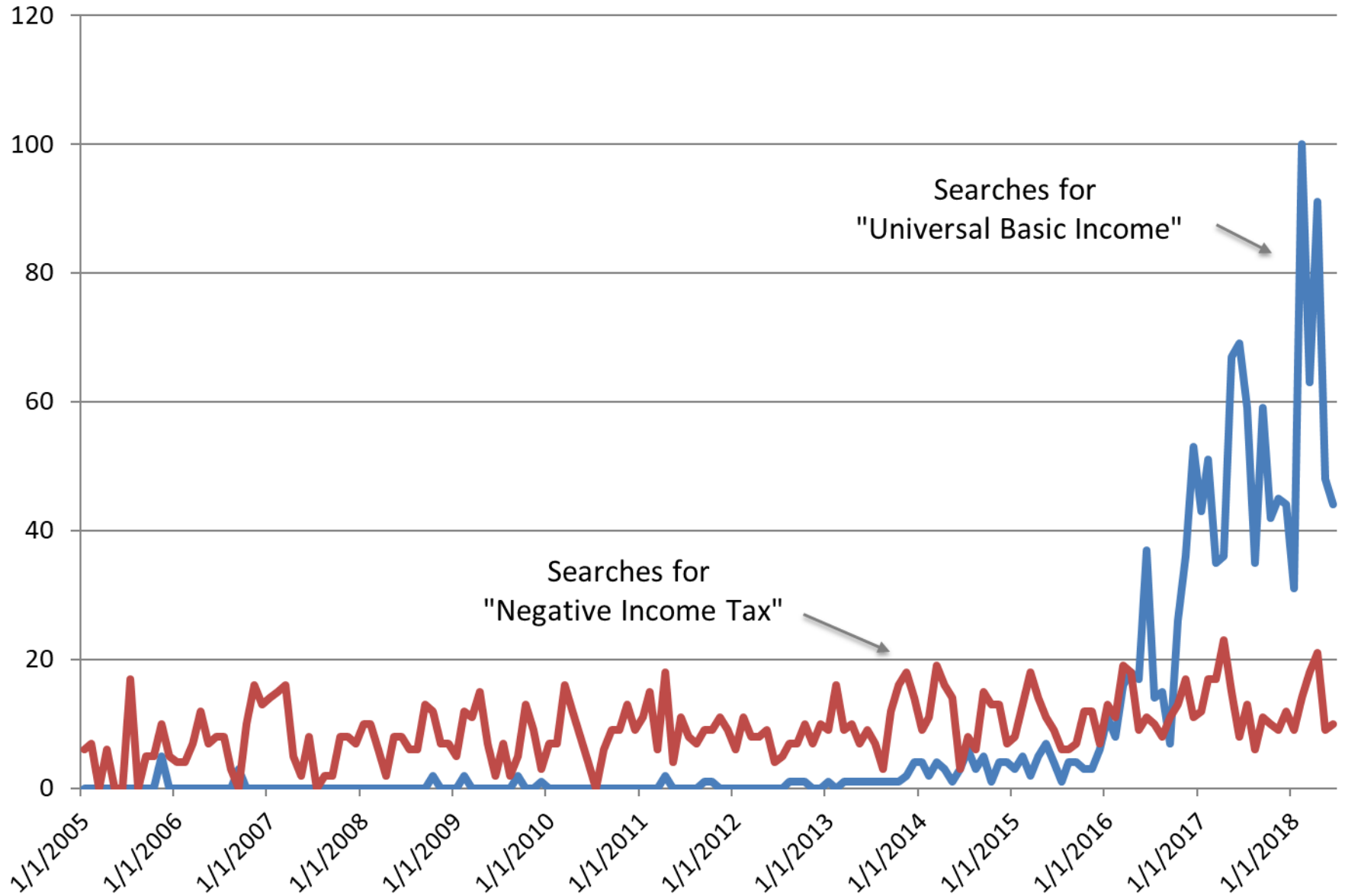




Use of UBI and BI in the New York Times, 1945-2018



Google Trends Searches, 1/2005-6/2018



Despite all of this ...

- *Attention may be running ahead of actual policy development*
- Little agreement about what a UBI is
- What specific problem is it trying to solve?
- How does it relate to and compare to existing programs?
- What are the key research questions that need to be answered?

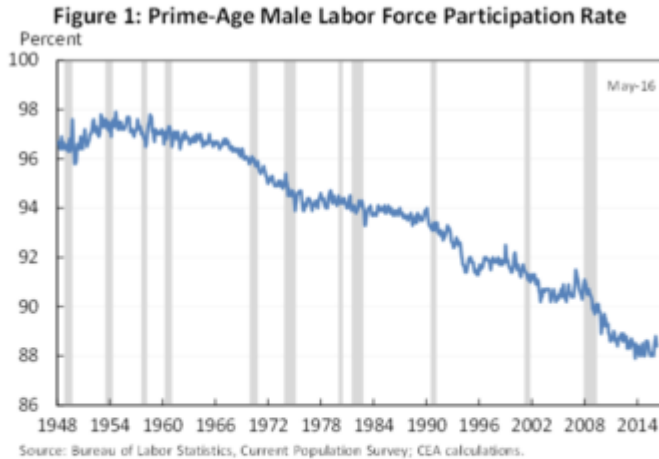
Outline

- What problem is the UBI trying to solve?
- What is a UBI (and how does it compare to other income support policies?)
- Distributional consequences and cost
- Economic issues and what can we learn from pilots and experiments?

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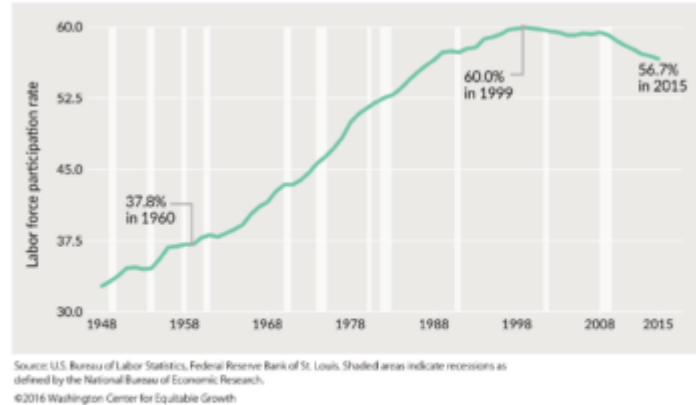
Falling Labor Force Participation



Source: CEA report on male LFP, 2016.

LFP = those working or looking for work
"Prime Age" Ages 25-54

FIGURE 1
More women have been joining the labor force, peaking at the turn of the century
In 1960, 38 percent of women were in the U.S. workforce. By 1999, that number grew to 60 percent.

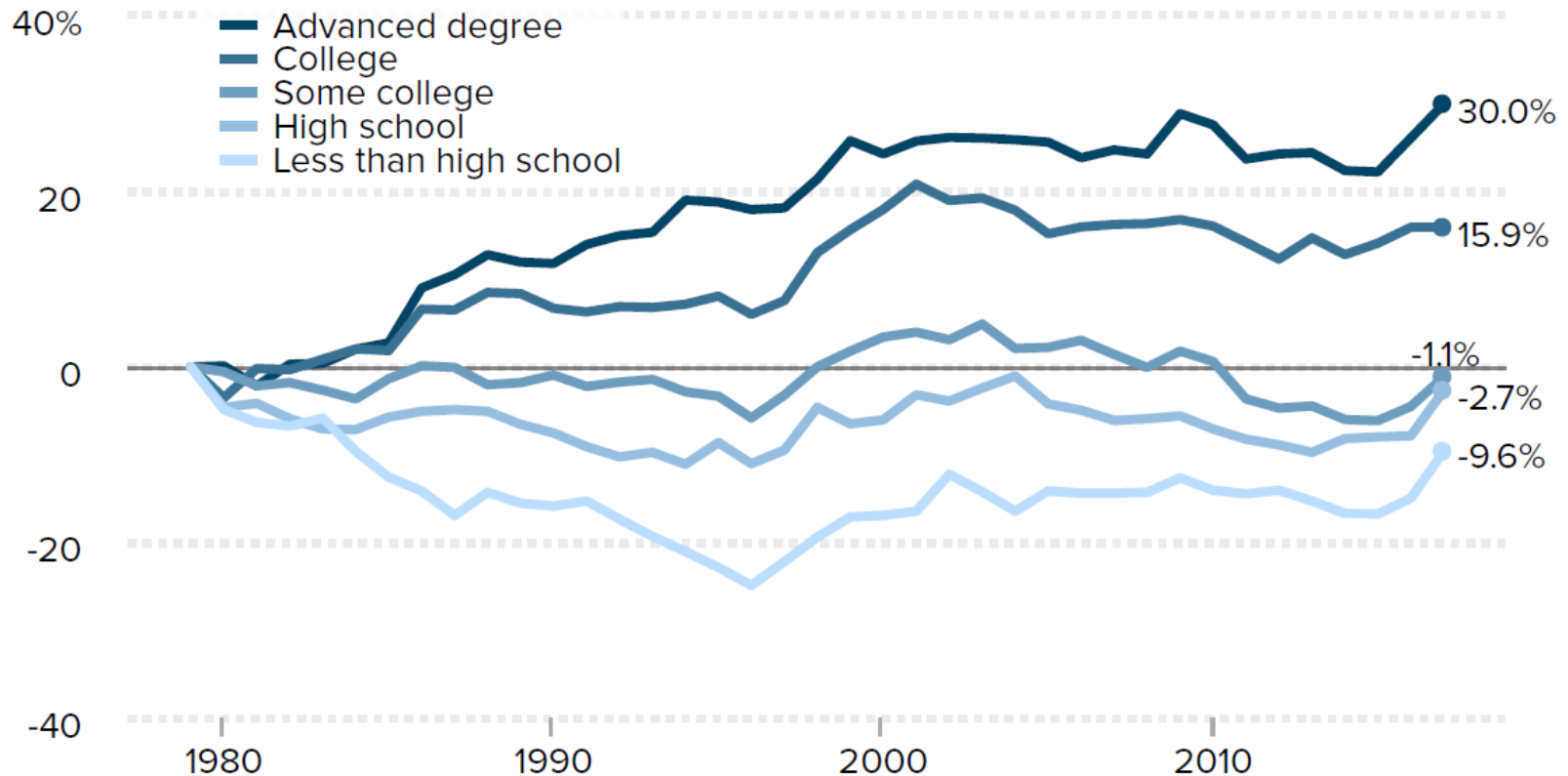


Source: Boushey, [Finding Time](#), 2016. And policy brief "Women have made the difference for family economic security", April 2016.

And looking to the future, concerns about "the robot apocalypse" (Lowrey) and the loss of work.

Or less futuristic ... Stagnating Wages

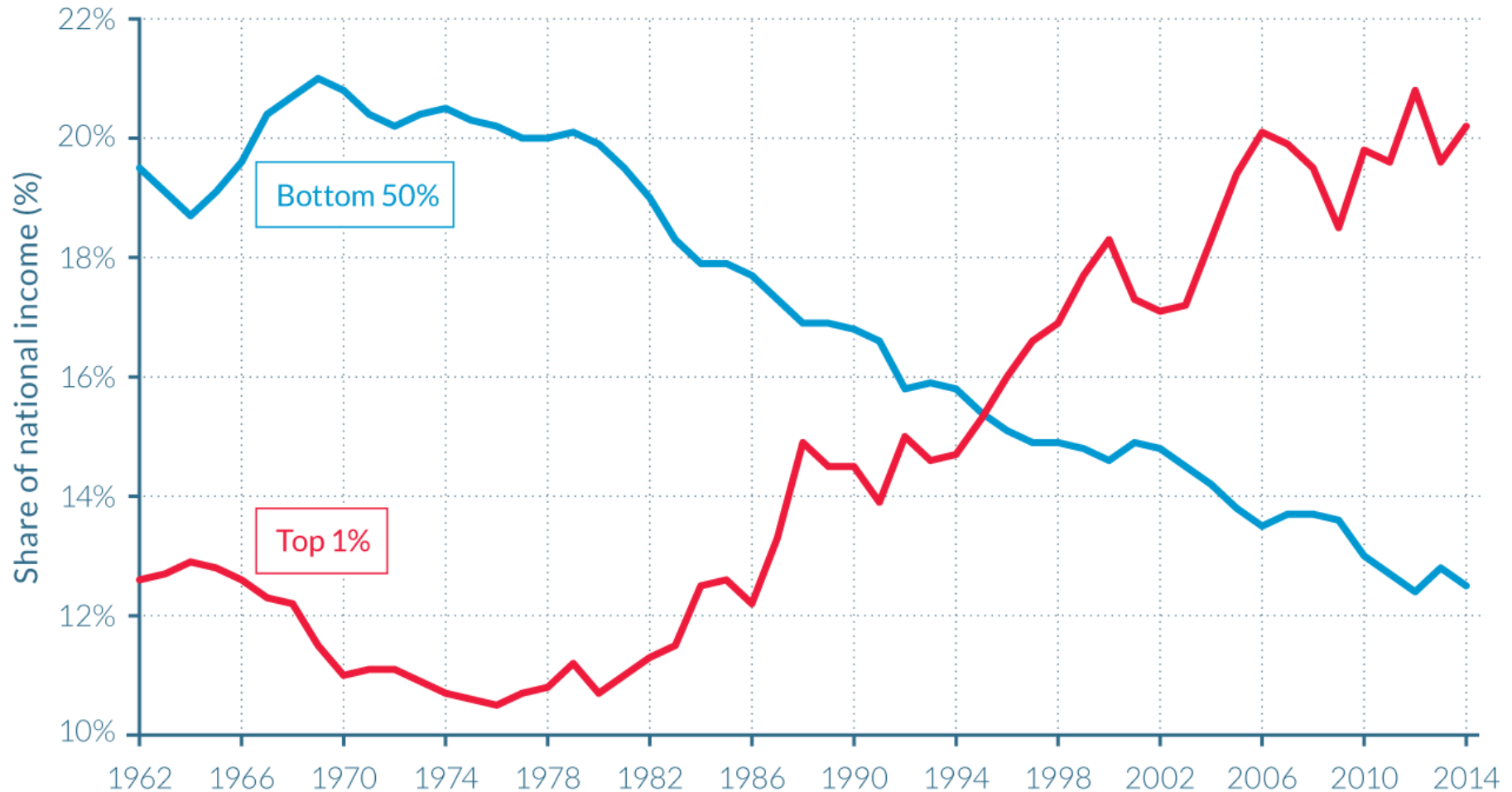
Cumulative percent change in inflation-adjusted median hourly wages for all workers by education level, 1979–2017



Source: EPI analysis of Current Population Survey Outgoing Rotation Group microdata

Economic Policy Institute

And Rising Inequality



Source: Piketty, Saez and Zucman (2018). See wir2018.wid.world/methodology.html for data series and notes.

In 2014, 13% of national income was received by the Bottom 50% in the US. Pre-tax national income is measured after the operation of pension and unemployment insurance systems (which cover the majority of cash transfers), but before direct income and wealth taxes.

Other arguments for UBI

- Replace current patchwork of transfer programs (incomplete, sometimes with high cumulative marginal tax rates)
- Insufficient benefits of current policies (post welfare reform loss of out of work benefits, potential benefits of more universal programs?)

The why matters because it feeds into analysis of how much you care about, say, labor supply effects

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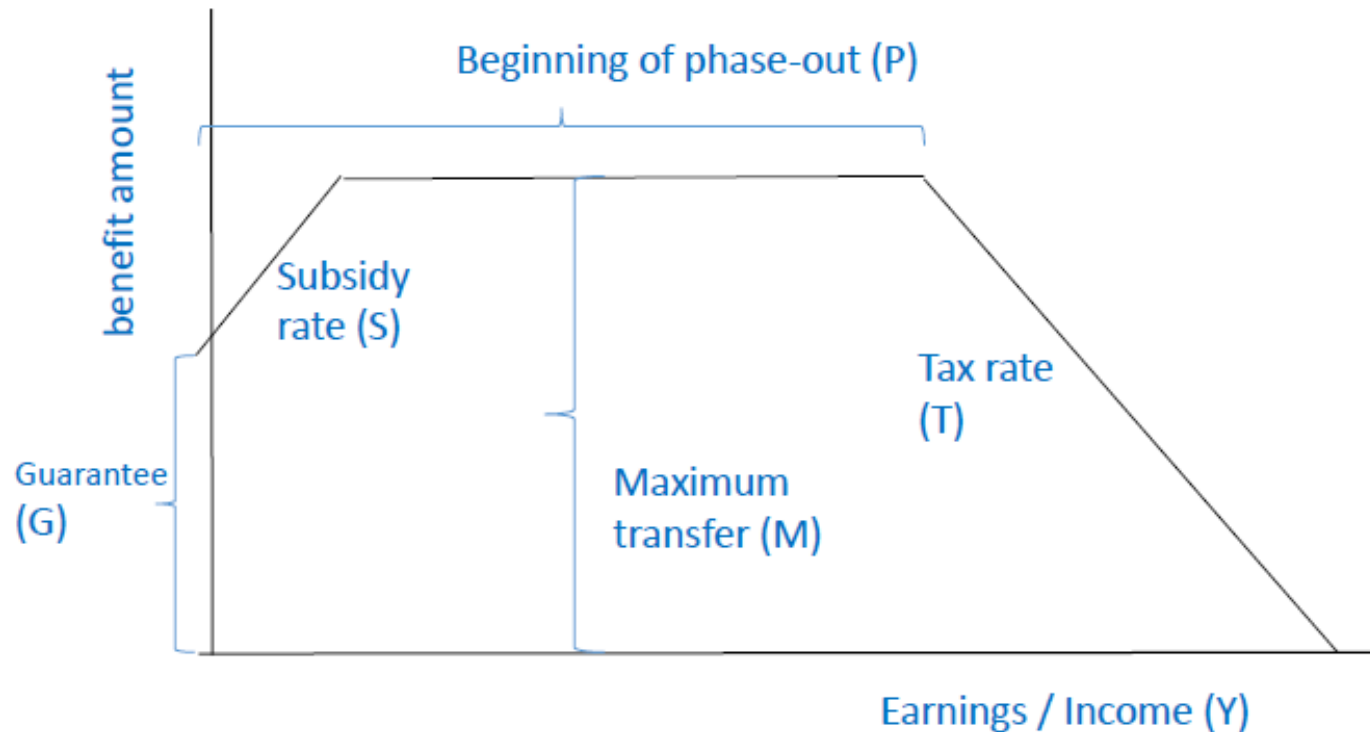
What is a UBI? (based on our reading of the work)

- **U**niversal: three dimensions come up:
 - Paid to all, no demographic targeting
 - Paid to those without earned income (and without any effort to find work)
 - Paid to “all”, even those with “high” earned income
- **B**asic: (basic income) large enough to meet basic needs
- **I**ncome: cash rather than in-kind

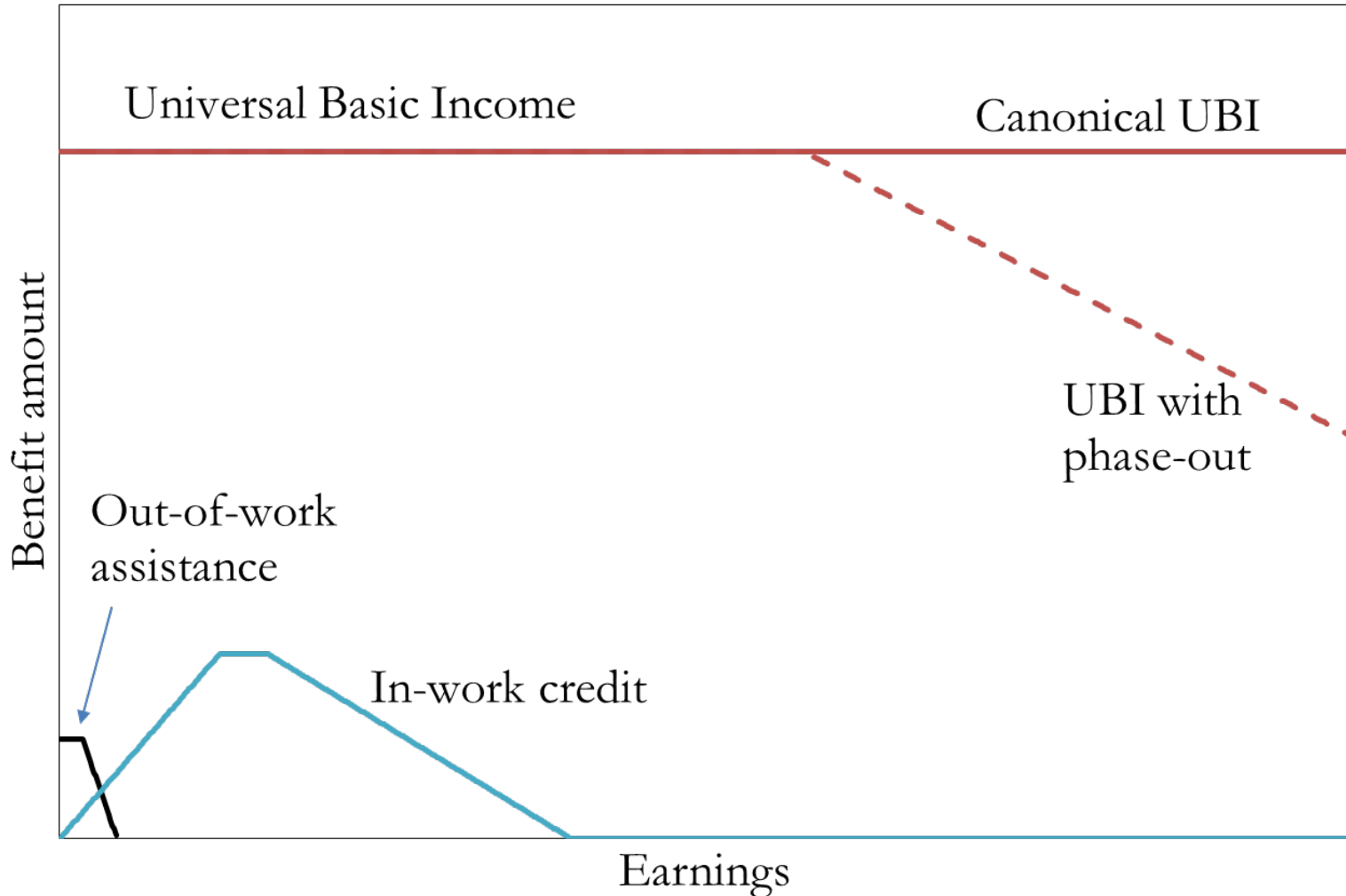
How does this compare to other policy instruments?

- This is a discussion about UBI in advanced economies (for developing countries see Hanna and Okun 2018, Banerjee et al 2018)
- Advanced economies have social safety net policies. This raises questions around:
 - What is the UBI providing that isn't (or can't) be provided by the current social safety net?
 - Is the UBI a replacement for or an addition to the existing social safety net (super relevant for distributional and cost considerations)

UBI compared to other programs: A simple framework



UBI compared to current US policies



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Cost

- Pure universal with benefit set at poverty line (\$12K/yr) → **total cost = \$3 trillion for covering all adults**
- Cost is 1st order issue
 - 75% of total federal expenditures
 - 2X the cost of all US non-health transfers (drop Medicare, Medicaid)
 - 6X the cost of all US non-health, non-social security transfers

Cost

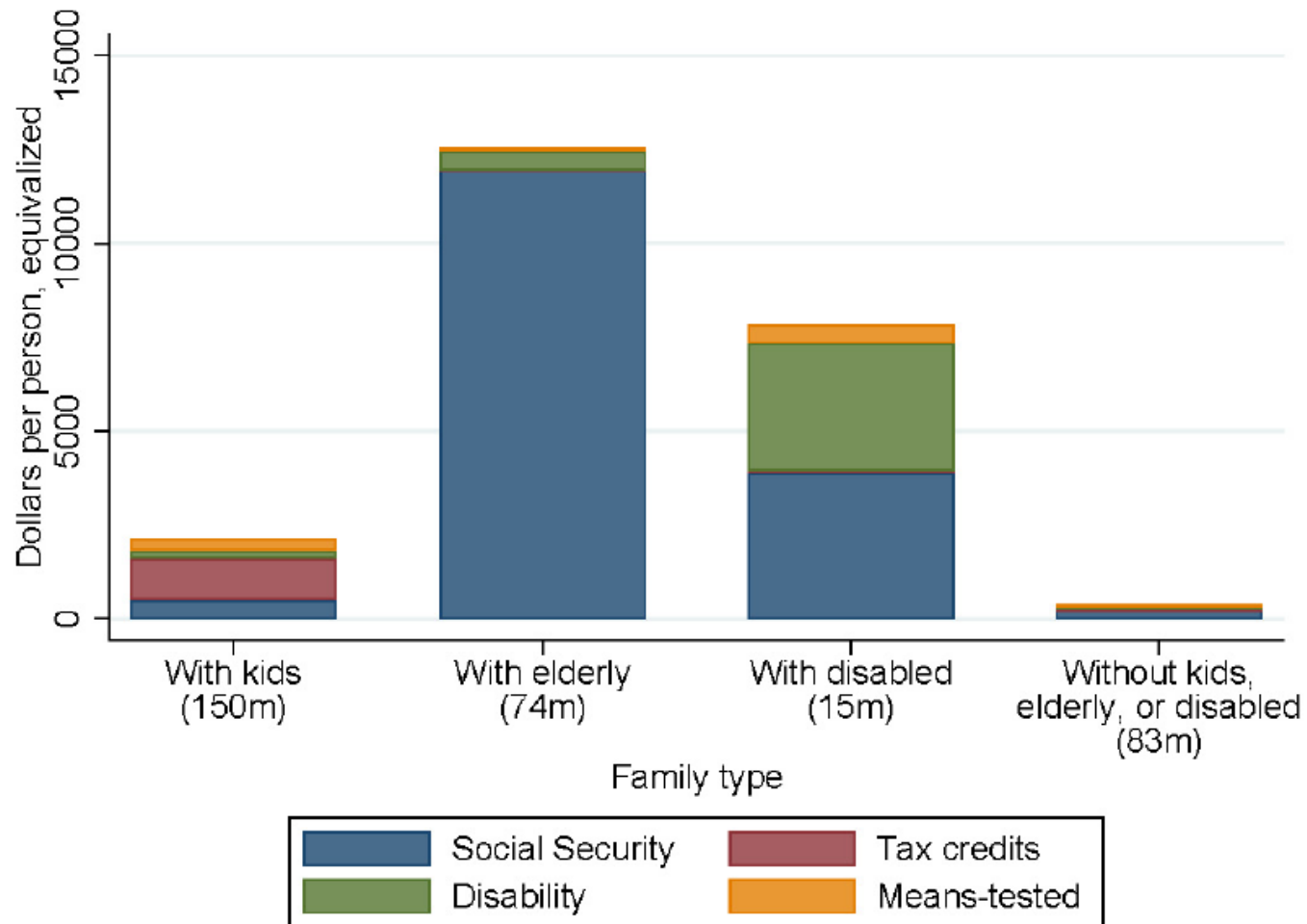
- Solving cost problem by adding a phase-out → then we are moving towards canonical welfare program or NIT (more phase-out, more labor supply distortions; usual protection vs. distortion tradeoff)
- Solving cost problem by reducing the benefit (and preserving universality) → not basic income

Distributional Implications

- Useful to compare to the distributional effects of our current social safety net programs
- We analyze this using the 2017 Current Population Survey
- We measure household benefits and calculate the average per person, using OECD equivalence scale

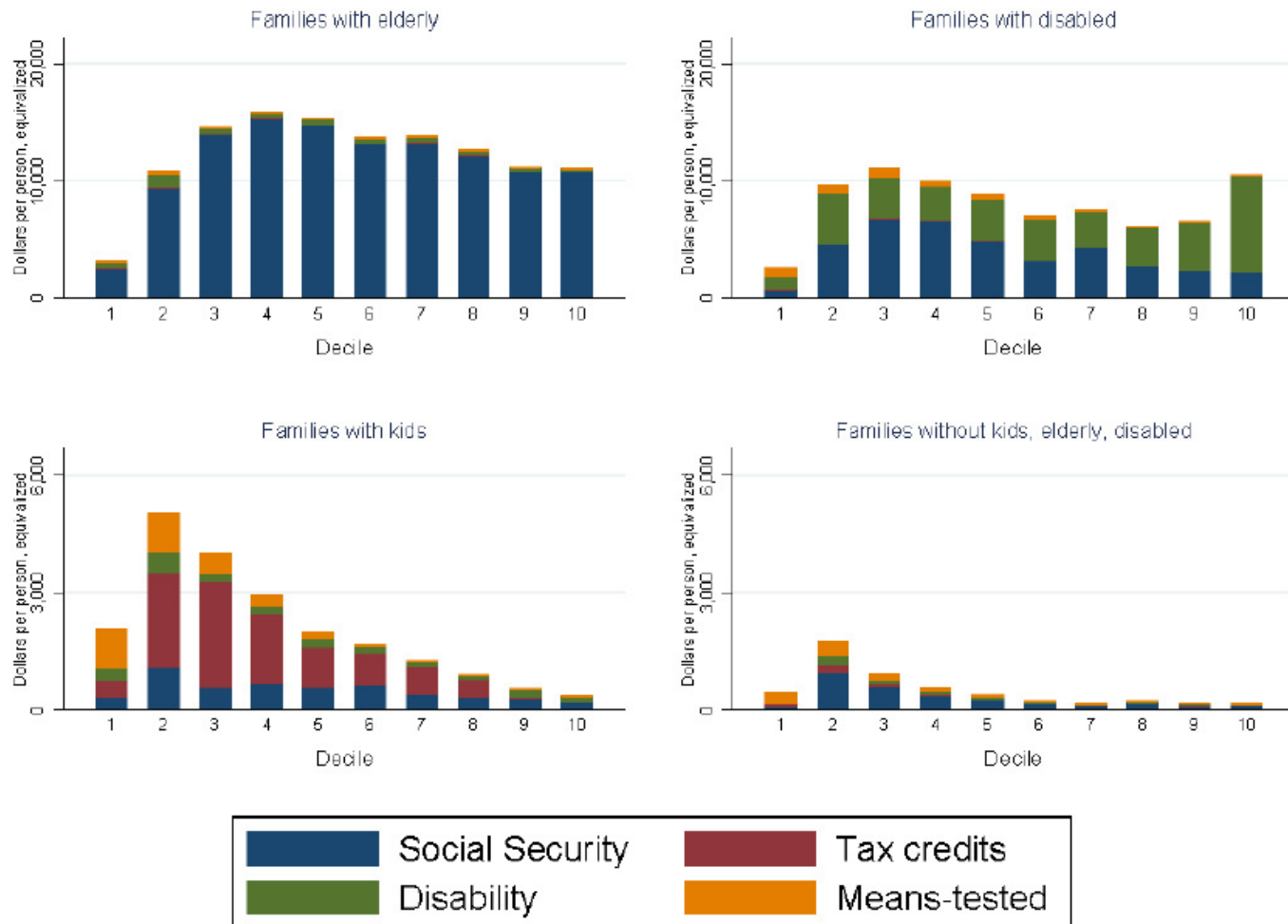
#1: Huge differences across demographic groups

Figure 4. Average household transfers, by family type and program



#2: Benefits to non-elderly, non-disabled are more targeted (less universal)

Figure 5. Average household transfers, by family type, and decile of after-tax and transfer income



Distributional impacts of UBI

- Replacing current social safety net with UBI would lead to
 - Redistribution from low earners to higher earners
 - Transfers away from elderly and disabled

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Economic Issues and what we can learn from current pilot programs

- High profile pilots
 - Stockton California: Economic Security Project, \$6K/yr for 100 families for 12-18 months
 - Y Combinator: \$100 million in funding, \$12K/yr for 1,000 people with income below county median, for 3 or 5 years
- What can we learn from these pilots and how does that relate to the key economic issues underlying a UBI?

1. Labor supply: Lots of evidence from the existing literature; how much we care about potential labor supply distortions depends on whether we are in wage stagnation world or robot apocalypse world → little new to learn from pilots
2. Universality: Would a truly universal program lead to reductions in stigma and increases in take up that would generate welfare gains? → can't learn from a pilot

Other questions about which we have little evidence yet a short-term pilot is not well suited to answer:

- Greater human capital investment and training (and thus higher wages in the longer term)
- Greater entrepreneurial activity
- Higher wages of the next generation due to greater resources in childhood

Also, a pilot program doesn't have to grapple with the cost and the taxes / spending cuts that are needed to support the UBI.

Concluding thoughts

- This is a good conversation to be having; attention to stagnating incomes and what is working or not working in our existing social safety net is important
- Not a lot of clarity on what makes a UBI and why our current programs can not serve the need
- A “pure” UBI would be extremely expensive (2X total existing transfers)
- Replacing the current social safety net with a UBI would be highly regressive
- The critical outstanding questions, about the economic effects of a UBI are not likely to be answered with short term small pilot programs