

ISSUE BRIEF

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Universal Basic Income Harms Recipients and Increases Dependence on Government

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Universal basic income (UBI), also referred to as guaranteed minimum income, is a social welfare policy that provides cash payments to all citizens. A variant provides cash aid to all individuals but phases out aid at some income level. Recent advocates include libertarian scholar Charles Murray,¹ former union leader Andy Stern,² and innovators Elon Musk³ and Mark Zuckerberg.⁴ The mayor of Stockton, California,⁵ recently announced his intent to launch such a program.⁶

The premise of universal basic income has a known track record of failure that hurts recipients and increases dependence on government, based on test experiments on the closely related negative income tax policy.⁷ In four controlled random assignment experiments⁸ across six states between 1968 and 1980, the comparable policy was shown to reduce yearly hours worked among recipients significantly.⁹ For each \$1,000 in added benefits, there was an average \$660 reduction in earnings, meaning that \$3,000 in government benefits was required for a net increase of \$1,000 in family income.¹⁰ The results of these studies led policy-makers to shift their focus to work-based welfare benefit programs.

Additional Flaws in Comprehensive UBI Policy

Additionally, a comprehensive UBI policy would:

- **Transfer funds away from the vulnerable to affluent persons capable of self-support.** A comprehensive UBI policy directs money to those who do not need it, including relatively affluent families and young adults without dependents.
- **Eliminate Social Security and Medicare payments and transfer funds to able-bodied non-working adults.** Virtually all policies advocating a guaranteed minimum income eliminate Social Security and Medicare payments. Such a policy shifts resources from the elderly to non-elderly, able-bodied adults without dependents. This poorly targeted welfare makes the policy an inefficient use of financial resources.
- **Increase government spending and the scope of government.** Current government policy makes a distinction between the elderly and disabled who cannot work to support themselves and able-bodied non-elderly adults who can and should work to support themselves. Aid to the latter group is conditioned largely on work; assistance is given only when individuals are in need, and able-bodied recipients are expected to work or prepare for work as a condition of receiving aid. In principle, work-capable adults who refuse to work or prepare for work do not receive aid. The UBI eliminates all distinctions between the elderly, disabled, and work-capable adults. Able-bodied adults who refuse to work are entitled to

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the same benefits as everyone else. By establishing a new universal entitlement and by creating for the first time a moral expectation that able-bodied adults who refuse to support themselves should be entitled to aid from the taxpayer, a UBI would set the stage for a massive expansion of government.

- **Reduce work and increase recipient dependence.** The overwhelming majority of Americans believe that able-bodied adults should be required to work or prepare for work as a condition of receiving aid.¹¹ This was the core principle behind welfare reform in the 1990s. As noted, the UBI abandons that principle. By removing work requirements from welfare, UBI would decrease work among the poor and increase dependence on government.
- **Increase pressure for greater redistribution to eliminate income inequality.** By reducing the complex variables of the current welfare state to a single variable of what level of support the guaranteed income will provide, this proposal would put greater pressure on politicians to increase redistribution.
- **Misdirect attention to the administration of the welfare state rather than the effect of programs on work and marriage.** Administrative costs are the wrong target for reform because they are not the reason for the high cost of the welfare state. For the most part, administrative costs in welfare are only 10 percent of total costs.¹² Therefore, simplifying administration cannot result in substantial savings. The real problem in welfare is not administrative

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1. Charles Murray, "A Guaranteed Income for Every American," *The Wall Street Journal*, June 3, 2016, <https://www.wsj.com/articles/a-guaranteed-income-for-every-american-1464969586> (accessed February 6, 2018).
 2. Robert Kuttner, "A Conversation with Andy Stern on the Case for a Universal Basic Income," *The American Prospect Longform*, June 28, 2016, <http://prospect.org/article/conversation-andy-stern-case-universal-basic-income> (accessed February 6, 2018).
 3. Chris Weller, "Elon Musk Doubles Down on Universal Basic Income: 'It's Going to Be Necessary,'" *Business Insider*, February 13, 2017, <http://www.businessinsider.com/elon-musk-universal-basic-income-2017-2> (accessed February 6, 2018).
 4. Todd Haselton, "Mark Zuckerberg Joins Silicon Valley Bigwigs in Calling for Government to Give Everybody Free Money," CNBC, May 25, 2017, <https://www.cnbc.com/2017/05/25/mark-zuckerberg-calls-for-universal-basic-income-at-harvard-speech.html> (accessed February 6, 2018).
 5. Alix Langone, "This U.S. City Will Give Its Poorest People \$500 a Month—No Strings Attached," *Time*, January 24, 2018, <http://time.com/money/5114349/universal-basic-income-stockton/> (accessed February 12, 2018).
 6. The Economic Security Project, an advocacy group for universal basic income policies, will provide the initial funding for the program. The final goal of the Economic Security Project is to have UBI policies funded through government. Note also that the initial experiment will provide the cash payments only to a sample of low-income residents, while the idea for a permanent UBI policy includes payments to most or all citizens. Stockton Economic Empowerment Demonstration, "How Will SEED Be Funded?" October 10 2017, <https://www.stocktondemonstration.org/faqs/who-is-funding-this> (accessed February 13, 2018); Economic Security Project, "Who We Are," <https://economicsecurityproject.org/who-we-are/> (accessed February 13, 2018).
 7. The negative income tax is a policy idea similar to the idea of a universal basic income. In a negative income tax system, everyone is guaranteed a minimum income that is phased out as earnings increase. For the purposes of evaluating work disincentives through these experiments, the difference between the two policies is not relevant. The experiments showed that the major reduction in employment was not due to the phaseout of benefits. SRI International, *Final Report on the Seattle-Denver Income Maintenance Experiment, Volume 1, Design and Results*, May 1983, pp. 127-128.
 8. See note 5, *supra*.
 9. Gary Burtless, "The Work Response to a Guaranteed Income: A Survey of Experimental Evidence," in Alicia H. Munnell, ed., *Lessons from the Income Maintenance Experiments*, Proceedings of a Conference Held in September 1986, sponsored by the Federal Reserve Bank of Boston and the Brookings Institution, Federal Reserve Bank of Boston *Conference Series* No. 30, 1986, p. 26, <https://www.bostonfed.org/-/media/Documents/conference/30/conf30b.pdf> (accessed February 8, 2018).
 10. *Ibid.*, p. 28.
 11. According to an online survey conducted by The Heritage Foundation, 92 percent of respondents support work requirements for able-bodied adults to receive government benefits. Elizabeth Fender, "Poll: Vast Majority Support Four Simple Fixes to Welfare System," *Heritage Foundation Report*, December 7, 2017, <https://www.heritage.org/public-opinion/report/poll-vast-majority-support-four-simple-fixes-welfare-system>.
 12. Robert Rector and Rachel Sheffield, "Five Myths About Welfare and Child Poverty," *Heritage Foundation Backgrounder* No. 3176, December 20, 2016, <https://www.heritage.org/welfare/report/five-myths-about-welfare-and-child-poverty>.
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costs but an incentive structure that reduces work¹³ and marriage.¹⁴

Conclusion

Universal basic income policy is an idea with a record of failure; policymakers seeking to reform the welfare state should focus instead on policies proven to work.

Appropriate priorities for welfare reform are (1) insisting on budgeting transparency about the full costs of the 89 federal means-tested programs providing cash, food, housing, medical assistance, and other social services to poor and low-income Americans;¹⁵ (2) promoting work;¹⁶ and (3) removing penalties in the welfare state that discourage marriage.¹⁷ UBI policies would undermine work and expand the welfare state.

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13. Robert Rector and Vijay Menon, "Obama Gutted Work Requirements for Welfare. Why Trump Is Right to Restore Them," Heritage Foundation *Commentary*, August 31, 2017, <https://www.heritage.org/welfare/commentary/obama-gutted-work-requirements-welfare-why-trump-right-restore-them>.
 14. Robert Rector, "How Welfare Undermines Marriage and What to Do About It," Heritage Foundation *Issue Brief* No. 4302, November 17, 2014, <https://www.heritage.org/welfare/report/how-welfare-undermines-marriage-and-what-do-about-it>.
 15. Robert Rector, "Examining the Means-tested Welfare State: 79 Programs and \$927 Billion in Annual Spending," testimony before Committee on the Budget, U.S. House of Representatives, May 3, 2012, <https://www.heritage.org/testimony/examining-the-means-tested-welfare-state-79-programs-and-927-billion-annual-spending>.
 16. Robert Rector and Rachel Sheffield, "Setting Priorities for Welfare Reform," Heritage Foundation *Issue Brief* No. 4520, February 24, 2016, <https://www.heritage.org/welfare/report/setting-priorities-welfare-reform>.
 17. Robert Rector, "Reforming the Earned Income Tax Credit and Additional Child Tax Credit to End Waste, Fraud, and Abuse and Strengthen Marriage," Heritage Foundation *Backgrounder* No. 3162, November 16, 2016, <https://www.heritage.org/welfare/report/reforming-the-earned-income-tax-credit-and-additional-child-tax-credit-end-waste>.
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