

# The Case for Free Money: Why don't we have universal basic income?

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In the mid-1970s, the Canadian province of Manitoba ran an unusual experiment: it started just handing out money to some of its citizens. The town of Dauphin, for instance, sent checks to thousands of residents every month, in order to guarantee that all of them received a basic income. The goal of the project, called Mincome, was to see what happened. Did people stop working? Did poor people spend foolishly and stay in poverty? But, after a Conservative government ended the project, in 1979, Mincome was buried. Decades later, Evelyn Forget, an economist at the University of Manitoba, dug up the numbers. And what she found was that life in Dauphin improved markedly. Hospitalization rates fell. More teenagers stayed in school. And researchers who looked at Mincome's impact on work rates discovered that they had barely dropped at all. The program had worked about as well as anyone could have hoped.

Mincome was a prototype of an idea that came to the fore in the sixties, and that is now popular again among economists and policy folks: a basic income guarantee. There are many versions of the idea, but the most interesting is what's called a universal basic income: every year, every adult citizen in the U.S. would receive a stipend—\$10,000 is a number often mentioned. (Children would receive a smaller allowance.)

One striking thing about guaranteeing a basic income is that it's always had support both on the left and on the right—albeit for different reasons. Martin Luther King embraced the idea, but so did the right-wing economist Milton Friedman, while the Nixon Administration even tried to get a basic-income guarantee through Congress. These days, among younger thinkers on the left, the UBI is seen as a means to ending poverty, combatting rising inequality, and liberating workers from the burden of crappy jobs. For thinkers on the right, the UBI seems like a simpler, and more libertarian, alternative to the thicket of anti-poverty and social-welfare programs.

There are signs that the UBI may be an idea whose time has come. Switzerland held a referendum on a basic income last week (though it lost badly); Finland is going to run a UBI experiment next year; and Y-Combinator, a Silicon Valley incubator firm, is sponsoring a similar test in Oakland.



Why now? In the U.S., the new interest in the UBI is driven in part by anxiety about how automation will affect workers. Bhaskar Sunkara, the publisher of the socialist magazine *Jacobin*, told me, “People are fearful of becoming redundant, and there’s this sense that the economy can’t be built to provide jobs for everyone.” In the short run, concerns about robots taking all our jobs are probably overstated. But the appeal of a basic income—a kind of Social Security for everyone—is easy to understand. It’s easy to administer; it avoids the paternalism of social-welfare programs that tell people what they can and cannot buy with the money they’re given; and, if it’s truly universal, it could help destigmatize government assistance. As Sunkara puts it, “Universal programs build social solidarity, and they become politically easier to defend.”

The UBI is often framed as a tool for fighting poverty, but it would have other important benefits. By providing an income cushion, it would increase workers’ bargaining power, potentially driving up wages. It would make it easier for people to take risks with their job choices, and to invest in education. In

the US in the 1970s, there were small-scale experiments with basic-income guarantees, and they showed that young people with a basic income were more likely to stay in school; in New Jersey, kids’ chances of graduating from high school increased by 25%.

Critics of the UBI argue that handing people cash, instead of targeted aid (like food stamps), means that much of the money will be wasted, and that a basic income will take away the incentive to work, lowering GDP and giving us a nation of lazy, demoralized people. But the example of the many direct-cash-grant programs in the developing world suggests that, as the Columbia economist Chris Blattman puts it, “the poor do not waste grants.” As for the work question, most of the basic-income experiments suggest that the disincentive effect wouldn’t be large; in Manitoba, working hours for men dropped by just one percent. It’s certainly true that the UBI would make it easier for people to think twice about taking unrewarding jobs. But that’s a good consequence, not a bad one.

A basic income would not be cheap—depending on how the program was structured, it would likely cost at least 12 to 13% of GDP. And, given the state of American politics, that renders the UBI politically impossible for the time being. Yet the most popular social-welfare programs in the U.S. all seemed utopian at first. Until the 1920s, no state in the union offered any kind of old-age pension; by 1935, we had Social Security. Guaranteed health care for seniors was attacked as unworkable and socialist; now Medicare is uncontroversial. If the UBI comes to be seen as a kind of insurance against a radically changing job market, rather than simply as a hand-out, the politics around it will change. When this happens, it’s easy to imagine a basic income going overnight from completely improbable to totally necessary?

*James Surowiecki is the author of “The Wisdom of Crowds” and writes about economics, business, and finance for the magazine.*