



April 3, 2018

# Universal Basic Income Proposals for the United States

## Overview

Conceptually, a universal basic income (UBI) program provides a modest cash income at regular intervals (e.g., each month or year) to all individuals meeting minimal eligibility criteria. A UBI can serve as a social insurance program, a method for distributing income generated by a government-owned asset (e.g., the Alaska Permanent Fund Dividend), or both. Other terms for a UBI are a “basic income guarantee” or “unconditional basic income.”

Whereas some countries—like Finland and Canada—have experimented with UBIs, for the United States, UBI discussions are largely notional: the United States does not have a country-wide UBI, and UBI proposals have not been introduced in the 115<sup>th</sup> Congress. Specific UBI policy proposals for the United States, however, have been offered by members of the social policy community, business world, and the technology industry (e.g., the company Y Combinator has announced plans to conduct a basic income experiment in California).

## Defining Features

Key defining characteristics of UBI proposals are the following:

- **Universality of Benefit.** The UBI benefit is provided to all persons subject to minimal criteria such as citizenship, adulthood, and non-incarceration.
- **Unconditional Benefit Receipt and Usage.** Beyond meeting minimal eligibility criteria, UBI proposals do not generally condition benefit receipt on particular attributes, behaviors, or outcomes; means-tests and work requirements are not common features of UBI proposals. Likewise, few proposals place restrictions on UBI recipients’ use of the cash benefit.
- **“Basic” Benefit or Profit-Sharing Dividend.** Where a UBI is proposed as a social insurance program, the proposed benefit amount is generally selected to be large enough to cover basic living expenses. Two recent proposals, for example, place the disposable UBI benefit between \$10,000 and \$12,000 per year (**Table 1**), which is near the official poverty threshold for a single person under age 65 years with no children (\$12,752 in 2017). Where a UBI is used to distribute income generated by a government-owned asset, the dividend amount varies from year-to-year based on the performance of the financing instrument (e.g., the Alaska Permanent Fund Dividend).

## Financing

Proposed UBI financial mechanisms depend on the underlying objectives for the program. Some UBI proponents view the benefit as a replacement for some or

all existing social transfers, such as the Supplemental Nutrition Assistance Program (SNAP) and housing assistance, other targeted federal spending (e.g., agricultural subsidies), and the tax expenditures such as the Earned Income Tax Credit (EITC). These proposals suggest that a UBI could be financed in large part by forgone costs of such programs. Some have suggested, however, that new taxes may be needed to cover full UBI program costs.

Others view a UBI as a mechanism for distributing income generated from a state-owned resource. For example, the Alaska Permanent Fund Dividend provides an annual payment to eligible Alaskan residents generated from an investment fund seeded by Alaskan oil sales; the annual dividend was \$1,100 in 2017. Some Native American tribes similarly distribute a share of profits generated from tribe-owned casinos to tribe members.

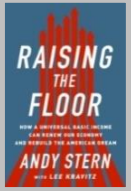
## Potential Benefits

UBI programs have been proposed to address a wide range of social issues. Some frame a UBI as an efficiency-improving replacement for the current body of social insurance and welfare programs in the United States. Such a UBI, it is argued, could potentially reduce administrative costs and application burden for recipients, give more freedom to households over how they allocate funds, and encourage households to establish stronger community ties or otherwise establish nongovernmental support systems.

Some UBI proposals respond to growing unease about labor market conditions, particularly the availability of jobs that are sufficiently rewarding in terms of wages and quality. In this context, a UBI is viewed as one lever to raise living standards among workers in low-wage jobs or jobs with low wage growth, and to provide security for workers whose jobs are susceptible to automation. According to these proponents, the UBI benefit may also serve to improve job prospects by offering the financial cushion needed to seek out work in new labor markets (e.g., by financing a move across county or state lines, or to take a career break to invest in new skills training). In addition to facilitating better quality job matches, increased labor mobility may further improve labor market conditions by encouraging employers to improve wages and working conditions to attract and retain workers.

The benefit could also provide a steady income to those engaged in productive nonmarket activities such as caregiving, education, and training. They posit that it may also promote greater savings, allowing individuals to invest or take constructive risks (e.g., starting a new business, testing an idea) or engage in more leisure activities (e.g., vacation).

**Table 1. Two UBI Proposals Published in 2016**

Proposal	 <p><b>Charles Murray</b> <i>In Our Hands: A Plan to Replace the Welfare State</i></p>	 <p><b>Andy Stern</b> <i>Raising the Floor: How a Universal Basic Income Can Renew our Economy and Rebuild the American Dream</i></p>
<b>Benefit Amount</b>	<ul style="list-style-type: none"> <li>\$13,000 per year, of which \$3,000 must be used to purchase catastrophic health insurance. The benefit is reduced as personal income increases beyond \$30,000 per year. The minimum benefit is \$6,500 per year for individuals with annual personal income of \$60,000 or more.</li> </ul>	<ul style="list-style-type: none"> <li>\$12,000 per year (\$1,000 received monthly).</li> </ul>
<b>Recipients</b>	<ul style="list-style-type: none"> <li>All non-incarcerated U.S. citizens who are 21 years or older with a U.S. bank account.</li> </ul>	<ul style="list-style-type: none"> <li>Persons aged 18 to 64 years, and those 65 and older receiving less than \$1,000 in monthly Social Security payments.</li> </ul>
<b>Estimated Cost and Financing</b>	<ul style="list-style-type: none"> <li>\$2.8 trillion in 2020 (in 2017 dollars).</li> <li>Financed largely by forgone costs of all existing federal transfer payments, including Medicare, Medicaid, Social Security, certain tax expenditures, federal transfers to select groups (e.g., grants, subsidies, or services), and health care reform.</li> </ul>	<ul style="list-style-type: none"> <li>\$1.8-\$2.8 trillion per year (in 2017 dollars).</li> <li>Financed largely by forgone costs of certain transfer programs and tax expenditures, reforms to Social Security and health care financing, and fiscal policy changes.</li> </ul>

**Source:** Charles Murray, *In Our Hands: A Plan to Replace the Welfare State* (Washington, DC: American Enterprise Institute, 2016); and Andy Stern, *Raising the Floor: How a Universal Basic Income Can Renew our Economy and Rebuild the American Dream* (New York: Public Affairs, 2016).

## Potential Concerns

Program costs and the related potential for new taxes are among the central concerns expressed about proposed UBI schemes. Two proposals published in 2016 (see **Table 1**) estimate program costs in the range of \$1.8 to \$2.8 trillion per year, depending on the benefit amount and other program details. Proponents, however, point out that at least some of those costs could be recouped by the discontinuation of existing federal transfer programs.

Other critiques focus on the potential for a UBI to create work disincentives. The labor supply effects of a proposed UBI generally would depend on the benefit amount and other program factors, and its overarching effects on the labor market (e.g., how it affects labor dynamism, private investment in training and education). However, the limited body of related research on universal dividends (e.g., Alaska) and the negative income tax experiments conducted in the 1960s and 1970s do not find large declines in labor force participation.

UBI critics also raise questions about the replacement of targeted government support with the UBI benefit. They express concern about the fate of households that suffer large financial losses, for example, due to serious illness or catastrophic weather events, and whether the general public has sufficient financial skills to protect against job loss, poor investment outcomes, and other risks. Some proponents acknowledge the need for complementary policies—for example, to improve financial skills and to deter those who would scheme to separate vulnerable recipients from their payments.

Others have raised concerns about the possibility of rising prices (i.e., due to increased consumption and upward

pressure on wages), and potential future political pressures to increase the benefit amount (beyond inflation), raise taxes, or reinstate discontinued transfer programs.

## Recent Discussions

**Table 1** summarizes two UBI proposals published in 2016 by Charles Murray, an American Enterprise Institute Emeritus Scholar, and by Andy Stern, former president of the Service Employees International Union. Similarities exist in the spirit and details of their proposals. For example, both see a UBI as a means to help people live fulfilling lives, propose similar benefit amounts, and cover UBI program costs largely by eliminating some (Stern) or all (Murray) existing transfers. But there are important differences as well. Murray's proposal appears to be driven by his concerns that public assistance has eroded U.S. values around family, work, and community; Stern's focus is on mounting labor market challenges, particularly for low- and middle-wage workers. Whereas both see a need for changes to health care policies, Murray's plan would eliminate federal support for health care financing, require UBI recipients to purchase catastrophic health insurance, and rely on market forces to change cost and availability of medical services. Stern is less specific about health care policy changes, but states that he would retain Medicare. Stern is open to creating new taxes to support a UBI program, such as a value added tax and a financial transaction tax; Murray does not include new tax revenue in his financing plan.

*Emma Sifre provided research support for this In Focus.*

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