

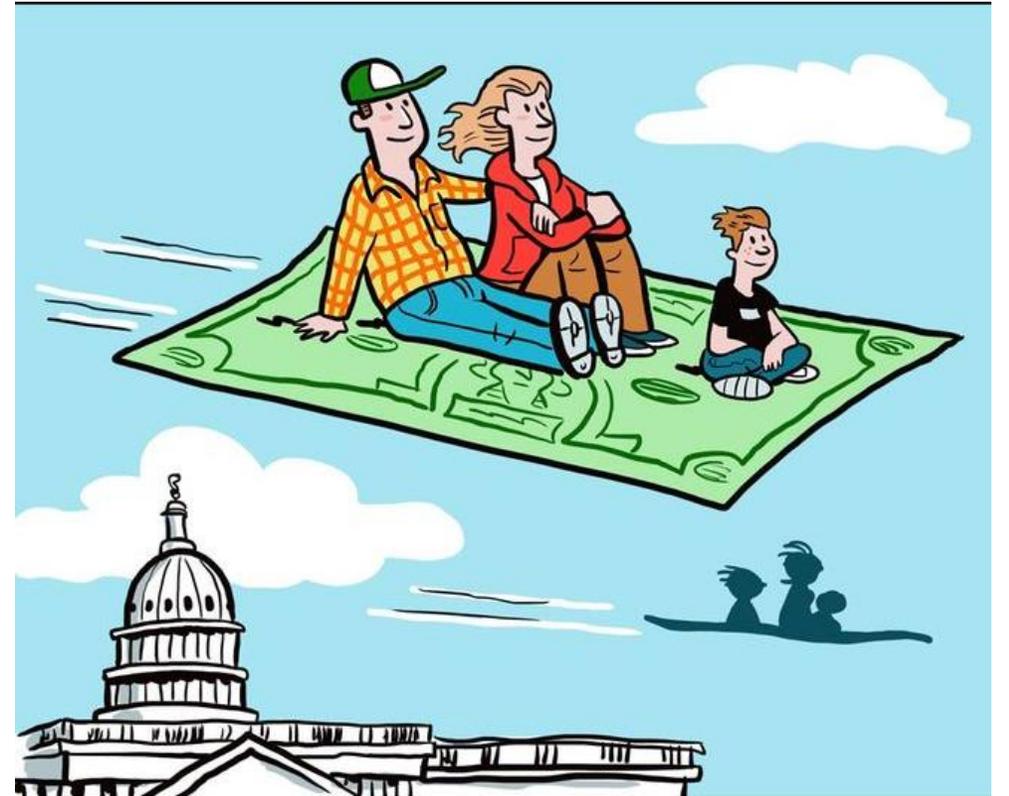
Universal Basic Income: Worse Than the Status Quo

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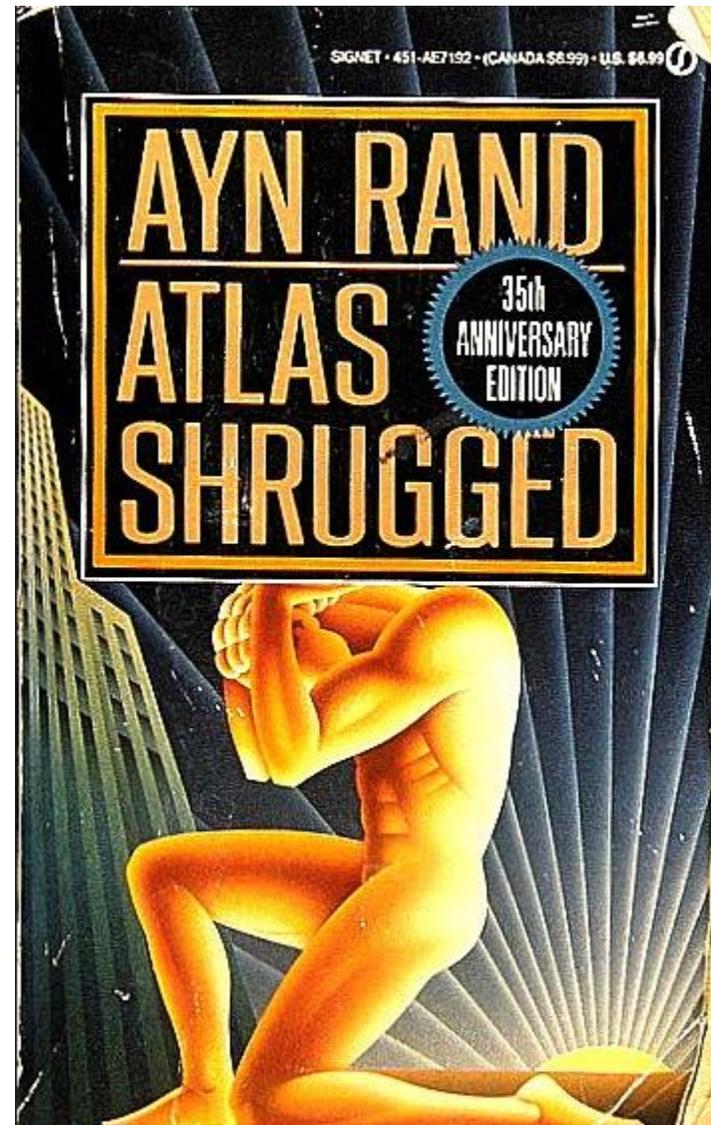
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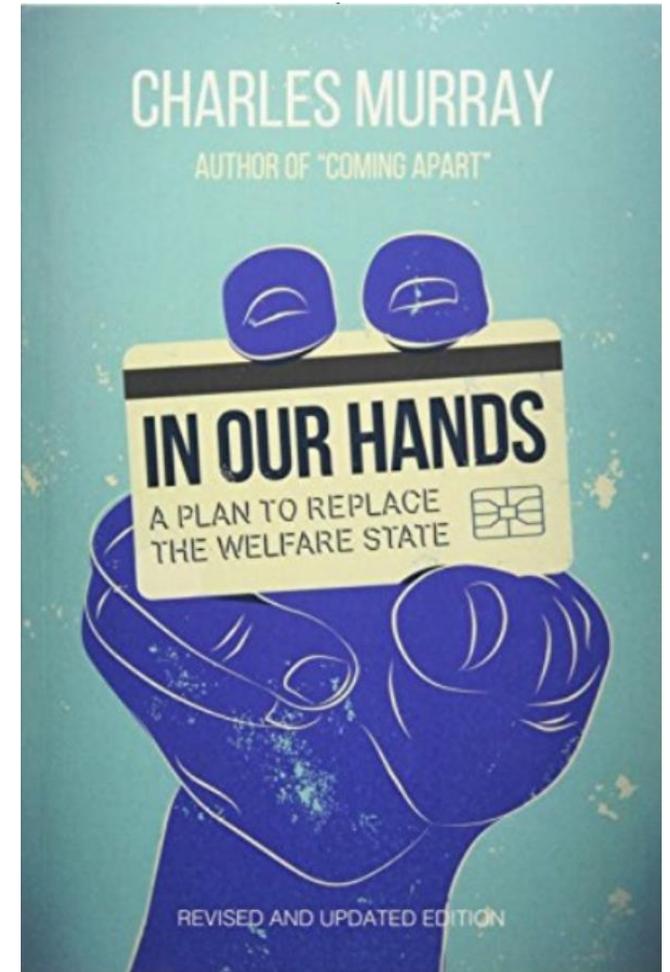
Classical Liberalism vs. the Welfare State

- Classical liberals have three main complaints about the welfare state.
- Complaint #1: The fiscal cost is high and growing rapidly, leading to a future of exorbitant taxes or financial crisis.
- Complaint #2: It gives recipients bad incentives. If government takes care of you, you're less likely to take care of yourself by working, planning, and saving.
- Complaint #3: "Forced charity" is unjust. Individuals have a moral right to decide if and when they want to help others.



From Classical Liberalism to the UBI

- Even if you think these complaints justify abolition of the welfare state, no more than moderate reform is *likely*.
- So what reforms should classical liberals push?
- Top answer? The Universal Basic Income.
- Idea: Every citizen gets a lump-sum cash grant from the government, paid for by taxes on all other income.
- Classical liberal variant: Pay for the UBI by abolishing most or all of the *other* government programs.
- My thesis: Politically feasible UBI is worse than the status quo.



The Cost of the UBI

- To estimate UBI's cost, you have to know:
 - Base payment (i.e., how much you get per year if you earn \$0)
 - Benefit reduction rate (i.e., how much you lose if you earn \$1).
- What sounds fair to Americans?
 - Base payment: \$12k per person per year.
 - Benefit reduction rate: 25%
- Problem: Family of 4 wouldn't start paying taxes until it earned \$196k! Entire net fiscal burden borne by top decile of households.
- Can't we fund this by abolishing existing programs? Ed Dolan's math says this can only fund a UBI of \$4452.
- What makes the UBI so expensive? Wasting most of the budget on people who don't need it!
- Why no sensible philanthropist would fund a UBI.



The UBI is the triumph of simplicity over numeracy.

Disincentives of the UBI

- Unclear if UBI gives better incentives to minority that is *already* on welfare.
 - Better incentives: End of 100% marginal benefit reduction rules.
 - Worse incentives: Much higher net income at \$0 of earned income; no time limits or work requirements.
- UBI definitely gives worse incentives to *everyone else*.
 - Under current regime, non-custodial able-bodied adults are largely ineligible *regardless* of their income.
 - Few benefits for those residing with adults or other relatives.



Do college students have a “parental UBI”? No.

More eligibility → more beneficiaries → higher tax rates → even worse disincentives.

Injustice of the UBI

- Is forced charity always unjust, or sometimes justified?
- Either way, there are still *degrees* of injustice. Being victimized for a really good reason isn't as bad as being victimized for no reason at all.
- Crucial variables:
 - The severity of poverty: absolute versus relative.
 - Blameworthiness of the recipient: "deserving" vs. "undeserving poor."
- Classification is not that hard.
 - War orphans vs. habitual drunks
- At least status quo prioritizes innocent children. UBI bizarrely forces workers to support total strangers regardless of need or desert.



Austerity for Liberty

- Is there a better reform? Yes: austerity.
- Instead of advocating a radical and costly new approach, why not whittle down the status quo?
 - Budget cuts
 - Eligibility requirements
 - Time limits
 - Audits
 - Cost-effectiveness tests
- Despite its unpopularity, austerity is just common sense.
 - “What do you need it for?”
 - “What happened to the last billion?”
- Coalition-building: Austerity appeals to pragmatists as well as CLs.
- Austerity now!

