

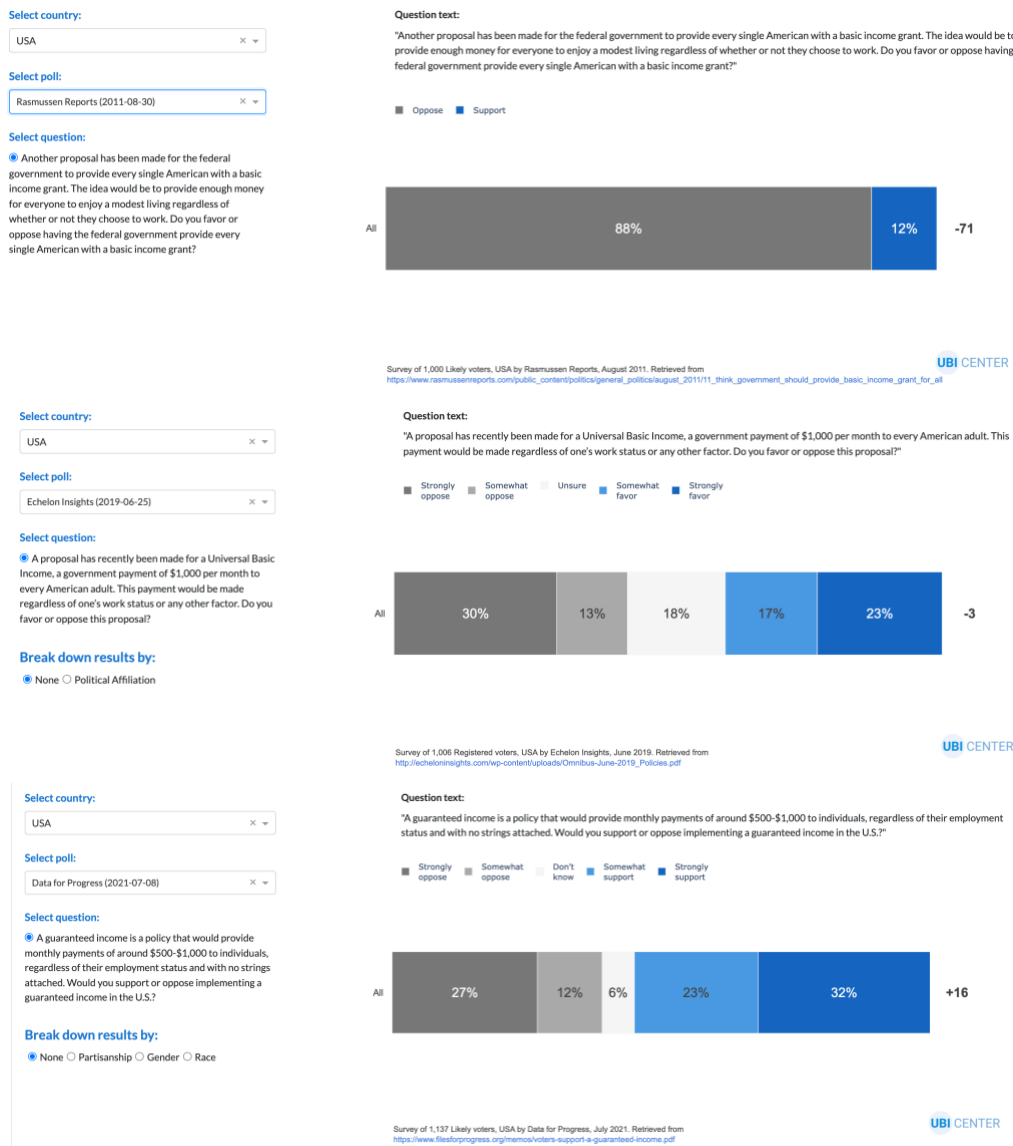
Moving Toward a Federal Universal Basic Income in the United States

Peter T. Knight¹

Introduction: increasing support for UBI in the United States

According to available polls, there has been a significant increase in the percentage of likely voters supporting a universal basic income (UBI) since 2011. This trend is clear from polling data available despite some differences in the questions posed (Figure 1).

Figure 1: Polls of likely U.S. voters' support for UBI

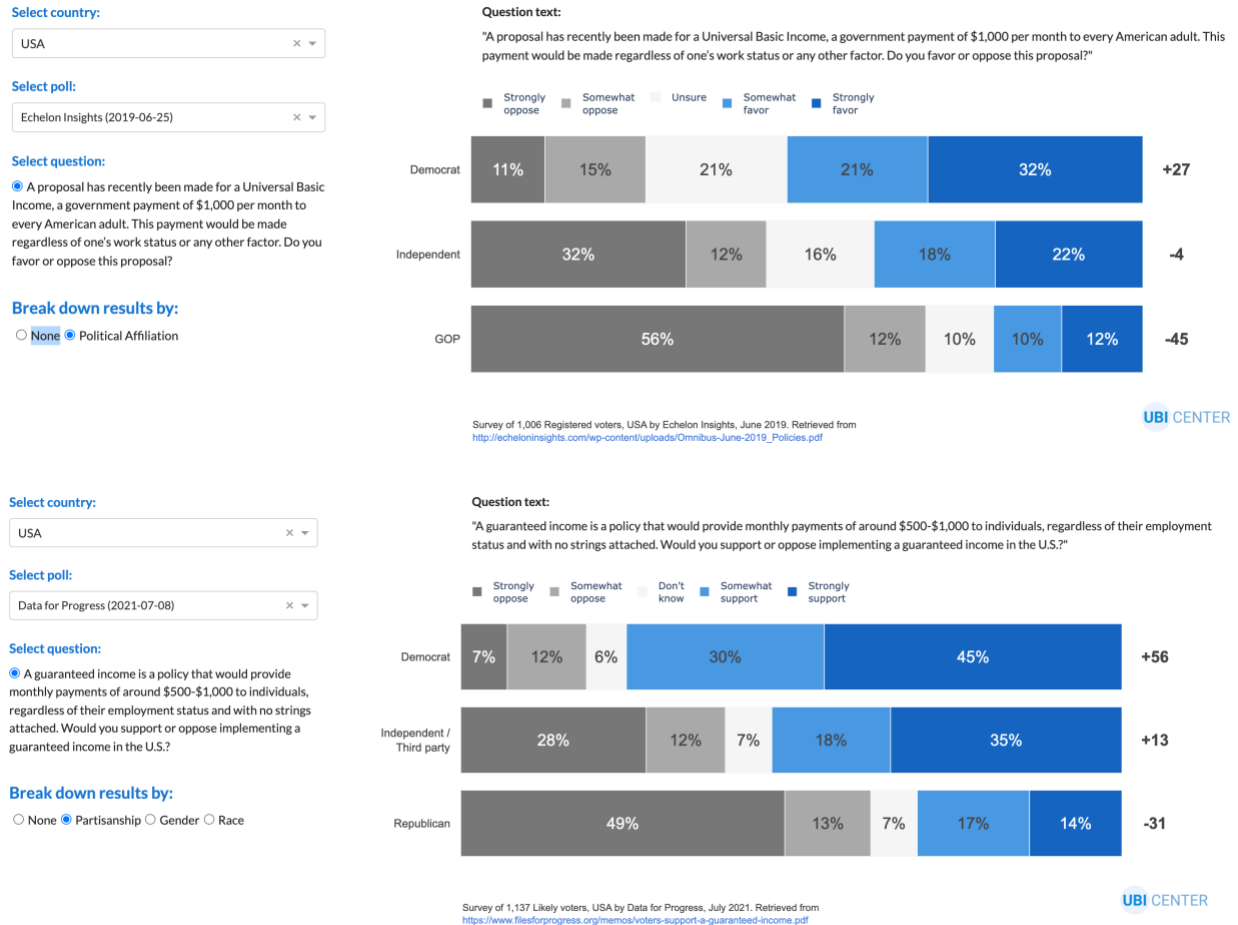


Source: UBI Center, UBI Poll Tracker (<https://compute.studio/UBICenter/polls/viz/>)

¹ News service editor of the Basic Income Earth Network (BIEN - <https://basicincome.org/>) and Coordinator of the Sufficiency4Sustainability Network (<https://www.sufficiency4sustainability.org/>).

The difference between favorable and unfavorable views on UBI has moved from -71 in 2011 to +16 in 2021. Looking at support broken down by political affiliation (Figure 2), support for UBI is strongest among likely voters identifying as Democrats and weakest among Republicans, with Independents falling in between. But the trend between 2019 and 2021 was upward for all three groups.

Figure 2: Support for UBI by political affiliation, 2019 and 2021



Source: UBI Center. UBI Poll Tracker (<https://compute.studio/UBICenter/polls/viz/>)

What factors can explain this surge in support for UBI? Three stand out: Andrew Yang’s campaigns for President of the U.S and Mayor of New York City, direct cash transfers during the Covid-19 pandemic, and the growing number of municipal-level pilot programs. This paper does not deal with the concept of or justifications for UBI. For these see, *inter alia*, Santens (n.d.), Standing (2020), and Van Parijjs and Vanderborght (2017).

Yang’s Campaigns

Yang’s proposal for a \$1,000 a month “Freedom Dividend” brought UBI into the US political discourse for the first time since the 1970s (Knight, 2019).

- Yang participated in six nationally televised debates before suspending his campaign for POTUS after the New Hampshire primary.
- While Yang was not given much time to speak during these debates, he did get a chance to advocate for the Freedom Dividend.
- Yang focused on the impact of automation, robotics, and AI on employment in justifying his proposal.
- In his 2021 campaign for Mayor of NYC, Yang proposed unconditional cash payments of \$2,000 a year to half a million of the poorest New Yorkers leading some other candidates to adopt similar positions or call for a federal UBI.

Direct cash transfers during the Covid-19 pandemic – personal and the expanded child tax credit

During the pandemic, both the Trump and Biden administrations sent direct cash payments to individuals and their children.

- *March 27, 2020*: Up to \$1,200 per adult, \$500 per child (CARES Act). The payments were reduced for individuals with adjusted gross income (AGI) greater than \$75,000 (\$150,000 for married couples filing a joint return).
- *December 21, 2020*: \$600 per person cash for those earning \$75,000 or less. The AGI thresholds at which the payments began to be reduced were identical to those under the CARES Act.
- *March 11, 2021*: Direct cash payments of up to \$1,400 for individuals or \$2,800 for married couples filing jointly, plus \$1,400 per dependent. Normally, taxpayers qualified for the full amount of Economic Impact Payment if they had an AGI of up to \$75,000 for singles and married persons filing a separate return, up to \$112,500 for heads of household, and up to \$150,000 for married couples filing joint returns and surviving spouses. Payment amounts were reduced for eligible individuals with an AGI above those levels. (American Rescue Plan)

All told, within one year, \$1 trillion in cash was sent directly to the bank accounts and mailboxes of about 85% of Americans, no strings attached.

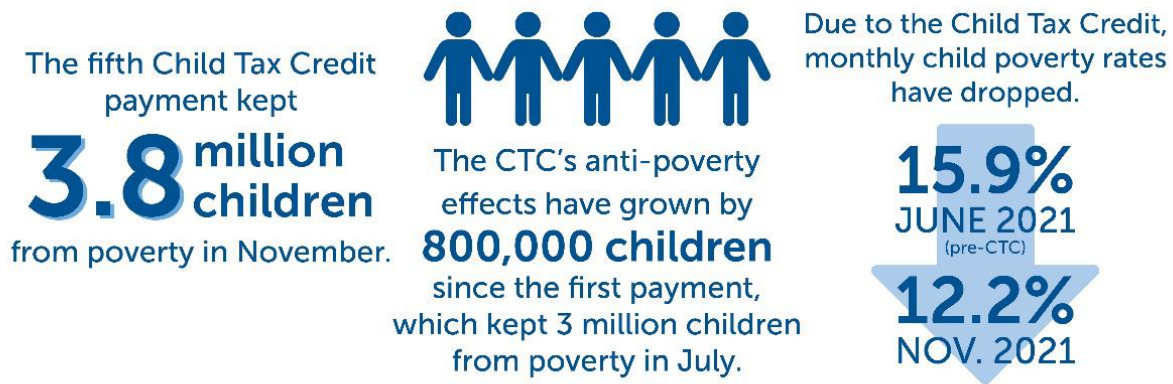
And that was not all. As part of Biden’s American Rescue Plan, the maximum annual Child Tax Credit (CTC) increased from \$2,000 a child to \$3,000 per child ages 6 to 17, and \$3,600 for each child under the age of 6. The increase applied only in 2021. Payments began phasing out for couples making over \$150,000 a year and individuals who were heads of households making over \$112,500 a year.

Beginning in July, the IRS sent six monthly child tax credit payments to about 36 million families for more than 65 million U.S. children – roughly 90 percent of children. According to a Columbia University study (Curran, 2021, p. 3),

- The expanded CTC has reached the overwhelming majority of children, but outreach to newly eligible families with low incomes should still continue.

- Monthly payments are buffering family incomes amidst the continuing COVID-19 crisis.
- Monthly payments are reducing child poverty (Figure 3).
- Families are spending the CTC on food and other basic needs.
- Monthly payments are reducing food insufficiency.
- Monthly payments may be reducing financial stress and other hardships.
- There is no evidence that indicates the monthly payments are reducing employment.
- The expanded CTC matters for racial equity.

Figure 3: The impact of the expanded Child Tax Credit on monthly child poverty



Center on Poverty and Social Policy | povertycenter.columbia.edu

Source: Curran (2021), p. 8

The monthly payments were simply an advance of the child tax credit taxpayers would otherwise claim on their 2021 tax return. The payments came on top of the stimulus checks/deposits described above as well as enhanced unemployment benefits that were also part of the pandemic stimulus programs of both the Trump and Biden administrations.

As of early January 2022, it seems that CTC payments will not continue in 2022, as Biden's Build Back Better program did not pass in the Senate.

Pilot guaranteed income programs at the municipal level

Encouraged by a pilot program established in Stockton, California, by then Mayor Michael Tubbs with support from philanthropists, Tubbs founded Mayors for a Guaranteed Income (MGI - www.mayorsforagi.org). MGI now has 63 mayors from cities large and small in 26 states participating. Fifteen of these cities have pilot programs underway, and many more are expected to launch in 2022.

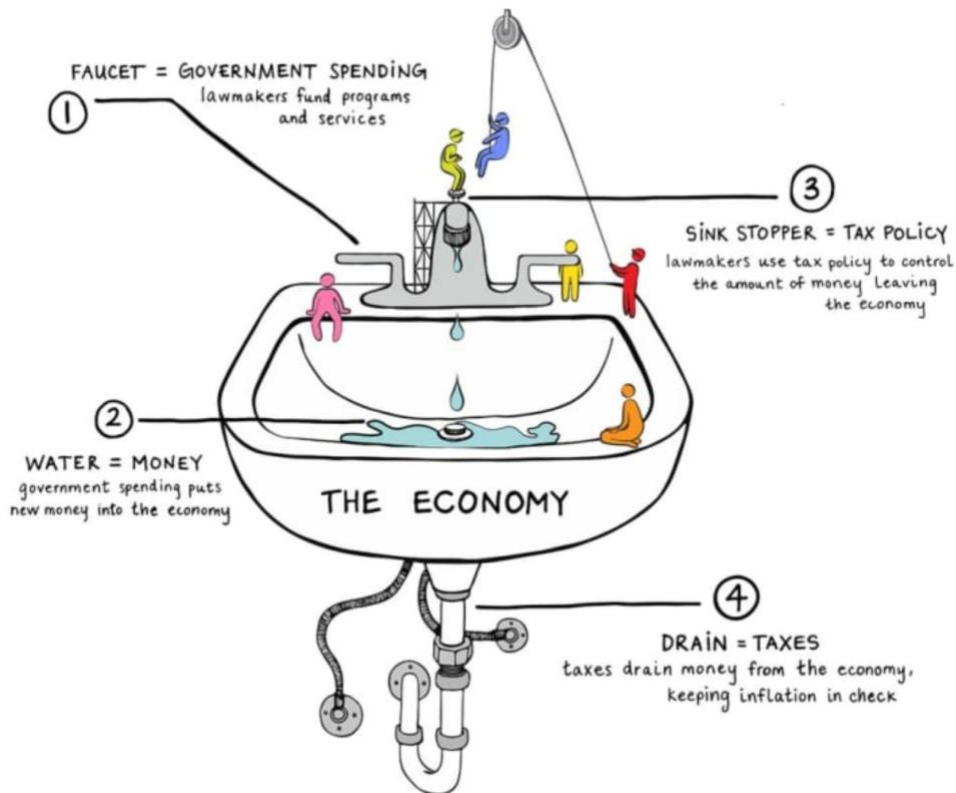
MGI, together with the University of Pennsylvania School of Social Policy & Practice has established the [Center for Guaranteed Income Research](#). The goal of the Center is to consolidate the key learnings from the pilots taking place in MGI member cities, to address

knowledge gaps in the contemporary understanding of guaranteed income's impact for Americans, and to allow the organization to layer data with anecdotal evidence in federal advocacy. Research results are getting significant coverage in the print and electronic media, further increasing public knowledge of cash transfers and their effects.

How to pay for a federal UBI? Some reflections on Modern Monetary Theory²

Conventional thinking says that the U.S. government first needs to obtain money from taxes or borrowing to spend it. Modern Monetary Theory (MMT) says that the government first spends money, then it taxes or borrows money to remove it from circulation as necessary to avoid higher-than-desired inflation. One can think of the economy as a bathtub, one that grows in size over time.

Figure 4: Scott Santens' Bathtub Analogy



Source: Santens (2021)

Money is like water flowing into the tub, and since the tub is increasing (the economy is growing), it will not overflow unless the flow exceeds the (expanding) size of the tub. Taxes need to be raised or federal borrowing increased when the flow is too fast rather than to fund a deficit, which can grow without causing inflation (overflow).

² This section draws heavily on Santens (2021) and Kelton (2020).

If taxes don't fund spending, and instead remove money from the circulating money supply, then taxes should be viewed as incentives and disincentives, not just as tools to maintain a currency's value. MMT focuses on resources, so policy makers should think beyond the quantity of money being created and focus on the objective to be attained with available resources. Instead of accepting the presumption that we should always avoid adding to the deficit, MMT tells us to start by asking whether any of the proposed spending needs to be offset to mitigate inflation risk.

By creating a UBI deposited in personal accounts, everyone gets money. Then money is deleted for some more than others via taxes. Because taxes aren't about funding, but rather about shaping the outcome of the policy, the focus shifts from how to pay for UBI to how to best shape the UBI. As soon as one starts thinking about taxes as a tool of erasing money and disincentivizing seem less appropriate.

In designing an optimal UBI implementation, it is also possible to reduce or even eliminate income taxes as part of that approach by instead relying on a mix of other taxes that tax things we want less of, like fuels producing carbon dioxide emissions.

References

Curran, Megan A. (2021). "[Research Roundup of the Expanded Child Tax Credit: The First 6 Months.](#)" *Poverty and Social Policy Report*. Center on Poverty and Social Policy, Columbia University Vol. 5, no 5 (December 22).

Kelton, Stephanie (2020). [The Deficit Myth: Modern Monetary Theory and the Birth of the People's Economy](#). New York, Public Affairs.

Knight, Peter T. (2019). "[Andrew Yang's Campaign for President of the United States.](#)" Paper prepared for the Basic Income Earth Network (BIEN) 19th Congress, Hyderabad, India, August 22-25, 2019. August 8 (revised).

Santens, Scott (n.d.). "[A Guide to Basic Income: Frequently Asked Questions About UBI: Unconditional Basic Income 101](#)".

Santens, Scott (2021). "[Why We Need Modern Monetary Theory \(MMT\) and Why It Needs Universal Basic Income \(UBI\)](#)". Also available as a book, [Let There Be Money: Understanding Modern Monetary Theory and Basic Income](#).

Standing, Guy (2020). [Battling Eight Giants: Basic Income Now](#). London: Bloomsbury.

Van Parijs, Philippe and Yannick Vanderborght (2017). [Basic Income: A Radical Proposal for a Free Society and a Sane Economy](#). Cambridge, Massachusetts: Harvard University Press.