

Negative Case Against UBI

Standard proposals:

1. Leave current welfare programs in place
2. Give everyone (or almost everyone) a monthly or annual cash benefit.
3. Pay for UBI with taxes on the rich or unspecified.

UBI fails to meet the Affirmative burden of substantially reducing inequality:

- Over the last 60 years, the rich have not gotten richer and the poor have not gotten poorer.
- But there has been a substantial increase in inequality among the broad middle class.
- The reasons for this inequality appear to be lifestyle choices that are causing individuals and families to follow very different paths, with stark economic consequences.
- Giving checks of equal amounts to everyone in the middle of the income ladder will not by itself reduce inequality among this group.

[Sources: [Auten and Splinter](#): technical article; [Dylan Matthews](#): nontechnical explanation. [Phil Gramm](#), et. al. find that the difference between the income of the top and bottom fifth of the income distribution has narrowed over the past 70 years. [Charles Murray](#) on why the middle class is coming apart.]

Giving the same annual lump sum to everyone who is not rich, funded by a tax on the rich, would make the rich less rich

relative to everyone else. But it would not change the broad increase in inequality among the middle class that has been documented.

UBI may not do anything to improve the economic wellbeing of the poorest individuals.

When noncash welfare benefits are included, it looks as though less than 2% of the population falls below the poverty line.

- Many of these folks don't have a mailbox. Or a bank account. Or even an actual residence.
- Most plans to implement UBI envision that the money will be dispersed the way Covid checks were dispersed (money went right into the recipient's bank account.) That doesn't help the homeless.
- It is strange to have a plan for reducing inequality that doesn't touch people at the bottom of the income ladder.

[Source for 1.6% estimated poverty rate: [Richard V. Burkhauser, et. al.](#), *Journal of Political Economy*. Source for 6% of the population who have no bank account: [USA Facts](#).]

Even if reducing inequality were a good thing, the UBI approach is an extraordinarily wasteful way of going about it.

It's wasteful because there is an enormous amount of spending that does not reduce inequality in any substantial way and an enormous amount is given to people who don't need it (including, in the general case, millionaires and billionaires).

Example: In 2020, Sen. Kamala Harris proposed \$2,000 payments each month “to every individual, including children and other dependents” during the duration of the Covid crisis. Only the very rich would be excluded.

- The cost to the federal government would be \$6 trillion a year.
- Ignoring interest payments, this would double the size of federal spending, and therefore double the size of the nation’s tax burden.
- But since everyone who wasn’t very rich would be getting the same amount of money, this would do nothing to reduce inequality among 90% + of the population.

[Source: [Matt Weidinger](#), American Enterprise institute]

Without abolishing existing welfare programs, there is no practical way to pay for a UBI.

- Over the last 70 years federal tax revenues have averaged about 18% of GDP.
- They have never reached 20% -- even in WWII when Americans were making all kinds of sacrifices, and even when the top tax bracket was 90% in the 1950s.
- Since the upper limit of federal revenue has not been exceeded despite 70 years of changes in the tax code, why would anyone think that collecting as much as twice the historical intake is possible?

[Source: [St Louis Federal Reserve](#)]

There are three limits on collecting federal revenue:

Tax avoidance (which is legal)

Tax evasion (which is illegal)

Voter resistance to higher tax rates

There are many ways of avoiding taxes and many high-profile people have been convicted of *evasion* when they thought they were engaged in *avoidance*. (Soccer star Lionel Messi and singer Willie Nelson, for example.)

Here is the economic principle: The higher the tax rate, the greater the incentive of the taxpayer to escape taxation and the methods of escape are generally wasteful for society as a whole.

- If the tax rate is 90%, taxpayers have an incentive to invest up to 89 cents to avoid reporting one more dollar of income.
- That 89 cents is likely to be spent in a way that adds little or nothing to the economy's GDP.

[Sources: economists differ, but Art Laffer (father of the [Laffer curve](#)) believes we are already maxed out on the income tax revenue we can get from [the top 1%.](#)]

Making the UBI non-universal has socially undesirable consequences.

According to the dictionary “universal” means everyone. That is what the debate topic seems to require. Nevertheless, in order

to reduce the cost and avoid the waste of a truly universal approach, some UBI proposals would phase out the benefit at some level of income. This is called “means testing.”

A New School proposal, for example, would give adults \$12,500 every year, but the amount phases out (reduces to zero) as the recipient’s other income rises from \$10,000 to \$50,000. Here are the problems with:

Penalties for working: When an individual earns a dollar, he loses 30 cents of UBI money. People at the bottom of the income ladder already face very high implicit marginal tax rates because of the phase out of other in-kind benefits (health care, food stamps, etc.) Add another 30 percentage points and the reward for working could drop to zero!

Penalties for marriage: For a married couple, the UBI completely phases out at \$70,000 and the penalty for working is 45 cents for every additional dollar. The couple would be better off not getting married.

Increasing inequality: When non-cash entitlement benefits are counted as income, the bottom three quintiles of the income distribution (bottom 60 percent) have roughly the same average income. If you give the bottom quintile substantially more income than the quintile above it, you have created inequality.

Not every proposal has a marriage tax. However, every proposal to phase out the UBI somewhere in the bottom

half of the income ladder will immediately increase inequality among some people. All means tested proposals raise marginal tax rates and give people incentives to work, save and invest less than they otherwise would.

[Clarifying note: If you include in-kind benefits (health care, food stamps, etc.), there is very little difference in the average income of the first three quintiles. [See Phil Gramm, et, al., [The Myth of American Inequality](#).] It is the variance around those averages that is the source of middle-class inequality.]

[Sources: for the New School proposal: [Matt Weidinger](#), AEI; One in four people in the bottom quintile face implicit marginal tax rates in the current system above 50%. One in ten are above 70%: [Kotlikoff](#), et. al.]

UBI will almost certainly make anti-social behavior worse and may even make inequality worse.

The distinguishing characteristic of UBI is that it is unconditional. No one has to change his behavior. What is the cause of low incomes? Is it circumstances over which people have no control? Or is it because of personal choices?

- A career lasting 6 years will provide an [NFL football player](#) with more earnings than an average college graduate will get in an entire lifetime.
- Yet according to a [Sports Illustrated article](#), 78 percent of former NFL players are bankrupt or under financial stress within two years of retirement.

- A UBI for this group would take away the financial penalty for making bad decisions and encourage future players to make more of them.

A lot of homelessness is homelessness by choice.

- The fact that California is fairly generous to the homeless, may explain why [half the homeless](#) in the country are in California – a comparatively wealthy state.
- A UBI would encourage more homelessness everywhere.

If it is true that our most serious inequality problem is among the broad middle class and that the problem arises because of behavioral choices, then the very act of handing everyone a check regardless of behavior ends up subsidizing the very lifestyle choices that gave rise to the problem.

Charles Murray argues that white Americans have cleaved into two distinct, highly segregated strata:

- An “upper class, defined by educational attainment, church attendance, a skilled/work culture and a new lower class, characterized by the lack of it.”
- The new lower class is “less industrious, less likely to marry and raise children in a two-parent household, and more politically, and socially disengaged.”
- A UBI would not immediately change the income difference between the two groups. But it would subsidize the very behavior that is leading to unequal outcomes in

the first place. In that way, it would likely create more inequality.

[Source: Charles Murray, [Coming Apart](#). Note: Murray's study focuses on white Americans because he wanted to show that the problems he describes do not have a racial origin. They are affecting all races.]

A UBI would perpetuate an unproductive state of dependency at the bottom of the income ladder.

Scholarly studies show that young people can virtually assure that they and their families will avoid poverty if they follow three elementary rules for success – (1) complete at least a high school education, (2) work full time and (3) wait until age 21 and get married before having a baby.

Our fiscal system doesn't do much to keep kids in school. But it strongly discourages work and marriage for those at the bottom on the income ladder.

Since the War on Poverty started in 1965, the labor force participation of the bottom one-fifth of households – who now receive more than 90 percent of their income from the government – has dropped from 70 percent to 36 percent. It's not hard to understand why.

- If an individual in this income range earns \$5,000 in the labor market, he gets hit with income and payroll taxes and it can disqualify him for means tested benefits.
- If the same individual applies for \$5,000 of food stamps, he gets the benefit with no negative consequences.

- In this way, our system penalizes work and rewards welfare dependency.

The system also discourages marriage through lower welfare/entitlement benefits for married couples. Take two people between the ages of 26 and 40:

- If both individuals earn \$10 an hour, getting married will lower their lifetime income by more than \$70,000, on average.
- If they earn \$15 an hour, the lifetime losses will climb to more than \$107,000.
- At \$20 an hour, their loss will be more than \$142,00.

On average, the economic loss from marriage is equal to between one-and-a-half and two years of income, on average. In the worst case, researchers discovered, getting married has a lifetime cost that is equal to 20 years of income!

There are many reasons to care about this. Academic studies find that marriage stabilizes relationships, improves children's outcomes and facilitates the development of labor market skills for the adults. In general, marriage is correlated with economic well-being. [One study](#) reports that married couples' average per capita wealth is more than twice that of the never-married.

By reducing the cost of being unmarried and unemployed, a UBI would encourage people to be in this perpetual state of dependency.

[Sources: on how not to be poor: [Federal Safety Net](#). On lack of labor market participation, [Phil Gramm](#), et. al. On the marriage tax, [Goodman](#) in *Forbes*, based on [Kotlikoff](#), et. al. technical study.

UBI would likely cause people to drop out of the labor force

Over 100 localities (including two dozen or so in the United States) are testing what happens when low-income people are provided with income with no strings attached.

Studies generally find that recipients have better mental health, more stable finances, and higher food security than households with the same poverty status, from the same areas of the city who did not receive payments. In general, the payments didn't cause recipients to work less.

It is not surprising that having more money has psychological benefits. More money makes life easier. It is somewhat surprising that people didn't reduce their hours of work. Why work, if you don't have to?

The answer some economists give is that these are short run experiments. If you know that in a year or two your UBI will disappear and you will have to seek income in the labor market, there are costs to dropping out. Skills deteriorate, contacts become attenuated, etc.

[Sources: Karl Smith. "Guaranteed Income Plans Only Work in Studies So Far," Bloomberg; and Leslie Ford, "[Cities Use Covid](#)

[Funds to Run Guaranteed-Income Experiments,](#)” *Wall Street Journal.*]

There have been two federal experiments that were long term in duration. In the 1970s, there were UBI experiments that lasted for many years. American Enterprise Institute economist Leslie Ford reports that:

- Overall, \$1,000 in added benefits was offset by a \$660 earnings reduction.
- The reduced earnings persisted long after the programs ended: Each \$1 increase in benefits led to a roughly \$5 drop in recipients’ lifetime earnings.

The other ongoing experiment was the Aid to Families with Dependent Children (AFDC) program, established by the Social Security Act of 1935.

- The program sent money to low-income single mothers without requiring them to work.
- By 1996, when welfare reform brought the program to an end, barely 1 in 10 recipient families included a worker.
- Most were stuck in long-term poverty.

[Source: Leslie Ford, “[Cities Use Covid Funds to Run Guaranteed-Income Experiments,](#)” *Wall Street Journal.*]

Affirmative Burdens That are Hard to Meet

Affirmative teams should be asked to answer these questions

1. Why is inequality bad?

Our founding fathers believed everyone should be equal before the law, and most of us would readily agree. But they didn't believe that people should be equal, or that the government should try to make them equal, in other ways. As it turns out, there are huge benefits in our not being the same.

Take IQ. The average is 100. But what if everyone had an average IQ of 100? We never would have discovered Newton's laws of physics, Einstein's theory of relativity, quantum mechanics, and many other inventions and innovations. The fact that some people are born with an IQ that is 4 or 5 standard deviations above the mean, is enormously beneficial to those of us who are not in the top 1% on the IQ scale.

Useful inventions often have an economic payoff. Some of the richest people in the world are inventors. Bill Gates (Microsoft), Elon Musk (Tesla), Jeff Bezos (Amazon) and now deceased Steve Jobs (Apple) are just a few.

However, [Nobel Laureate William Nordhaus](#) estimates that innovators are able to capture about 2.2 percent of the total surplus from innovation. That means that 98% of the value of what they produce flows to the rest of society.

A successful economic system is likely to be one that confers large rewards on people who make very valuable contributions to it.

For millions of people in the world today, equality of income is not the highest value.

Venezuelan immigrants could have stayed in their home country, where most people are equally poor. Instead, they have trekked at great personal risk to this country, where they know they will start out at the bottom of the income ladder.

2. What is the answer to the leaky bucket problem?

If we accept the idea that eliminating inequality is a good thing to do, we must also accept the fact that there is a cost to eliminating it. The economist Arthur Okun described this as the [leaky bucket problem](#).

Okun imagined trying to shift water from one pool to the next. If the bucket has leaks, some water will be lost in the process. In a similar way redistributing money from one group to another will inevitably result in an efficiency loss -- a loss of output for society as a whole.

One way to see that is to recognize that tax on above average income earners is a tax on success. A subsidy for low-income earners is a subsidy for a failure to be successful. The more we tax success and reward failure, the less we will have of the former and the more we will have of the latter. Redistribution

makes society as a whole less prosperous than it would otherwise be.

The question for the Affirmative is: where do you draw the line? And what standard do you rely on in drawing the line?

Here is a different way to state the problem. Of every affirmative proposal, we can always ask, why stop there? Why not do more?

If it is good to reduce inequality by 10%, why not 20%? Why not 30% or 40%, etc.? At what point is the cost of redistribution too high?

3. If there is no answer, then why don't we use UBI to create equal incomes for everyone

The range of options stretches from doing nothing about inequality to attempting to eliminate it altogether. Total elimination would mean using UBI to create equal income for everyone, regardless of what they do. If anyone earns more than the universal average, that income would be taxed away. If anyone earned less, their income would be subsidized up to the universal average.

Our very first [Jamestown Colony](#) was actually organized in this way. (We started out as a socialist country!) but because there was no reward for work, people had perverse incentives to shirk and let others produce. The result: the colony was on the verge of starvation.

The problem was solved by creating property rights and allowing people to retain the product of their own labor.