



**“Universal Basic Income: Free Money for Freedom”  
By Alexandra Koken**

**The Undergraduate Research Writing Conference  
• 2020 •**

**Rutgers, The State University of New Jersey**

Universal Basic Income: Free Money for Freedom

Alexandra Koken

Rutgers University

## **Introduction**

The world is undergoing a change. Technology, and the resulting automation that it has evolved to produce, are altering the way we live our lives and conduct our work. Some economists call it the Fourth Industrial Revolution, where technology has undergone enough development to effectuate a dramatic evolution on a global scale. No matter the title or the theory, what is happening around us is very real and relatively rapid. Many living adults can recall a time when typewriters were commonplace, and now we make verbal requests of robots called ‘Alexa’ to do our shopping. The brilliance of our technological capabilities has brought new meaning to convenience; however, they are likely to create other, less desirable economic effects. Automation, or when technology performs tasks for us, makes many of our routine chores easier or eliminates them entirely. This same concept also applies to work and the workforce. Some work that once required a human, even if it was to operate a machine, is now performed by the machine itself, such as self-checkout or ez-pass. It is economical for companies to make large investments in automation upfront to save the costs of payroll in the long run. Robots are often more efficient and reliable in certain roles, and their down time does not equate to sick or vacation time. For these reasons, among others that we will explore, technology and automation are expected to reduce the number of jobs available, overall. One study found that as many as 47 percent of jobs are at risk of being automated over the next twenty years (Cummins, Millar, Sahoo & Yamashita, 2019, p. 2). While new jobs will certainly be created over time, as well, the potential loss of nearly half of the jobs in the United States is significant enough to warrant some form of intervention on a large scale. One predominant solution that has garnered

attention among economists and politicians alike, including former presidents Nixon and Obama and candidate Hilary Clinton, is a basic income structure.

Universal Basic Income (UBI) is a subject that has actually been postulated since the 1700's (Mason, 2015). The concept has resurfaced as a potential solution to numerous economic and basic human needs issues since and has been tested many times in varying geographical regions. The concept of UBI is relatively straightforward: provide every citizen with continual and incremental predetermined cash payments, without condition. For example, the federal government could choose to provide every citizen, regardless of age, with \$100 per month that would be direct deposited into an account or some other medium of exchange. While this model is very simple, descriptions of actual basic income programs that have been tested do not expand far beyond it. They each have different cash payments and may have certain constraints, such as withholding money for a year if a person is incarcerated or excluding those under a certain age. The intent of the program, however, remains as inclusive as possible.

Those in favor of a basic income note its potential to alleviate a considerable strain on the economy due to high unemployment rates as a result of automation. According to Jones & Marinescu (2018), it could potentially increase the number of part-time workers by enabling stay-at-home mothers to enter the workforce and become valuable contributors to the GDP (Jones & Marinescu, 2018). A more optimistic argument speaks to the freedoms it would give people to engage in lower-paying, yet more individually gratifying work. An artist could take more time to paint, and a coder could take more time to create, for example. Ultimately, as Mason found (2015) society would benefit as a whole from people having more flexibility to foster their natural abilities (Mason, 2015).

The autonomy that could potentially be gained through a basic income is one argument that this paper will examine and is the fundamental thread that binds the arguments of automation, a post capitalist economy and feminism, which will all be examined, as well. Beginning with automation, the first section looks at the potential job loss that may come as a result of its implementation and will examine the subsequent matters of the fourth industrial revolution, feminism, and the resulting socioeconomic realities as they relate back to an increasingly automated world, in the final sections of the paper. A case study of the Alaska Permanent Fund, the longest running example of a basic income structure, will follow to evaluate the evidence of its impact on the workforce. Counterarguments will be provided for work force participation, overall job loss, and funding.

Labor force participation, or how many people that are able to work do, does hold its importance. If no one in the United States has an income of zero then would people still be productive, and if they are productive in what way do they participate? The coming technological advancements may reduce the importance of this question, however. If there is less work to be done, how do we then take care of the citizens who are willing, yet unable to work? Is a Universal Basic Income the best solution to this problem? Because there is uncertainty around what will happen to the labor market, and how long any negative effects may last, it is important that the sustainability of such a program be a central focus of its discussion. Sustainability forces the question of funding. The United States has tremendous debt, a strong divide on spending, and a very large population. How would funding even be possible? If all of these issues were met satisfactorily, what then would become of the labor market? Would employers seek to exploit workers further, or would it place power in the hands of the labor market to demand better

conditions? Would it solve or exacerbate other socioeconomic issues that people in the United States face such as income inequality and discrimination?

Current jobs are going, and new jobs are likely to come in their stead. It sounds like a perfect balance on the surface, but there is a great difference between what we are doing away with and what we are creating, acutely concerning the skill set required to execute these tasks. Ethically, it is dutiful that the United States cares for its citizens, particularly by not leaving those willing but unable to work behind in the wake of a technological revolution that is simply unfairly timed for them. What is timely is the opportunity automation has created for the United States to try something that it has not done before, which is to create a new policy, a basic income that meets basic needs for people in need. Universal basic income has enough evidence from its trials to prove that it can be a greater motivator than inhibitor, increase autonomy, and a means to narrow steadily increasing inequality while reinvigorating stagnating wages. Funding for the program is possible, however, politicians and citizens in the United States must find common ground to support the changes in taxation and otherwise that are necessary to obtain it.

### **The Fourth Industrial Revolution and Setting a Stage for UBI**

The invention of the factory brought us into the first industrial revolution (1700's), for the second, it was assembly lines (1900's), and the third industrial revolution (or the emergence of the post-industrial society) is marked by computer technologies that emerged in the 1970's. There is debate over what qualifies for the third industrial revolution, yet just 50 years later, technology has advanced enough for economists to postulate that the fourth industrial revolution is underway. According to Andrew White (2019), we "have reached the stage where automation will become as effective in eliminating jobs in the knowledge economy as it has been in replacing human labor in the operation of repetitive and/or menial tasks (as cited in Ford 2016;

Frey and Osborne 2013; Hariri 2016) (White, 2019, p.64). The knowledge economy is one way to refer to where the digital age has brought us, a point in time where information is the most valuable resource we have. Managing and valuing intellectual property has become a critical component of our economy, however, it remains difficult to quantify because, as Mason (2019) found, "...markets are based on scarcity, while information is abundant". Technology creates free time, and the information we value is limitless under an economic system that sets prices in accordance with the limits of supply. The combination of these two factors means that there is much in our lives that our current economic theories are ill-equipped to manage. Would we be remiss to call this culmination anything other than a revolution? If we were, there is another theory for what is to come, which is a post capitalist economy.

#### *Post Capitalist Economy and Basic Income*

While the fourth industrial revolution describes the future of the job market, the post capitalist economic theory describes the future of our daily lives. As we work harder on technologies that make it so we don't have to work hard, we draw closer to a point where there is less work, overall. This creates both a problem for the workforce and the economy, as well as an opportunity to rethink our current systems and implement something effective and sustainable for a different kind of future. Researchers warn that "...the policy and regulation due to the speed of progress may lack a remedy for any unexpected consequences or developments if the policy resolutions remain non-global and reactive" (Arman, Morrar & Mousa, 2017, p. 13). A UBI would not only aid in the rising unemployment but provide a long-term solution for workers whose skills have been, or are soon to be, phased out of the job market entirely. Caregivers will no longer be the ones at home and out of the workforce, it is therefore an opportunity for greater equality, both for women and for disadvantaged populations, as well. "Rather than paid

employment and care work being divided between workers and caregivers, all citizens would be assumed to participate in both kinds of work, and social institutions, including the workplace and the social welfare system, would be structured so as to support this dual responsibility” (Zelleke, 2011, p.32). It is a reimagining not just of our policies and tax codes, but of our domestic lives and public contributions. In a world with little work to be done it would do us all well to have as much opportunity to contribute in new ways as possible, particularly since the limits of possibility at this point are so far out of reach. A basic income would ensure that no one lives below the poverty line, and that everyone has a chance to enrich their lives in some way. Christiansen, Hessel, & Skirbekk (2018) found that work gives many of us value, and without the security of income or a job to provide us with purpose it places individuals and communities at risk for mental health issues (Christiansen, Hessel, & Skirbekk, 2018). With a basic income “the ideal of autonomy does not imply the equalization of resources, opportunities or capabilities, but rather the guarantee of the minimal resources necessary for individuals to pursue their own ends consistent with their innate abilities and with a similar degree of autonomy from others over their own lives” (Zelleke, 2011, p. 34). Therefore, giving people safety and choice through a basic income could be the best solution in this landscape.

### **Automation and Universal Basic Income as a Solution**

#### *Automation and Work*

Many leading countries have recognized the impact that automation will have on the economy, and the workforce in particular. Countries including Germany, Japan, and Canada, among others have taken steps to ensure their workforce is prepared in anticipation of changes in the job market to both keep their citizens employed and their workforce relevant on a global scale. “Problem-Solving Skills of the U.S. Workforce and Preparedness for Job Automation” is a



paper that examines where the United States falls in comparison to other countries in terms of workforce preparedness, job training, and the number of high-skilled laborers and contrasts it with the anticipated job loss as a result of automation. The study found that labor force participation was down from 1997 to 2017 in the United States overall, with a greater decline for men than women, and increased automation, while not the only factor, is among the causes. Going forward, it is estimated “that about 47% of jobs in the United States are at risk of being replaced by automation over the next two decades, but there are substantial disparities depending on wages, qualification, and demographic background” (Cummins, 2019, p. 2). The job loss is expected to impact low-skilled, lower wage jobs significantly more than higher paid jobs. It is probable that new jobs will be created as the low-skilled occupations phase out, but there is uncertainty as to what these new jobs will be, and how many will come. It is also likely that the work created out of this evolution of the job market “will be more strict, and new skills and knowledge will be required” (Arman, 2017, p. 17). There are many implications here, starting with the low-skilled and low wage earners and what it means to them if jobs are created that they simply cannot do. It is likely that these barriers will include skills and education, in addition to geographical hinderances.

### *Automation and Education*

To solve the problem of education, the same countries have already begun implementing education programs to ensure a future-ready workforce. This is because “a skilled workforce is critical to economic growth and is especially important in a global economy experiencing rapid job automations. A single period of formal schooling is no longer adequate to keep up with the changes in skills demanded by employers in the technology rich societies” (Cummins, 2019, p.8). It is important to gauge this in relative terms because if the United States falls behind the

curve of automation it could be damaging to its own economy. Since the job market is evolving rapidly, understanding where we stand is the first important step in knowing how to move forward to keep up with countries that have made progress in this area already. One important factor that was uncovered as a result of the study is that many countries that rank higher than the United States in preparedness have implemented education and job training programs that extend beyond conventional means of education. College alone will not sustain our workforce through this evolution because we already have so much technology. It will move fast enough that some of the skills college students acquire, particularly technical skills, can become outdated quickly, as well. A basic income program has the potential to provide a solution to this issue, because it would offer greater freedom of choice as to how individuals spend their time. Women in particular can reap great benefits, since, as Schulz (2017) found, their “education is now higher than men’s in a number of countries, in average, women still face de facto unequal chances of political, economic and social participation” (p.98). Women could have the opportunity to build on the foundations of their education with a basic income, allowing options for child care or payment for courses, making them even greater contributors both in and out of the home. Those who were previously unable to afford higher education would now have more occasion to both make time and pay for continuing education, while full time workers could take time off or reduce hours with a basic income to spend time improving their skill sets.

#### *Discrimination and Income Inequality*

Additional groups with a high risk of vulnerability due to automation are minorities and economically disadvantaged workers. One study examined the proficiency levels of a group’s Problem-Solving Skills in Technology-Rich Environments (PSTRE) and found “variations (of PSTRE scores) within the United States based on race/ethnicity emphasize the

critical need for improved educational opportunities for disadvantaged groups to reduce inequality” (Cummins, 2017, p. 6). These scores run on a scale from below Level 1 to Level 3. The higher the level, the greater and more complex the technological skill set becomes, with level one being basic applications. Anything that falls below Level 1 indicates users who are unable to maneuver technology such as the internet and email. In the US, we have the highest number of adults with below Level 1 proficiency, at twenty-three percent, and only 5 percent of the U.S. population is in the top, Level 3, bracket. When this data is spread across different ethnic groups within the U.S., specifically Hispanic, Black and White, the data shows that Blacks and Hispanics have more than double the percentage of people below Level 1 as Whites. The Level 1 percentages are similar for all groups, however in Levels 2 and 3, Whites have a significantly greater percentage than Blacks or Hispanics. As technology advances, White (2018, p. 65) found “whether coincidental or not, this sharpening of inequality reaches its apotheosis in digital markets, where monopolies abound in companies where huge wealth commonly is shared among often very few employees and shareholders” (as cited in White, 2014). Preventative policy action is critical for these groups. Universal basic income would place these groups in a better position to resist poverty as a result of job loss or having to turn to other social programs to meet their survival needs.

### **FUNDING A BASIC INCOME PROGRAM**

Supporters and the opposition alike have questioned our ability to fund the program. It is an expensive program, yet not an impossible one. Taxation is the premier proposition for funding, and while many economists say it won’t work, economist Richard Pereira (2017, p.15) says, “this is not true as there are significant leakages in the existing tax system, which can provide a large amount of funding without raising taxes.” Revamping the tax system to make it

work for a UBI is better than not attempting it at all. In addition, Pereira urges that the government scrutinize offshore accounts and other means of corporate tax evasion, as he believes these missing funds alone could create a substantial pool. Although “estimates for...an annual basic income of \$10,000 in 2010 would have cost a massive \$2 trillion a year to fund (Sheahen, 2012; cited in Gans 2014, 83). The problem with this type of speculation is that there is no possible way of knowing how... this kind of radical disruption would affect an economy in its totality” (White, 2019, p. 74). What this means is that there are so many positive effects that are not being accounted for, so assuming the worst is shortsighted. The savings in other social programs that would no longer be necessary, as well as the elimination of outliers that take advantage of certain systems and the increase in consumer spending are all very important factors to consider that dramatically alter the net cost of a basic income.

### **The Alaska Permanent Fund**

The Alaska Permanent Fund is the longest running example of a Universal Basic Income. The state has been paying its residents since 1982 through a surplus generated by oil reserve income, however the state itself has not done any research on the effects of the fund. Damon Jones and Ioana Marinescu conducted a study, *The Labor Market Impacts of Universal and Permanent Cash Transfers: Evidence from the Alaska Permanent Fund* to determine the impact of the fund on employment. The study finds “that the dividend had no effect on employment and increased part-time work by 1.8 percentage points (17 percent)” (Jones & Marinescu, 2018, p. 3). Alaska was modeled against a “synthetic Alaska” to determine if the trends of employment might match another state of its economic likeness that did not have a UBI program. The greatest reduction found was in full-time work in the tradeable (globalized) sector, while the non-tradable sector (local services) was unaffected. The data says that there is no effect on the extensive

margin, or the number of people who work full-time. Simply put, if people have more money to spend, they consume more, and greater consumption leads to greater demand for workers.

Therefore, any decrease in participation has been offset by the increase in employment availability. Again, the decrease in one area offsets the increase in another, resulting in no real net change. While full-time work remains constant, there has actually been an increase in part-time work in Alaska. This is attributed to “overcoming fixed costs to entry as a result of the dividend” (Jones & Marinescu, 2018, p. 3), which means, for example, women who must pay for child care to work can now afford to do so. When further examining the outcome of part-time work, separating women from men showed that there is little change in how many men work part-time, but that the increase could be attributed to women entering the workforce, as opposed to people reducing hours to part-time. This is important because it reveals a positive effect, not just on labor force participation in general but on women’s ability to work at all, since “reproductive work, mainly accomplished by women the world over, for free or very little money, thus remains steadfastly insufficiently addressed in practice in the labor market and legislation, as well as the homes of people” (Schulz, 2017, p. 90). This means not just allowing women to work but allowing them to become valuable contributors to the economy by having independent sources of income. It also allows them increased autonomy by way of the ability to decide whether to engage in an economically dependent lifestyle. The evidence in this study strongly suggest that in the unique case of Alaska the program is overall successful, however it cannot conclude the effects on The United States as a whole due to variations in resources.

### **Opposition**

The opposition to a Universal Basic Income is strong. Reasons against it, which Ezrati (2019) cites include taking resources from those on assistance programs in need and distributing

it to those who are not, discouraging positive contributions to society, and plainly, the cost to both the government and to tax payers. (Ezrati, 2019). The list may appear short, however, individually these issues appear insurmountable. If a basic income is implemented, where does that leave those dependent on pre-existing social programs? Income tax increases are a possible solution; however, this could mean that the payments themselves would become worthless or result in no net change in income for many struggling citizens. Data is available for trial runs or short-lived implementations of a basic income, yet not much of it is comparable to the United States. This creates a high-risk situation should lawmakers choose to go forward with it, because the ramifications of its failure are unforeseeable. Despite it being largely based in economics, the opposition still holds its weight against support for UBI that is rooted in a more human-centric viewpoint. It is crucial that a such a large-scale program be highly scrutinized through the numbers. Data will always tell a story, but to tell the correct story, the most objective one, takes considerable time and examination.

### *Automation*

One researcher, Simon Cowan of The Center for Independent Studies, examined sets of data that reveal inconclusive information on the threat of automation. Cowan (2017) says “Frey and Osborne have suggested that 47% of US jobs are at risk from advances in machine learning and robotics. However, other estimates by Arntz, Gregory and Zierahn are not nearly as pessimistic, suggesting that the number of jobs at risk is much lower at less than 10% on average” (Cowan, 2017, p. 14). He also notes that job loss, no matter the figure you stand behind, does not account for job creation. There have been several industrial revolutions, all due to enhancements in technology, and each of them brought on their own economic booms. Job loss is a considerable concern from another angle as well, as people may seek to exit the

workforce voluntarily. Many studies have been done beyond the Alaska Permanent Fund on the effects a basic income structure has on employment. While they often show that there is no considerable impact, “these experiments always cover temporary periods. People might therefore not quit their jobs just because they receive greater income temporarily, since they would risk longer unemployment after the experiment ends” (Schneider, 2017, p85). If Schneider and Cowan are right about automation, then a basic income guarantee could actually be harmful if automation ends up creating a slew of new jobs that the unemployed work force does not care to train for.

### *The Risks of Error in Funding*

Welfare programs exist for when people are in extreme situations. They were implemented with the understanding that poverty and homelessness are the social responsibilities of the government. It is important to remember how essential they are to the livelihood of the people that depend on them. While monthly cash payments seem to solve that problem, according to Schneider (2017, p. 84) “for the vast majority of the population, this would not produce any net gains, since the increased tax burden would more or less cancel out basic income.” This group could potentially be subjected to economic burden two-fold with the removal of welfare programs coupled with regressive consumption taxes. Regressive consumption taxes are taxes that are levied on goods and services, and they are inherently discriminatory against those with less income. This is because they are paying a larger portion of their income through the tax for the same good as someone with a higher income, since sales tax is technically a flat tax. In addition, there can be value added taxes, or taxes that are paid on the markup a retailer sells a product for, the burden of which often falls on the consumer. In this situation, the liability again falls on the low-income sector. Proposals on how to fund a Universal

Basic Income include different methods of taxation, what to tax, focusing on the income of the wealthy, as well as cutting existing programs or various budget items to redirect funds into a basic income fund. Ezrati (2018) aims to highlight how quickly a basic income can go wrong if it is not done right. He adds that implementing a basic income “would steal resources from those truly in need for broader distribution. It would effectively warehouse people who might otherwise find ways to contribute to society and do so at great cost” (Ezrati, 2018). The way we choose to fund a UBI is a crucial factor of its success, and it is essential that we do not overlook any areas that could lay an undue burden of those undeserving, yet likely that we will. It would be hypocritical and counterintuitive to the very soul of the initiative. The social programs that are currently in place already have problems. To make it more difficult financially for people in these situations would negate the point of equality, or at the very least shirking the wage gap, in addition to the autonomy these programs are designed to afford people.

### **Conclusion**

Universal Basic Income is a common denominator in discussions of income inequality, feminism, automation, job loss, discrimination and many other socioeconomic areas. It comes as a solution not to one problem, but to all of the problems. In a utopian world, it would be just that, however in reality, that is likely not the case. What the evidence suggests it will do is provide disadvantaged people with the power of choice, and those who are afforded greater comforts more opportunity to indulge in bettering themselves, and therefore their communities and the economy. It won't be perfect, but it will be better. We have been asking the wrong questions about a basic income structure. If there is less work to be done the concern should not be if people care to work less, because the reality is that most people will not have as much work to do. The greatest challenge to a UBI does not come in the form of reason, but rather, in politics.



Naysayers who cling to ‘pulling yourself up by the bootstraps’ and public servants too afraid to stop indulging the desires of their constituents and serve them well with something that feeds the greater good and the bigger picture. The opposition is simply not founded in as much evidence as the proponent, and a Universal Basic Income is the best solution put forth to solve the problems that the technological revolution is presenting us with. There are ways of funding, they lay just outside of the standard policy changes. If the United States is to have a sustainable future, it would do best to start looking around outside is precedent, because there isn’t one for the fourth industrial revolution, or a post capitalist society.

## References

- Arman, H., Mousa, S., & Morrar, R. (November 2017). The fourth industrial revolution (industry 4.0): A social innovation perspective. *Technology Innovation Management Review*. 7(11).
- Arntz, G., Gregory, T., & Zierhan, M. (May 2016). The risk of automation for jobs in OECD countries: A comparative analysis. *OECD, Social, Employment, and Migration Working Papers*. (189).
- Christiansen, S., Hessel, P., & Skirbekk, V. (2018). Poor health as a potential risk factor for job loss due to automation: The case of Norway. *Occupational Environmental Medicine*, 75, 227-230.
- Cowan S. (2017). Universal basic income: Unworkable and unaffordable. *Policy: A Journal of Public Policy and Ideas*. 33(4), 14-20.
- Ezrati, M. (2018, February). Universal basic income: A thoroughly wrongheaded idea. *Forbes.com*. Retrieved from:  
<https://www.forbes.com/sites/miltonezrati/2019/01/15/universal-basic-income-a-thoroughly-wrongheaded-idea/#3441cfab45e1>.
- Frey, C.B., & Osborne, M.A. (January 2017). The future of employment: How susceptible are jobs to computerisation? *Technological Forecasting and Social Change* 114, 245-269.
- Gans, H. J. (December 2014.) Basic income. A remedy for a sick labor market? *Challenge*, 57 (2), 80–90.
- Heller, M. (2018, February). Who really stands to win from universal basic income?

*The New Yorker*. Retrieved from:

<https://www.newyorker.com/magazine/2018/07/09/who-really-stands-to-win-from-universal-basic-income>

Jones, D., & Marinescu, I. (2018, February). The Labor Market Impacts of Universal and Permanent Cash Transfers: Evidence from the Alaska Permanent Fund [Scholarly project]. *Uchicago.edu*. Retrieved from:

[https://home.uchicago.edu/~j1s/Jones\\_Alaska.pdf](https://home.uchicago.edu/~j1s/Jones_Alaska.pdf)

Mason, P. (2015, July). The end of capitalism has begun. *The Guardian*. Retrieved from:

<https://www.theguardian.com/books/2015/jul/17/postcapitalism-end-of-capitalism-begun>.

Pereira, R. (2017). Financing basic income: Addressing the cost objection. *Exploring the basic income guarantee*.

Schneider, H. (March 2017). Universal basic income- empty dreams of paradise. *Intereconomics*, 52, (2), 83-87.

Schulz, P. (31 January, 2017). Universal basic income in a feminist perspective and gender analysis. *Global Social Policy*, 17(1), 89-92.

White, A. (2014). *Digital Media and Society: Transforming Economics, Politics and Social Practices*.

White, A. (2019). A universal basic income in the superstar (digital) economy. *Ethics and Social Welfare*, (13)1, 64-78.

Zelleke, A. (2011). Feminist political theory and the argument for an unconditional basic income. *Policy & Politics*, 39(1), 27-42.