



Universal Basic Income: Effectiveness in the Real-World

Himanshi Gupta

Welham Girls' School

ABSTRACT

The Universal Basic Income (UBI) model has become a stirrer of interesting debates worldwide and is being looked up to as the best insurance policy there could be. Economists believe that UBI will help alleviate poverty and bring about social justice. People have written a plethora of articles on it, modern day economists have made mentions of it in their books, even entire presidential campaigns have been rooted in the concept of UBI. Case studies from a variety of areas – both in the developing and developed world, are taken into consideration to draw conclusions about the effectiveness of UBI in the real world. These studies have been used to gauge the strength and validity of arguments for and against a universal basic income.

Key Words: Basic Income, Welfare, Scheme, Unemployment, Economic

1. Universal Basic Income: Effectiveness in the Real-World

“A Basic Income is a periodic cash payment unconditionally delivered to all on an individual basis, without means-test or work requirement.” This is the definition of Universal Basic Income as given by BIEN (Basic Income Earth Network). Here, *periodic* means at regular intervals, *unconditionally* means without any terms and conditions or without any strings attached, and *without means-test or work requirement* means regardless of whether the person is employed or not and what occupation they follow.

Talks of a Universal Basic Income took the center stage during the COVID-19 pandemic, when large-scale unemployment took place and national economies started to slip into recession. A sizable number of people lost their livelihood to the perils of the pandemic. To mitigate its effect on the people and to ensure a decent standard of living for all, several organizations began to seriously consider implementing UBI. While the pandemic highlighted the importance of some form of UBI, the major reason for considering UBI is automation. The increasing use of Artificial intelligence is already putting thousands out of jobs, and this automation is just going to increase. AI is constantly overpowering humans in both speed and efficiency. Humans will be unable to fend for themselves and their families and the governments will be expected to assist them. In such a scenario a Universal Basic Income will become an absolute necessity. According to Andrew Yang, candidate for the presidential primaries in United States in 2020, AI is already eating up jobs such as clerical, retail and sales, truck driving, food service and food preparation manufacturing. UBI will help smoothen the inevitable transition of life in the near future.

While determining the UBI for a country the following factors would be kept in mind: (i) pre-existing welfare schemes (ii) the diversity in terms of economic standing (iii) the per-capita-income. One of the biggest questions that arises when UBI is discussed, is what will be the source of money for such an expensive program. For UBI to be distributed on the global scale, national governments will be required to set aside significant sums of money. Simply put, the amount of money required by a country to implement UBI will be:

Funds for UBI = Population of the country x Money paid to each citizen

Till now, the pilots that have been conducted receive funds from private individuals or organizations. More recently, some governments have also begun experimenting with UBI using state funds.

Some experts say this money will be compensated for from the taxes the rich and upper middle class pay. The government can be expected to divert funds from other welfare programs to provide UBI to all. Other welfare schemes will likely become redundant with the introduction of UBI. More money will come as cash flow when customers buy goods and services and with the granting of wages and dividends. An assistant Professor at the University of Pennsylvania, Ioana Marinescu suggests funding UBI from Carbon Tax.

2.Literature Review

The general concept of Basic Income has been around for over fifty years. In 1953, G.H. Cole became the first person to use the phrase “basic income.” In 1967, Martin Luther King Jr. mentioned the need for a guaranteed annual income. He said that a stable and certain income will make human dignity flourish and humans will be able to focus on self-improvement. Milton Friedman mentioned a concept called “Negative Income Tax” which was very similar to UBI, in his book “Capitalism and Freedom.” Friedman insisted that the NIT would raise the floor without having an adverse effect on market mechanisms, which would reduce the paternalistic and intrusive state bureaucracy required to decide who, among the poor, deserves assistance (Friedman 1962, 1968) Friedman said "For a great large fraction who are being helped, they have every incentive to do it themselves. If we give them the money, we will strengthen their responsibility"

While tracing the complex history of UBI, one is likely to hear mentions of Thomas Paine, Richard Nixon, Thomas Spence and Huey Long among others. In the past UBI has been variably referred to as social dividend or basic federal minimum or guaranteed annual income. The root of all ideas was similar to the modern concept of UBI but some differed in terms and conditions.¹ In justification to a similar concept, the participation income, Atkinson challenged the view of a citizen’s income being an alternative to social insurance and insisted that “the aim of citizen’s income should rather be to cut dependence on means-tested benefits.” (Atkinson, 1996) This line of thought is not uncommon, Daniel Hani claims that through UBI "We want to render the conditional unconditional, UBI is about shifting power back to the citizen." Bidanure in their 2019 paper states, “If one really values freedom for all, they therefore should oppose conditions that force individuals to choose between survival and a life they do not want for themselves.”

Reed and Lansley, in their 2016 paper mention, “A UBI is one way of ensuring the gains [from technological change] are fairly distributed and not colonized by capital, while making an important contribution to realizing the new potential for choice offered by the new technology.”

Regarding UBI and work, there are several opinions on philosophical, economic and political levels. Buckminster Fuller claims that "We keep inventing jobs because of the false idea that everybody has to be employed at some kind of drudgery because he must justify his right to exist." UBI supporters like the German Sociologist, Claus Offe, believe that for all those who work without an income, UBI can be seen as a form of compensation, and even encouragement. In Jeremy Rifkin’s words, "Basic Income is not a utopia, it's a Practical Business Plan for the next step of the human journey." Others think that not only is UBI impractical, but it is also unfair. Bidanure in their 2019 paper comments, “Those who genuinely choose idleness or unproductive activities cannot expect those who have committed to doing productive work to subsidize their livelihood. Responsibility is central to fairness, and it conflicts with the idea of UBI as a policy.”

3.Methodology

The nature of this research paper is exploratory. This research paper uses both quantitative and qualitative data to present its findings. Quantitative variables have been chosen to describe the scale, duration and magnitude of the studies taken into account. Inferential analysis has been used. The correlation between variables has been visualized using Google Data Studio.

In addition, qualitative descriptions of the effects of the basic income study on the people and environment have been taken into consideration. To conduct qualitative research, a narrative analysis has been used. The required information has been taken from documents and records. Databases maintained by case study conductors, and organizational records have been used and referenced.

The paper first discusses popular arguments in favor of and against the universal basic income scheme. Then, it presents the studies taken into consideration in terms of the place where they were conducted, who funded them, for how long it was in effect, how many people were given the income. Thereafter, the variables have been compared using graphs. Then, the effects of the case studies are mentioned. Next, these arguments are contrasted with the results to gauge their validity and strength.

4.Arguments in Favor of Universal Basic Income

Those in favor of a basic income believe that UBI is a growing necessity, which will help smoothen the transition that technological development will eventually thrust upon us. Libertarians support UBI as it will simplify social welfare, and Socialists support it as it will help in the redistribution of wealth. Following are the major arguments in support of UBI.

4.1.1 UBI reduces inequality

Equality has long been the chased ideal: the ultimate goal of any welfare scheme is to achieve some form of equality. According to renowned sociology professor, Erik Olin Wright, ‘the power relations between workers and employers become less unequal (with the implementation of UBI) since workers have the option of exit.’ MIT graduate and founder of the UBI center, Max Ghenis stated, “a \$1,000 per month (UBI) would

cut the mean wealth gap by 16 percent, the poverty gap by 53 percent, and the median wealth gap by 70 percent.” These predictions will significantly reduce inequality.

4.1.2 UBI will eradicate absolute poverty

It's obvious that the granting of an income enough to sustain an individual and their family, will help overcome absolute poverty. With a basic income, no one would have to worry about food, clothing or shelter i.e., it will save people from existential panic. The average quality of life can be expected to rise. It will probably prove to be the best model to eliminate poverty, it might reduce desperation and anxiety in the world and make us less stressed on the whole.

4.1.3 UBI will increase positivity, innovation, and happiness

With a stable source of income, people will be encouraged to pursue their passion even if it is less financially secure. More people will get the motivation to start their own businesses, ideas and creativity will thrive. People will get an opportunity to quit jobs that they don't enjoy and merely took on to support their families. This will lead to an overall boost in the Happiness Quotient of the populace. It will free people from hard-unfulfilling labor.

4.1.4 UBI will enable the pursuit of knowledge

People will have an option to only take up part time jobs and spend more time with family. More people will enroll in unpaid internships for knowledge and experience and will be able to finish higher studies without worrying about their income.

4.1.5 It will be inexpensive to administer UBI

One of the strongest arguments in favor of UBI perhaps, is the bureaucratic oversight it provides. Since every adult is to receive UBI, the administration won't be required to spend any resources or time in figuring out the specific demographic for the scheme. Additionally, an unconditional basic income will be free from state paternalism as UBI leaves the expenditure of the funds to the best decisions of the recipient, instead of dictating where it should be spent.

4.2 Opposing Arguments

Those opposing UBI view it as a highly futuristic, radical and impractical model. I have elaborated on the major arguments against the implementation of UBI further in the text.

4.2.1 UBI will demotivate the workforce

With a steady source of income in the form of UBI, people might lose all incentive to work. They no longer need to work to buy necessities, they might become lazy and stop looking for employment opportunities altogether.

4.2.2 People's decisions regarding the expenditure of UBI cannot be relied upon.

The reason people are skeptical about the implementation of UBI is because they fear it will be misused. It is impossible to know for sure, if the recipient is spending his income on welfare or on drugs, alcohol, and other harmful substances. Studies show that some people who are low in conscientiousness might spend the entire income within the first few days of having been granted the income and might suffer for the remaining duration.

4.2.3 UBI will lead to a fall in standards of living

If everybody has more money, the cost of living will rise. Metropolitan areas might become too expensive to live in and people might not be able to support houses there with only UBI, as a result urban to rural migration might occur. The moving of the poor back into cheaper areas may widen the gap between the rich and poor. With people receiving money for free, more goods will be bought, which means there will be more demand, which in turn will make prices rise. This price rise might make basic goods unaffordable leaving no meaning or value to the basic income.

4.2.4 National economies will become overly dependent on UBI

Experts say that once UBI has been implemented a large fraction of the population will become overly dependent on it. In such a scenario, if there is a minor breakdown in the system and the payment is delayed, an enormous impact will be felt in the economy.

4.2.5 UBI will be too expensive for taxpayers

Skeptics of UBI state that the taxes imposed to compensate for UBI will be ridiculously high.

5. Results

Country	Organization	Source of funding	Amount (in USD)	Scale	Duration
5.1 India	Self-Employed Women's Association (SEWA)	UNICEF funding	\$2.80 for adults, 1.40\$ for children per month	6000	2011-2012
5.2 USA	Stockton, California	individual and foundation philanthropy, with the initial \$1 million coming from the Economic Security Project.	500\$ per month	125	2019-2020
5.3 USA	Eastern Band of Cherokee Indians Casino Dividend	A casino in North Carolina	4000\$ to 6000\$ per month		1997 - present
5.4 USA	Alaska, Royalty Payment Program	Alaska Permanent Fund which earns revenues from oil and mining	1000\$ to 2000\$ per month	735,000	1982- present
5.5 Canada	"Mincome"	Canada's federal and provincial governments, University of Manitoba economist Derek Hum, along with Manitoba civil servants Ron Hikel and Michael Loeb	\$11,700 per month to a family		1974-1979
5.6 Iran	Iranian Government	Iranian Government	45\$ per month, 1.50\$ per day		2011
5.7 Kenya	GiveDirectly	GiveDirectly	22.5\$ per month, 0.75\$ per day	20,000	2016 - present
5.8 Namibia	The Basic Income Grant Coalition	The Basic Income Grant Coalition	6.75\$ per month	1000	2008-2009
5.9 Germany	Mein Grundeinkommen (My Basic Income)	crowdfunding	1100\$ per month		2014-present
5.10 Finland	Finnish Government	Finnish Government	635\$ per month	2000	2017-2018
5.11 Brazil	The Brazilian Bureau of Census (IBGE); the Emergency Basic Income Program	Brazilian Government	120\$ per month		2020
5.12 South Korea	Gyeonggi Government	Gyeonggi Government	89\$ to 443\$ per month		2021

5.1

From 1974 to 1979, a form of UBI called Mincome was introduced in Canada. As a result of this scheme, which was meted out to poorest residents of Dauphin, a remote town, several positive changes took place. Rates of hospitalizations fell by 8.5%, banks were giving out loans more easily, significant improvements in mental health and a rise in the number of children completing high school were observed. After the end of the experiment in 1979, however, the health and education conditions reverted to the pre-Mincome era.

5.2

The Royalty Payment Program in Alaska, in the USA, is the longest running program (from 1982 to the present) that shares similar characteristics with UBI. This program does not negatively affect employment. The loss of incentive to work is compensated by the increased consumer spending and corresponding increase in demand for workers. There has, in fact, been an increased in part time employment by 1.8%. Education has also seen improvement.

5.3

Another long running UBI program is the Eastern Band of Cherokee Indians Casino Dividend in North Carolina, in the USA. Since 1997, the casino has handed out a portion of its profits as dividends to all tribal members. This has led to improved education and mental health. The income has decreased addiction and reduced crime.

5.4

From 2008 to 2009, the Basic Income Grant Coalition in Namibia provided a basic income to all citizens in Otjivero-Omitara. This study has

been true to the proposed nature of UBI in its universality and objectives. The results of this study are extremely promising: school drop-out rate fell to almost 0%, overall crime fell by 42%, child malnutrition decreased 32%, healthcare became more accessible to residents as they could afford it – specifically, HIV patients could afford better food and medication, the income made women more secure as they did not have to engage in transactional sex services to make ends meet. Many people from neighboring areas migrated to Otjivero-Omitara to be eligible for the income.

5.5

In 2011, in Iran, the government made monthly deposits of cash into individual family accounts. Labor supply saw a small fall in the 20-29 age group, but people in that age group don't usually work in Iran due to tertiary education opportunities. Employment was quite stable, people did not back out from their positions because of the extra income. Working time in the service sector increased by 36 minutes (3/5th of an hour).

5.6

In the 2011-12 study in India, researchers observed an improvement in nutrition because of the consumption of proper diets and an increased access to healthcare. Education flourished, with children showing a better performance in school. Personal savings tripled - people were able to pull themselves out of debt. Small scale investments on capital and resources went up, which would increase income in the long run. There was also a reduction in bonded labor.

5.7

Since 2014, a scheme called Mein Grundeinkommen (My Basic Income) has been going on in Germany through crowdfunding. The income has helped people pursue their education and improved mental health (reduced anxiety). Instead of losing incentive to work, people have been more motivated to work.

5.8

GiveDirectly has been running a Basic Income campaign in Kenya. The results from Kenya have been promising. Food security has improved with hunger rates falling from 68% to 57%. Citizens have better access to healthcare and fewer hospitalizations have taken place. In fact, UBI payments helped Kenyans stay resilient through the pandemic.

5.9

The government of Finland organized a Basic Income scheme in 2017 and 2018. This has raised people's trust in public institutions. Their well-being has been impacted significantly - health conditions have improved, overall happiness has increased, and even their cognitive skills have improved. People are more financially secure and manageable. A marginal increase in employment has also been observed.

5.10

In 2019 and 2020, in California, in the USA, a small-scale basic income scheme has been implemented. This seems to have made people happier. Their health and mental health have improved. They are better able to manage emergencies. People have not stopped working completely, instead full-time employment rate has improved. On examining their expenditure, it is found that the largest portion is spent on food, about 2% was spent on alcohol.

5.11

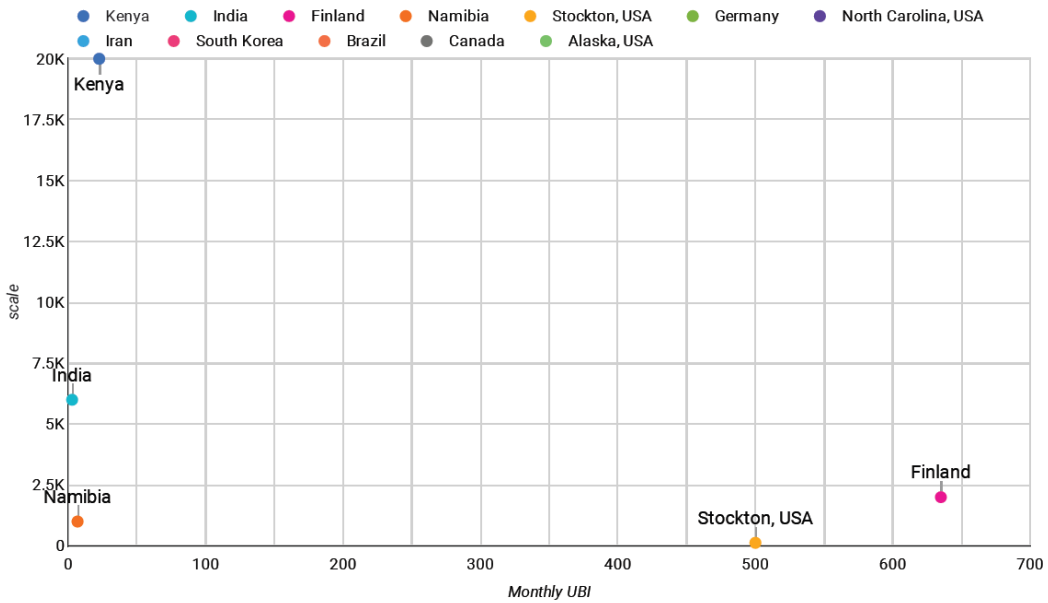
In Brazil, in 2020, the government gave an allowance following a format similar to the basic income. This allowance compensated 45 percent of outstanding earning losses due to the pandemic. It also increased the average income of the poorest 10 percent by 2,000 times.

5.12

An innovative version of the basic income has been implemented in the Gyeonggi province, in South Korea. There is a monthly allowance which is given to residents, but there is a catch. This money can only be spent on local businesses. This has led to the revival of traditional markets, the businesses which accepted Gyeonggi Pay were boosted by 45%.

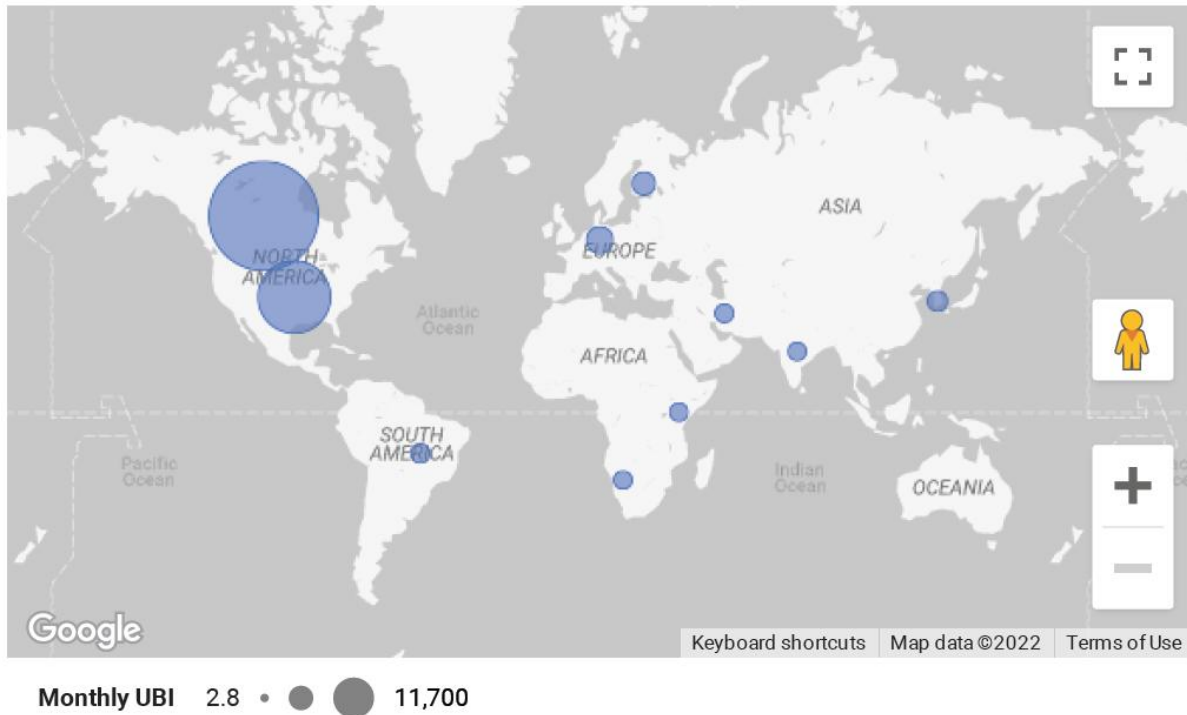
6. Graphs

6.1 Place of Implementation VS Monthly UBI



This scatter plot shows that there is no correlation between scale and monthly UBI some large-scale projects (Kenya at 20,000) have very small amounts of monthly UBI (Kenya at 0.75\$) and other large-scale projects (Alaska, USA at 735,000) had large monthly UBI (Alaska, USA at 1500\$).

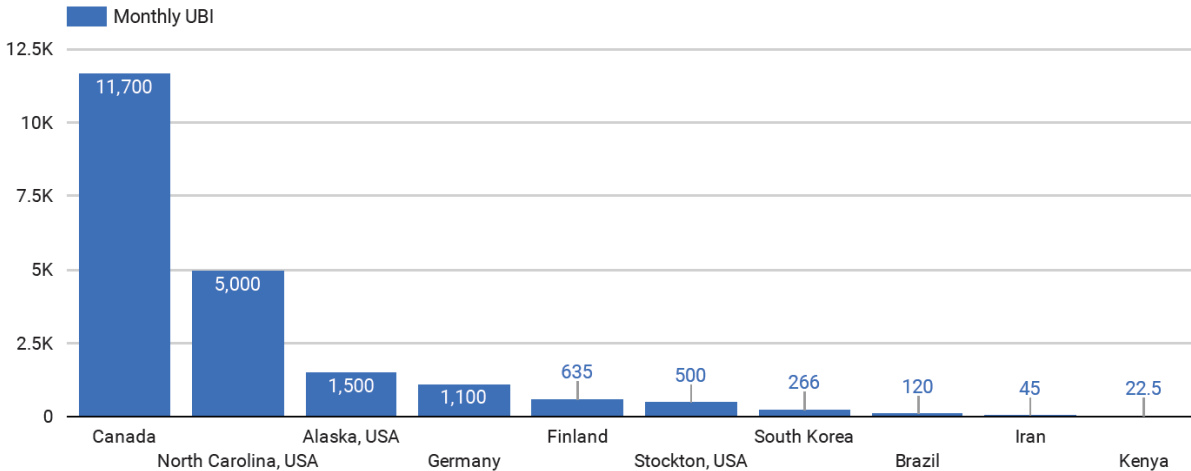
6.2 Place of Implementation and Monthly UBI



This geo-map displays the monthly UBI across the studies taken into consideration. The size of the circle corresponds to the monthly income. The

income grants are more in developed areas as compared to developing regions so that the participants are able to carry out their daily life according to the standard of living of that place.

6.3 Place of Implementation VS Monthly UBI



7. Conclusion

The arguments have been referred to in the order that they appear in in Section 4

While we cannot gauge the change in inequality from the studies, having observed falling hunger rates (5.8), falling hospitalization rates (5.1 and 5.8), improvement in nutrition (5.6), and increased access to healthcare (5.4 and 5.6) we can conclude that UBI does in fact eradicate absolute poverty. UBI has increased financial independence (5.9), increased saving investments (5.6), and boosted local businesses (5.12), it has also decreased anxiety (5.7) and improved mental health (5.1, 5.3, 5.7 and 5.10), overall happiness (5.9 and 5.10) has also increased, proving that UBI increases positivity, innovation, and happiness. UBI has also enabled the pursuit of knowledge (5.2, 5.3, 5.6 and 5.7), children have shown better performances in school (5.6) and school drop-out rates have fallen (5.1 and 5.4). The expense to administer these studies cannot be commented on due to limitations of scale and source. Instead of people losing the incentive to work, in most places UBI actually increased employment levels (5.2, 5.9 and 5.10). Most people also spent their income on their actual needs (5.10). Migration tendencies cannot be commented upon with certainty as of now due to the implementation of UBI in restricted regions. However, migration from neighboring areas to places with an active UBI scheme has been observed (5.4). The effect of UBI on the national economy of any country cannot be determined until it has been implemented on a larger scale for a longer time. As of now the source funding for these studies has been from private individuals or fixed sources of revenue.

Is universal basic income going to lead us to a more empathic happy society or a lazy unproductive one? The truth is, we cannot say for sure. Although the studies point that UBI has largely positive effects, its negative effects cannot be studied until it is implemented on a larger scale. It is certain that very soon unemployment will take place at an unprecedented scale. At such a time, the world will be in dire need for welfare schemes, and at such a time, only a policy similar to UBI will help stabilize world order.

8. Limitations

The studies above may seem to suggest that UBI can have no negative impacts. However, this data isn't conclusive enough because most of these schemes are

1. Not truly universal in nature: these programs often target a particular set of people, similar to a partial basic income program (a variant of universal basic income which is given only to the unemployed)
2. Conditional: may require some the recipients to do work
3. Temporary: the lack of permanence distorts the results as people know they will only receive money for a while

9. Recommendations

Economists across the world are doing augmented research on this policy, which has been around for decades but has gained the spotlight just recently. There is still a lot more information to be found out, many more projects to be done before we can implement this policy. While conducting these projects, I would recommend

1. The usage of key-performance indicators that are uniform across studies so that the factors affecting results can be studied across a broad range of pilots.
2. While it is unpractical to ask for research studies to be conducted for an indefinite period, studies conducted should be done for an unspecified period. When people are aware that the pilot study period is limited, they will likely behave in different manner than if they thought it was permanent/ did not know its duration.
3. Conducting studies in line with the exact ideals of UBI and trying out variations with a similar target group to see what modifications in the scheme make it more effective.

10. Scope

This research paper explores the basics of UBI and analyzes it from the viewpoints of both its supporters and naysayers. Through various studies it describes the real-life applications of UBI and its effects. At this point, we cannot effectively conclude whether UBI will be the most operative policy in the future. UBI will likely have to go through some modifications before it can be implemented worldwide. This research paper will help credit or dismiss popular assumptive arguments about UBI by backing them with real-world evidence.

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