

## The Conservative Case for a Universal Basic Income

By Herman Mark Schwartz

The United States should begin phasing in a universal basic income (UBI), or an equivalent negative income tax, in order to preempt the likely negative consequences of continued development of artificial intelligence and automation. Those consequences are decreasing social cohesion, anomie subsequent to lost purpose in life, and the work disincentivizing effects of the current system of social protection. These threaten the long-run political stability of the United States.

People focused on pension stability fear a future of acute labor shortages stemming from low fertility in the past two decades, but this problem is self-equilibrating. If labor actually is in short supply, either wages will rise, drawing retirees and young people back into the labor force, or they will spur more automation, exacerbating the existing trend towards labor shedding. That labor shedding is a much greater certainty than labor shortages.

Let's start with the money -- because that's what this issue is all about. Currently, a worker on minimum wage, if she works a full 2000 hour work-year -- and with minimum wage workers that is a big if -- will net about \$13,400 after Social Security and Medicaid taxes. But because employers pay the other half of those taxes, she costs the employer about \$15,600 in direct wage costs. Easily programmable robots already in the market, like Rethink Robotics Baxter® manufacturing robot, cost \$25,000 for the most basic unit. A few useful options might push the price to \$30,000. Looking at those numbers, you might think the human is still cheaper. But Baxter-type robots can work two 8 hour shifts without complaint or overtime, never call in sick for work, are free from substance abuse, don't file lawsuits, don't ask for raises, and have more easily upgradable software. On that account, Baxter is already cheaper, and, in effect, free after the first year.

The employment effects of automation (and de-unionization) are already being felt in the form of stagnant wages and a falling employment to population ratio (a better measure of national work effort than the unemployment rate). In turn, the loss of meaningful, well-compensated work has created a wide range of social problems. It's no accident that opioid addiction and deaths are highest in areas where work, and especially manufacturing work, has disappeared. Similarly, life expectancy is falling for white women and stagnant for white males in those same locales. These are the individual level manifestations of anomie and social dislocation. But that individually experienced anomie also aggregates into nihilistic politics that threaten the stability of the Republic by encouraging a 'burn it all down' mentality. Fritz Lang captured this phenomenon brilliantly in his 1927 film *Metropolis*, when the worker rebellion destroys the pumps protecting workers' underground city (and elites' dwellings above) from flooding.

A universal basic income -- a minimum payment possibly free of any work requirement -- would enable people to regain some stability in their lives by assuring them a constant income, and it would encourage families to stay together. If this income were pegged at a generous \$10,000 per person (which would still leave a family of four at only 66% of the median family income, and a household of two at 40% of the median household income) it would cost the United States approximately 18% of current GDP. That seems like an insurmountable amount of money. But a UBI would also eliminate virtually all of the bureaucracy currently administering the myriad of complex and inconsistent federal, state and local welfare programs; it would permit a scaling back of Social Security; and higher income individuals would necessarily return part or all of their UBI as taxes.

Finally, a UBI would necessarily have to be paired with some form of universal health insurance, and this would allow the United States to shrink its outrageously high and notoriously inefficient health care costs (which are also an overt and covert tax). Simply reducing health expenditures to the level of Switzerland or Japan would free up six to seven percentage points of GDP for redeployment to a UBI.

A UBI would undoubtedly induce some people to drop out of the labor force, content to live on a minimal

income. But, frankly, most of these individuals are zero or negative marginal productivity workers anyway. The rest would not face the punishingly high marginal rates of taxation that current targeted benefits create, and would have the incentive of being able to seek more meaningful work, or the ability to try to start their own firms. This would create a healthier, happier body politic.

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