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WRIT 2110

21 April 2021

Socio-Political Argument Final Draft

The United States is carrying an ever-increasing welfare state, with over 52 million Americans receiving government assistance per month in 2012, according to the U.S. Census Bureau (U.S. Census Bureau 2015). The exponential growth of robotics and artificial intelligence in the workforce has eaten away low-skilled jobs, leaving many with no source of income. Our rapidly shrinking job market, coupled with the Covid-19 lockdowns, rendered millions of blue-collar workers reliant on government assistance. The current economic situation plaguing the American working class has reignited the push for a Universal Basic Income. This economic structure, known as a UBI, involves a governing body providing a certain amount of cash payments at set intervals to every citizen, regardless of wealth, skill set, or demographic. While the definition of a UBI has not fully reached a consensus, the bulk of proponents and critics assert that a UBI involves monthly cash payments ensuring all citizens are above the poverty line. Proponents of Basic Income, including Presidential candidate Andrew Yang, economist Milton Friedman, and Tesla CEO Elon Musk, contend that the new system will allow for the circulation of wealth within the country and improved quality of life. Those opposing a UBI believe that the recurring payments will demotivate workers and be a financial burden on the economy. With job supply falling behind job demand, the debate for Basic Income has reached a new high. The replacement of the current welfare state with a Universal Basic Income is more

beneficial to the American working class than alternatives, as it reduces costly bureaucracy and empowers blue-collar workers with greater purchasing power.

Universal Basic Income shines when compared with other possible policies. Opponents to a UBI cite an expansion of current welfare programs as viable substitutes for the often considered 'unfeasible' basic income. However, these systems fail in one way or another to solve the current unemployment crisis. A critical flaw within a welfare state is the excessive bureaucracy created to run its programs. The U.S. Department of Health and Human Services currently facilitates over 100 social service programs to provide financial and health-related assistance to citizens (United States, Department of Health & Human Services). Employing a UBI will make many of these programs unnecessary, removing substantial amounts of bureaucracy from the system. The government can then reallocate freed resources to the UBI or other social or infrastructure projects. Another shortcoming of traditional welfare is the immense regulations and strings attached to payments. When a government creates a new welfare fund, there are often required demographics for eligibility. A citizen may have to be in a specific socioeconomic, marital, racial, or sexual demographic to receive funds. While this ensures that only those who need assistance receive assistance, it comes with a caveat. Aid will be halted if a recipient increases their income. Withholding funds disincentivizes gaining additional income and moving up the socioeconomic ladder, encouraging stagnation and causing more harm than good for recipients. An instance of this is the popular welfare-to-work narrative. These policies are enacted to promote welfare recipients to pursue employment. Unfortunately, various studies conclude that a significant number of past recipients who transitioned to work return to welfare assistance (Breitkreuz 662). According to research published on the Social Service Review, "Part of the reason for this continued poverty and return to social assistance is that welfare-to-work

typically leads to part-time, temporary, low-paying, or precarious jobs” (Breitkreuz 662). Due to the welfare program ceasing funds upon employment, recipients are often forced to move back towards welfare as their employment cannot sustain them. By creating conditions for assistance, welfare programs can exacerbate financial problems faces by recipients. A UBI does not contain this flaw, as it has no strings attached. As all citizens are eligible, there is no financial incentive to remain unemployed, take specific courses or fulfill certain criteria. A citizen will not be disincentivized to pursue work as there is no risk of losing assistance. Unlike the current welfare system, a UBI provides financial freedom to recipients due to its unconditional nature.

A more nuanced approach to alleviating the current welfare situation is by taxing goods that reduce jobs. Commonly referred to as the ‘Robot Tax,’ this method of tax-reform will require companies to pay additional taxes based on the amount of automation they are using. The Robot Tax emerged as robotics and digitization began to replace blue-collar and labor-intensive jobs. Proponents argue that discouraging excessive automation will push corporations towards a larger human workforce, increasing job growth. A paper published in the *International Review of Economics and Finance* (IREF) explores this concept. The study uses statistical models to gauge the effect of a Robot Tax on income equality and concluded that “When we introduce a regulated wage rate to [a robotics-using sector], an acceleration in automation will deteriorate wage inequality unambiguously, but taxing robots will still improve wage inequality” (Zhang 507). However, the study fails to consider an additional alternative to automation –offshore labor. To avoid regulations, many firms shift their facilities to countries with lax environmental or labor laws. According to a study published in the *European Economic Review*, “...offshoring has generated an overall loss of production (low-skill) jobs in the manufacturing sector that is equal to about 6% of all production jobs lost” (Wright 76). The study also asserts that “... workers are

likely to be displaced in the process and will have to “re-tool” in order to adjust to the changing demand for skills by firms” (Wright 63). In essence, offshore labor has a similar effect to automation, in which jobs fade away and workers are unable to adapt to new industries.

However, a Robot Tax will not be able to protect the working class from offshoring. A UBI will protect workers from job loss entirely, be it automation or outsourcing. A Basic Income will provide financial security to displaced employees while enabling workers to pursue education and adapt their skillset. Referring to the IREF study, the authors acknowledge that the paper does not consider the possibility of offshoring, stating that “this paper concentrates on an autarky economy, but the result that robot taxation reduces wage inequality might be changed in a multi-economy framework, since tax competition might lead to a ‘race to the bottom’” (Zhang 507). While the efficiency of a Robot Tax on regulating automation is plausible, a UBI will protect the working-class from other forms of job loss, rendering it the superior option.

While it may appear counterintuitive, providing cash payments to the poor enables them to work beyond providing bare necessities for themselves and their families, allowing for a higher quality of life and increased economic productivity. Critics of a UBI argue that cash payments will incentivize a sedentary/nonproductive lifestyle, where recipients will waste the money on drugs and alcohol –A claim associated with classical economists Malthus and Ricardo. However, empirical data reveals the exact opposite effect. According to a study conducted by the World Bank on the use of cash payments given to the poor, “Across 50 estimates from 19 studies, we find that almost without exception, studies find either no significant impact or a significant negative impact of transfers on expenditures on alcohol and tobacco” (Evans 190). Despite claims by critics, the study did not observe an increase in drug and alcohol spending when individuals were given payments. This information relates closely to the income and

substitution effects, phenomena observed in the macroeconomic scale. The income effect ties personal income with consumption of goods, stating that an increase in income will increase consumption. While this seems to conclude that income changes in the form of cash payments will cause greater usage of tobacco/alcohol, it fails to consider the role of the substitution effect. This trend postulates that consumers “substitute” goods with other products during a change of income. The study cites that, “For both conditional and unconditional programs, cash transfers may induce a substitution effect away from temptation goods by increasing the marginal return on investment due to nonlinearity in the investment function” (Evans 193). The term, “marginal return on investment” (193) is particularly important. It demonstrates that the additional income allows individuals to invest in entities that have a greater rate of return –In this case, it is education and professional development. The study asserts that the cash payments increase the value toward education and health investment, while simultaneously decreasing the value of short-term pleasure –defined as “temptation goods”. The research also explores the reasons behind the shift in tobacco/alcohol spending, observing that the use of social messaging often plays a role in a recipient’s decision-making. This detail may be an important facet of implementing a UBI that promotes educational and health investment. Nevertheless, the study effectively disproves critics’ claims that cash payments will encourage spending on vices. Moreover, it reveals that a basic income, coupled with social messaging, can promote investment in education and health. The report summarizes this effectively by stating, “For example, by giving households sufficient cash at one time to open a small retail business, cash transfers create the opportunity to invest cash that might otherwise be spent in small doses on temptation items” (Evans 193). As recipients of a UBI are more likely to be financially secure, they can utilize the additional income towards professional development, schooling, and greater quality of life. The

funds spent by the recipients reenter the economy, creating an additional circulation of wealth and as a result, greater productivity.

The multitude of past experiments and studies illustrates the positive effects of scrapping the current welfare system and employing a Universal Basic Income. Implementing a UBI will make obsolete the several current welfare programs, consequently reducing bureaucracy and the expensive components that come with them. Unlike the proposed Robot Tax, Basic Income will protect workers from non-automation-related job loss while simultaneously providing the means to adapt one's skillset to a dynamic workforce. Finally, contrary to claims by critics, a UBI would encourage workers to pursue a career and personal improvement, enabling greater adaptability and economic growth. As we enter an age with rapid unemployment –made apparent by the 2020 pandemic and the advancement of robotics– the structure of our economic system and the social safety net is critical to the wellbeing of our fellow citizens. It is time to critically consider a Universal Basic Income to empower blue-collar workers and ensure that no citizen is left behind.

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