



Universal Income

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Instead of providing welfare payments to people who have to prove they have extremely low incomes, an alternative theory involves guaranteeing a **basic income** to everyone. By setting a **floor** under which no one falls, proponents hope to reduce income disparities and inequality as well as improve the economy in a region as people spend more.

Further, by giving out cash grants with no strings, recipients can choose how to spend the money – on rent, food, education, health care, income-generating supplies or whatever is deemed most important to them.

Breathe: a new program

The latest guaranteed income program is in Los Angeles county, California, USA. The [Breathe](#) program targets people with lower incomes who have been hurt by COVID-19. It will provide \$1,000 a month to 1,000 people for 3 years, helping them “breathe easier”. The **unrestricted money** will be provided via debit cards, which will enable the spending to be tracked and analyzed. Recipients will be randomly selected from among applicants; the program will also track a control group – 1,200 people who applied but were not selected to receive the money. Both

recipients and the **control group** will be periodically given surveys to gauge their experiences around physical and mental health, income volatility, housing stability, employment, education, family dynamics, stress, coping and hope and COVID-19.

The #Breathe program is an exciting new venture into direct cash delivery. By committing to three years of funds, program organizers hope families will be able to plan for longer-term improvements, such as investments in education, rather than just grappling with day-to-day needs.

Give Directly: an existing program

A long-standing cash delivery program is run by [Give Directly](https://www.givedirectly.org), which gives money for five years to residents in an entire village at one time – thus **universal basic income (#UBI)** in the village.

Research on the effectiveness of their guaranteed income program has shown the positive impact of cash transfers. A study on Give Directly's work in Kenya found positive impacts on assets, earnings, food security, and domestic violence; further, long-term impacts were seen more than two years after the program ended, in particular "sustained increases in assets." [\[1\]](#)

More research results can be found here: <https://www.givedirectly.org/research-at-give-directly/>

In the words of one Give Directly recipient:

Our new goal is to look for more money for paying school fees for one of our children... We do not have jobs. We usually depend on farming to earn a living where we usually grow maize and rear cows. The maize does not usually do well most of the time due to some disease that has been affecting it for a while now. We usually harvest what is only enough for our consumption...As a result, it is the cows that we depend on most. We usually sell milk and the money that we make from the sales is what we usually use in paying school fees for our children. (Joice from Kenya)[\[2\]](#)

Jumwa, 30 - Viragoni, Kenya



WHAT DOES RECEIVING THIS MONEY MEAN TO YOU?

Receiving this money will really improve my standard of living and that of my family. This will guarantee me of a meal every day and also support education for my children. For the first transfer I will use 1200 KES to buy food. For the second transfer and the subsequent ones, I will pay school fees for my children. This is one of my heaviest burden. I have 3 school going children.

WHAT CHALLENGES ARE YOU CURRENTLY FACING?

Financial constraints have been the cause of all my challenges. My spouse and I have no meaningful employment. We depend on selling charcoal to earn a living. Charcoal business earns me at least 1200 KES in two weeks. This is very little, given that I have 5 children to provide for their basic needs.

Why cash transfers are needed

Programs such as these rebut the “common sense” opinion that poor people will waste money on alcohol, drugs or other non-essential purchases. Because of this view, many welfare programs have restrictions on what recipients can buy with the money and can have regulations micromanaging the lives of the recipients, for example, punishing parents financially when their children don’t go to school. Basic income programs, by contrast, are administratively easier to run.

Another major problem with welfare and other assistance programs is that they **end abruptly** when the recipient’s income increases – someone is either over or under the income line. But someone who got a 50 cent/hour raise or increased their working hours will still need help buying nutritious food, paying for day care and health care, getting to work (car/bus) and paying rent – because they are still low-income. A single emergency (car breaks down, child is sick and parent has to miss work, cost of medicine or doctor visit) can use up the small savings the family may have accrued. There is thus a **disincentive** for people on welfare to increase their work income – a negative spiral known as the poverty trap.

Challenges remain

Political will and lack of knowledge are the biggest hinderances to UBI programs; opponents may feel that people do not “deserve” to get an income if they’re not working. Financial/structural issues can include the need to use money from existing social service programs in order to not raise taxes – in the end, the income guarantee will replace welfare, food, housing and health care subsidies, but the interim period can be challenging.

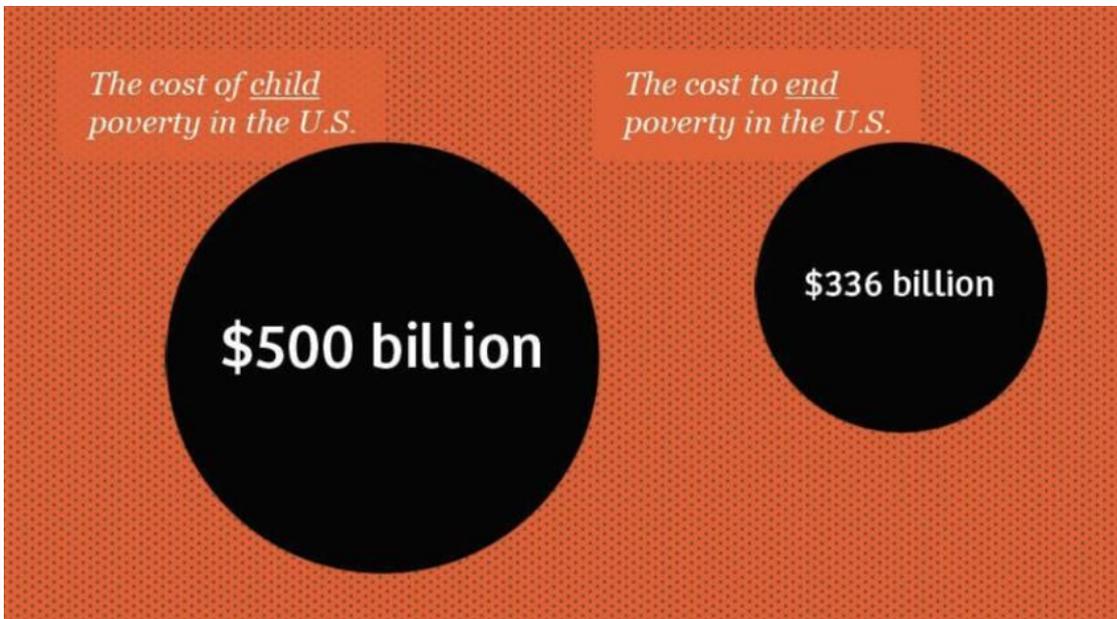
The province of Ontario, Canada started a basic income pilot in 2016 but closed it in 2019. “We have a broken social service system. A research project that helps less than four thousand people is not the answer and provides no hope to the nearly two million Ontarians who are trapped in the cycle of poverty,” said Lisa MacLeod, Minister of Children, Community and Social Services. [\[3\]](#)

For more reading on the issue of UBI and how to finance basic incomes, see Annie Lowrey’s [Give People Money](#) and Rutger Bregman’s [World Economic Forum essay](#) on the topic.

I applaud Los Angeles County’s [Poverty Alleviation Initiative](#) for taking the long view in helping people overcome the barriers that hinder their economic improvement. The results of their program will add to the body of literature supporting cash transfers.

Addendum 1: In a related theme, the American Supplemental Nutrition Assistance Program (SNAP), formerly called food stamps, provides money to help low-income people buy groceries and thus eat healthier – a worthy goal; however, because the program is funded by the US Department of Agriculture, recipients cannot use SNAP funds to buy non-food items such as soap, toilet paper, diapers or menstrual supplies. By contrast, a direct cash transfer allows people to buy what they need.

Addendum 2: The research on unconditional cash transfers made this very interesting finding: “Monthly transfers are more likely than lump-sum transfers to improve food security, whereas lump-sum transfers are more likely to be spent on durables, suggesting that households face savings and credit constraints.” [1]



from Rutger Bregman <https://www.weforum.org/agenda/2018/05/how-we-make-basic-income-reality-Rutger-Bregman/>

[1] The Short-Term Impact Of Unconditional Cash Transfers To The Poor: Experimental Evidence From Kenya. Haushofer, J. and Shapiro, J. The Quarterly Journal of Economics (2016), 1973–2042. doi:10.1093/qje/qjw025. Advance Access publication on July 19, 2016.

[2] https://live.givedirectly.org/newsfeed/a31416b1-828e-4ad3-92ca-18674f5cc9bb/218792?context=newsfeed#payment_2

[3] <https://news.ontario.ca/en/release/49980/ontarios-government-for-the-people-announces-compassionate-wind-down-of-basic-income-research-project>