

## **Who wins with a universal basic income (UBI) and who loses with a jobs guarantee (JG)?**

There are several justifications put forward for a universal basic income program and a jobs guarantee program. Not all of them make sense, and the differences between the two programs aren't often made clear in the context of an economy, where UBI works as a private sector subsidy while a jobs guarantee is anti-private. I begin with the left-leaning justifications of UBI, of which there seem to be five.

### **Left justifications for Universal Basic Income**

1) The humane justification: All humans deserve a basic income simply in virtue of being human; 2) the utilitarian justification: a dollar given to people at the economic bottom has a high value both to the economy, since their spending is immediate and so feeds the economy directly, and to the spenders -- each dollar is valuable to those who have few, whereas one dollar more or less is meaningless to a Bloomberg whose wealth is measured in billions -- a single dollar is not even on the radar; 3) the labor justification: a basic income allows workers the freedom to reject jobs, which will raise wages as employers find they have to lure labor back to work; 4) the cultural justification: UBI will remove the stigma of means-tested welfare benefits since everyone will receive the basic income, not just the unemployed; 5) the efficiency justification: UBI will simplify the welfare net: no more means testing, no more means testers.

The first three justifications are not new: they are the justifications for welfare. They do not, then, argue for UBI over maintaining or enhancing welfare, and since raising welfare payments would be easier and cheaper than UBI. UBI, given to everyone, is expensive, vastly more expensive than welfare.

The fourth reason, relieving the stigma of means testing, only holds of the application process and the stigma of getting money for nothing, not the remaining stigma of not working. And if taxes pay for the UBI, the entire "freeloading" stigma is replicated by UBI: those not working are freeloading off the hard-working taxpayers. Whether "dignity-through-work" is a cultural norm or a myth to justify wage labor, it is not relieved through UBI.

Finally, the simplification of the welfare system by a shift to UBI is likely to be great, although it may be offset in part if, say, undocumented immigrants are excluded. Exclusion requires some oversight. But the consequence of the simplification will be also be a loss of a lot of government jobs and tax revenue.

### **The neoliberal justification**

There are four, all closely related. 1) Eliminate the welfare trap: those on welfare often reject low-wage jobs since taking a job lowers or eliminates their welfare benefits; UBI isn't lost when taking a job. This is the essential difference between UBI and welfare: if you're living on a basic income, but you want to buy a second car or travel or dine out with friends more often, UBI incentivises you to take a low-wage job or part-time job or gig-economy job (e.g., Uber-driving), even one with no benefits, just to gain that bit of additional income; welfare doesn't allow that; it's either welfare or job, not both. Welfare incentivises staying on welfare rather than taking a low-wage job.

2) Lower wages: those living solely on the basic income will be far more attracted to low wage, low prestige or part-time jobs in a way that welfare recipients wouldn't. Means-tested benefits like welfare and unemployment benefits raise wages at the bottom -- employers must afford more than what the welfare net is offering. So whereas welfare and unemployment benefits are labor-friendly and ordinary human being-friendly, UBI is corporate-friendly. On the neoliberal analysis, UBI is a form of corporate welfare: a wage subsidy.

3) Raise profits without raising prices or inflating the economy: If UBI incentivises people at the bottom to accept lower wages, corporations depending on low-skill jobs can lower their wages while keeping their prices low, increasing profits without raising prices and so without increasing inflation. UBI is a Walmart-economy model: because the wages are so low, the employees qualify for welfare-net government subsidies like medicaid or food stamps. That keeps Walmart's pricing down. It's a highly lucrative and successful business model: low prices fueling demand, low wages fueling profits.

4) Low wages among unskilled jobs lowers prices and increases exports.

From a neoliberal perspective, UBI is the economist's dream-come-true: low wages, low prices, and high demand without inflation or depression. It is, in short, a demand-driven model -- give people more money, and they'll sustain demand and, at least at the bottom among low skills, they'll work for less.

### **The libertarian justification**

Libertarians are single-issue thinkers: freedom is not a priority, it's the only value at play. Most libertarian arguments are focused on the benefits of deregulation under the assumption that unregulated suppliers will provide more options -- more "freedom" --to the consumer. But this only addresses the choices for the public-as-consumer, not the choices of the public-as-labor. UBI allows labor the freedom to reject a job in favor of another. That should raise wages and quality of the workplace. Welfare, on the other hand, allows the freedom only to reject a job, but limits the choice in favor of another, since taking the job would lose the benefits.

UBI allows maximal freedom within the parameters of low skill jobs. Those with high-paying jobs are not likely to be affected by UBI: those with high incomes are likely to have high rents and expensive schools for their kids; leaving a high-paying job would entail moving and giving up their kids' private educations. So the freedom offered by UBI is offered only to those low on the economic scale. In addition, welfare allows more leverage to improve the workplace, since a rational recipient would stay on welfare until the available jobs offered really good wages or employee-friendly work conditions. Welfare raises the floor and its floor is hard and inflexible. Under UBI, recipients might be readier to take a substandard job just to augment the basic income -- the floor is flexible and for some jobs it might create a slipping towards the bottom.

The neoliberal and libertarian justifications get much closer to the essential distinction between UBI and means-tested benefits. The Left justifications do not support UBI over welfare & unemployment benefits. Following their justifications, the Left should be advocating for an

enhanced means-testing welfare net, not UBI, which is corporate welfare in the Walmart tradition.

### **Comparing UBI with a jobs guarantee**

If UBI is a demand-driven economic model, a jobs guarantee is a supply-side model, but the opposite of a Reaganomic, Cato Institute or Manhattan Institute privatization: it's government supply, a jobs program.

Jobs programs have a long history in the U.S. as labor-friendly populism, at least as far back to Fernando Wood's construction of Central Park in the 1850's. The most famous such program was FDR's WPA, but government itself is a kind of work project, especially where it competes with the private sector -- education, health care, construction, prisons.

A jobs guarantee can go well beyond a jobs program. It entails that if the market does not need your labor, government will supply additional labor, regardless of the lack of demand. If there's a dip in demand for shoes, for example, a jobs guarantee could set shoe-makers back to work regardless of the lack of demand, flooding the market with supply, lowering prices further. A job guarantee not only encroaches on the private sector, it lowers prices, further weakening the private sector -- it's a downward spiral for the private sector, as government surges. To the extent that government is more interested in the wellbeing of its people and not in profit, this edging out of the private sector can raise the quality of services, and even compel private corporations to compete with the moral standards of the public sector. Finally, a jobs guarantee is countercyclical: as the economy weakens, the government jobs increase to sustain incomes while weakening still the private sector. A jobs guarantee is a socialist's dream come true: it sustains the market economy by edging out the private for-profit sector.

### **Jobs guarantee or UBI?**

For the left, a jobs guarantee should seem far preferable to a universal basic income: UBI is corporate welfare in its essence; in essence, a jobs guarantee is anti-private sector. From a humane and moral perspective, the welfare/unemployment model does just as well as UBI, and a lot more cheaply. The application process is inhumane, but with a \$12 trillion price tag, UBI must surely be the most expensive means of eradicating that application process.

From a corporate perspective, UBI is desirable and a jobs guarantee is a threat. Even if a jobs guarantee didn't immediately bring across-the-board socialism by edging out the private sector, it would still compel the private sector to raise its standards to the ethical bar of a non profit government program. Jobs guarantee is a policy of progressive socialization.

Can the welfare/unemployment or UBI co-exist with a jobs guarantee? Certainly. There is no conflict between the two and they are in some ways complementary. With a jobs guarantee, the government can set the wage level of any job, since the private sector can't offer the same job for less. That would counteract the inclination of UBI towards wage slippage.

### **The robotic future without jobs?**

Here's where UBI is compelling, and some even assume that UBI will be necessary in order for the owners of capital to generate demand for their robot-made products: if no one works, no one earns wages, no one can spend, producers gain no wealth -- permanent, absolute depression. But if robots ever replace humans entirely, the owners of capital -- the owners of the robot technology -- will not need wealth or consumers, since robots, as labor and reproduction of labor, will suffice for all the material needs of its owners. Consumers and purchasing power and the 99% will be superfluous. UBI will certainly be necessary for the survival of the 99%, but it is wishful thinking to imagine that the 1% would have any interest in promoting it.