

UBI is Even Worse Than Welfare

Written by Bryan Caplan.

Libertarians have a standard set of fundamental criticisms of the welfare state.

1. Forced charity is unjust. Individuals have a moral right to decide if and when they want to help others.
2. Forced charity is unnecessary. In a free market, voluntary donations are enough to provide for the truly poor.
3. Forced charity gives recipients bad incentives. If the government takes care of you, you're less likely to take care of yourself by work and saving.
4. The cost of forced charity is high and growing rapidly, leading to a future of exorbitant taxes or financial crisis.

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Taken together, I think these criticisms justify the radical libertarian view that the welfare state should be abolished. But this is an extremely unpopular view, so it's natural for libertarians to consider more moderate reforms like the Universal Basic Income. And when you're considering moderate reforms, the right question to ask isn't: “Is it ideal?” but “Is it better than the status quo?”

My claim: The Universal Basic Income is indeed worse than the status quo. In fact, all the fundamental criticisms of the welfare state apply with even greater force.

1. Some forced charity is more unjust than other forced charity. Forcing people to help others who can't help themselves – like kids from poor families or the severely disabled – is at least defensible. Forcing people to help everyone is not. And for all its faults, at least the status quo makes some effort to target people who can't help themselves. The whole idea of the Universal Basic Income, in contrast, is of course, to give money to everyone whether they need it or not. Of course, the UBI formula normally reduces the net payment as income rises; but if a perfectly able-bodied person chooses never to work, the UBI gravy train never stops.
2. The UBI is an extremely wasteful form of forced charity. Helping the small minority of people who can't help themselves doesn't cost much. Giving an unconditional grant to every citizen wastes an enormous amount of money. If you were running a private charity, it would never even occur to you to “help everyone,” because it's such a frivolous use of scarce charitable resources. Instead, you'd target spending to do the most good. And unlike the UBI, the status quo makes some effort to so target its

resources.

3. Overall, the UBI probably gives even worse incentives than the status quo. Defenders of the UBI correctly point out that it might improve incentives for people who are already on welfare. Under the status quo, earning another \$1 of legal income can easily reduce your welfare by a \$1, implying a marginal tax rate of 100%. But under the status quo, vast populations are ineligible for most programs. Such as? You guys! If you're an able-bodied adult, aged 18-64, who doesn't have custody of any minor children, the current system doesn't give you much. Switching to a UBI would expand the familiar perverse effects of the welfare state to the entire population – including you. And if taxes rise to pay for the UBI, the population-wide disincentives are even worse.
4. A politically acceptable UBI would be insanely expensive. Libertarian economist and UBI advocate Ed Dolan has a detailed, fiscally viable plan to provide a UBI of \$4452 per person per year. But every non-libertarian I've queried thinks it should be at least \$10,000 per person per year. Even with a one-third flat tax, that implies that a family of four would have to make \$120,000 a year before it paid \$1 of taxes. This is pie in the sky.

But doesn't the UBI give people their freedom? In some socialist sense, sure. But libertarianism isn't about the freedom to be coercively supported by strangers. It's about the freedom to be left alone by strangers.

If abolition of the welfare state is extremely unlikely and the UBI is worse than the status quo, does this mean libertarians should accept the welfare state as it is? Not at all. There's a straightforward moderate path to a freer world: AUSTERITY. Cut benefits. Restrict eligibility. Remind the world of the great Forgotten Man: the taxpayer. We probably can't convince the majority to end the welfare state. But "Welfare should be limited to genuinely poor people who can't help themselves" has broad appeal – and unlike the UBI, it's a clear step in the libertarian direction.

Originally published at EconLib.org.