

## **Pandemic Aid Helps Make the Case for Basic Income:**

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The relief programs supporting Americans through the pandemic are also demonstrating the viability of a bold proposal for reducing poverty: basic income.

The idea of basic income -- paying a monthly fixed amount to each person in the country -- has been around for a long time. Recently it has gained more attention and support. It has the advantages of simplicity and universality, but one big question has always loomed: What if it stopped people from working? Ultimately, society's wealth is based on human beings producing things, and if people feel that a basic income means they don't need to work, they might stop producing altogether, leaving society poorer.

Empirical studies and limited experiments have generally found that basic income does little to discourage paid work. But these studies have lacked the scale to tell us much about how a large nationwide program would work.

Now, the national response to the coronavirus pandemic is giving us some valuable information. The Coronavirus Aid, Relief, and Economic Security (Cares) Act, passed in March, provided a small payment to every adult, but it also delivered very generous unemployment benefits to American workers who lost their jobs because of the pandemic. Under this program, a family of four with one laid-off worker would receive \$4,100 a month, in addition to normal unemployment benefits. That's in the ballpark of the country's median family income of \$4,920 -- in other words, an unprecedentedly large cash handout.

This benefit was so generous that -- according to a new working paper by economists Jeehoon Han, Bruce Meyer and James Sullivan -- it actually reduced poverty in the U.S., compared with the pre-pandemic period. And so far, it seems to have accomplished this without deterring people from working.

When the relief package was announced, there was much fretting that paying people more than one dollar for every dollar of market income that they lost created an obvious incentive for people not to work. But a preliminary analysis by economists Hilary Hoynes and Jesse Rothstein found that states where unemployment benefits were higher relative to lost wages actually saw less of a drop in employment. In other words, more generous payouts haven't been associated with more job loss.

Reducing poverty without deterring work sounds like a great deal. So basic income advocates are looking at this success and asking: If giving people money reduces poverty during a pandemic, why not do it in normal times, too?

Of course, Cares Act unemployment benefits differ from basic income in several important ways. First, the payout is conditional. Although some workers can continue to claim some benefits if they go back to work, some can't, and those who never lost their jobs or who never had jobs in the first place don't get the benefit at all.

But this only strengthens basic income's case. If payments that vanish or diminish when you go back to work don't deter people from getting jobs, then basic income shouldn't do so either.

A more important caveat is that the pandemic relief benefits are not permanent. The payouts are set to expire at the end of this month, and though they may be extended for a while, Republicans are already starting to push back. That gives people an added incentive to find work because a job will last longer than the government checks will. Basic income, on the other hand, never ends, so the incentive to be a couch potato and live off the dole might be greater.

It's also possible that as the pandemic progresses, labor disincentive effects might appear. States with higher replacement rates are really just states with low wages; these might be the very places that avoided the worst of the virus in the first wave, but are now getting hit hard. So Hoynes and Rothstein's tentative conclusions might be premature.

Finally, there's the question of how to pay for basic income. Pandemic unemployment benefits are driving an

unprecedented expansion of federal debt, which is set to exceed the record levels set in World War II. That can't continue forever. Basic income, by contrast, will have to be paid for with taxes on high earners. It's not clear that such taxes would be politically sustainable or would have negative effects on the economy in the long run.

But although the case for basic income is not yet a slam dunk, pandemic relief benefits add circumstantial evidence in favor. The idea deserves more serious attention than it has received so far.

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