**Universal Basic Income**

A Universal Basic Income shows both sides of the coin. Many are supporting it because, at first, it seems like a good idea, but if you really investigate, there will be some things that are not that good for each and everyone. So, do we need to UBI or should we just remain with our old Welfare or unemployment systems that work for today?

First of all, Welfare or unemployment systems are supportive systems that help society. They ensure that people can have the basic needs that a human being requires to live, such as food and shelter. It provides a minimum level of well-being. In Germany for example, the people requiring those programs gain 391€ per month, a shelter and health insurance paid for them.[[1]](#footnote-1)

Initially, this sounds pretty good, but there are some disadvantages that come with Welfare and unemployment systems. While receiving the benefits by those programs you need to do certain things. You need to write a certain amount of applications and go into one of the first jobs that accept you. Most of the time they force you into a job that does not fit to you and therefore it is a waste of time because you will not be motivated to continue. Furthermore, you lose you personal freedom and the freedom to freely choose you occupation or profession. On the other hand, the time will be spent more efficiently when we actually look for the job that suits us. Continuing education or even starting a business are acceptable choices, too.

Some of those systems are not well designed and need adjustments. For example, if you have 1000€ a month and you somehow earn one extra Euro, the whole 1000€ are being taken away and you do not get them anymore. Another argument against Welfare is, that if you work and earn 1200€ a month you end up having less money for yourself, because of taxes, transportation costs and so on, than if you applied for Welfare systems. That traps people in poverty and promotes passive behavior.[[2]](#footnote-2)

Universal Basic Income, known as UBI, is a system that provides enough money to cover the basic costs of living and provides financial security. This system was proposed due to job losses coming along with technological advances. UBI is a way of transferring the wealth of a society, while still keeping the free market intact.[[3]](#footnote-3)

Some may say now, the free money for unemployed people would mean they could spend it on things like tobacco or alcohol. Actually, the opposite is true, a study in 2013 by the World Bank in the U.S. investigated if the poor people spend their money on alcohol and tobacco. The results are, the more money a person has, the higher were the chances of spending it on those unnecessary things.[[4]](#footnote-4)

With UBI people could afford to wait for a better job and they have the freedom to return to school later on in their lives. It also influences the economy. UBI could stabilize it during recessionary periods. On the other hand, a disadvantage of UBI is, for example, that inflation could be started. Through that the standard of living would not be higher because of increased prices.[[5]](#footnote-5)

Finland ran a study about Universal Basic Income in 2017 and 2018. They gave 2000 unemployed people between the age of 25 and 58 560€ a month. Those payments were not reduced if a person involved got a job. They compared the well-being of 170.000 people with unemployment benefits to the one of those basic income receivers. In the two years people on basic income worked, on average, six day more than the people on unemployment benefits. Families with children and foreign people in Finland even showed a greater increase in employment. After the study, the people who received basic income said they had better financial well-being, mental health and stronger confidence in the future.[[6]](#footnote-6)

But how does the Universal Basic Income work and how can we pay such a system? It mostly depends on questions such as: Is there already a Welfare system? Does it work well enough and how good is a country’s economy? The easiest way to pay a UBI is to end all Welfare and unemployment systems that already exist and use the money to finance them. At first it would eliminate a lot of bureaucracy which is arguably good for the freedom of the people. On the other hand, it would cut a lot of jobs and leave those people in an even worse place than before. Furthermore, it is not even that expensive as some might think. UBI is a great investment for the future, basic income of 1000$ in the U.S. could have the GDP grown by 12% over 8 years. Moreover, poor people, who could not afford much, can now afford buying some more things. That increases the overall demand.[[7]](#footnote-7) Higher taxes in general and especially for rich people could also solve the problem of financing a basic income. A country could have taxes on financial transactions, capital, land value and carbon. Right now, the wealth gap is rapidly widening and a basic income and taxes for richer people could distribute the wealth to the overall society.[[8]](#footnote-8) It might be the best way to eliminate poverty.[[9]](#footnote-9)

Would people stop working if they got a basic income without doing anything? No, because work and jobs give us a place and meaning in this world, and it challenges us. Most people are looking for something to do with their lives. People work for social status and wealth. In my opinion, people will not stop working when there suddenly is a Universal Basic Income. It is very unclear if a UBI is a good idea or not, we need to make more tests and research. Maybe it will reduce the despair in the world. We also do not know if there will be a UBI at all, which kind of UBI the world wants and how much a country wants to pay for it.

In my opinion a Universal Basic Income is a good idea because I think these Welfare and unemployment systems are not that good for actually getting out of poverty and back to a normal life. Either you change some aspects of those systems or try out a new one like the UBI.

1. <https://en.wikipedia.org/wiki/Welfare> [↑](#footnote-ref-1)
2. <http://gregmankiw.blogspot.com/2009/11/poverty-trap.html> [↑](#footnote-ref-2)
3. <https://www.thebalance.com/universal-basic-income-4160668> [↑](#footnote-ref-3)
4. <https://www.journals.uchicago.edu/doi/abs/10.1086/689575>; <http://documents.worldbank.org/curated/en/617631468001808739/pdf/WPS6886.pdf> [↑](#footnote-ref-4)
5. <https://www.thebalance.com/universal-basic-income-4160668> [↑](#footnote-ref-5)
6. <https://www.newscientist.com/article/2242937-universal-basic-income-seems-to-improve-employment-and-well-being/> [↑](#footnote-ref-6)
7. <https://rooseveltinstitute.org/modeling-macroeconomic-effects-ubi/> [↑](#footnote-ref-7)
8. <https://www.intereconomics.eu/contents/year/2017/number/2/article/on-the-economics-of-a-universal-basic-income.html> [↑](#footnote-ref-8)
9. <https://fivethirtyeight.com/features/universal-basic-income/> [↑](#footnote-ref-9)