

A conversation with Brian Steensland, October 24, 2014

Participants

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Note: These notes were compiled by Open Philanthropy Project and give an overview of the major points made by Professor Brian Steensland. Professor Steensland is the author of *The Failed Welfare Revolution: America's Struggle over Guaranteed Income Policy*.

Summary

Open Philanthropy Project spoke with Professor Brian Steensland of Indiana University-Indianapolis as part of an Open Philanthropy Project investigation into the concept of a universal basic income (UBI). The conversation centered negative income taxes (NIT) – a form of UBI. Conversation topics included:

- Reasons for a renewed interest in a NIT
- Potential adverse impacts of a NIT
- The prospects for a NIT in the US
- Current advocates promoting a UBI

Reasons for a NIT

There is renewed interest in NITs due to the fear that technological advancement will eliminate the need for low wage workers and reduce the labor force participation rate (LFPR). The severity of this problem is unclear. Previous generations have had similar concerns.

Potential adverse impacts of a NIT

Declining labor force participation rate

Opposition to guaranteed income policies would likely be centered on concerns about potential impacts on recipients' willingness to work. It is commonly believed that a NIT would reduce incentives for people to work. Negative media coverage of NIT proposals and experiments in the 1970s focused on the small, but real, decrease in work effort observed in NIT recipients.

There were two large negative income tax experiments in the 1970s known as the Seattle/Denver Income Maintenance Experiments (SIME/DIME). The SIME/DIME studies examined the behavioral impact of NIT payments. These studies found that NIT payments decreased LFPR by a small amount, approximately 10%. This

decrease was largely due to an increase in the amount of time spent searching for better jobs. This suggests that NIT payments may be an instrument of both social and economic mobility.

Yet it is probable that even a small decrease in LFPR would be grounds for business interests to oppose a NIT.

Family formation

Support for a NIT in the 1970s was adversely affected by the possible impact on family formation. Some analyses of the NIT experiments suggested that they increased divorce rates (possibly through the channel of increasing women's economic power). The findings generated controversy over the relative merits of family stability, economic security, and women's independence.

The impact on family formation found by the SIME/DIME studies may have had a greater impact on policy makers than the concerns about LFPR, which received more attention in the media. Daniel Patrick Moynihan, a prominent US Senator for New York and sociologist and once a vocal supporter of an NIT, abandoned his support because of the potential impact on family formation. Moynihan believed that many economic problems could be attributed to family instability.

The prospects for a NIT in the US

A path to a NIT in the US presents challenges.

One strategy that seems unlikely to succeed for advocates would be to draw on examples of UBIs in other countries. Examples from abroad are unlikely to persuade the American public to adopt a NIT. Americans have rarely been persuaded by the merits of a policy idea because of a foreign precedent. Health care reform would have been easier to achieve if that were the case.

It would be a better strategy to attempt to experiment with a NIT in an American state, or use the example of Alaska's Permanent Fund dividend. Conservatives in Alaska share other conservatives' conceptual opposition to government transfers but typically support the Permanent Fund dividend, which is a kind of basic income. This example could be used to show that a NIT wouldn't necessarily lead to disastrous economic or social change.

An incremental approach

Another pragmatic approach would be to gradually enlarge the Earned Income Tax Credit (EITC). The existing EITC functions similarly to a NIT for people participating in the labor market. It would be functionally equivalent to some NIT proposals if

eligibility for the EITC were altered to include more part-time work. Leveraging aspects of existing policy could be a means of gaining political traction.

This kind of incremental approach might be easier to achieve than a dramatic break with the current policy regime.

Framing the debate and the rhetoric of NIT policy

It could be helpful to center the narrative of a potential NIT policy on providing increased opportunity for children. President Nixon attempted this tactic to promote his proposed Family Assistance Plan in 1969. At the time, this argument was unsuccessful because of concerns that a GI would provide incentives to have children out of wedlock. Related but better arguments could be made today.

The politics of a UBI are dependent upon the level of guarantee proposed and how it is structured. Positions are likely to vary depending on whether it takes the form of a flat grant or is graduated like a NIT. The level of minimum income is also likely to be controversial.

Need for further research

In addition to the development of moral and economic arguments that support a NIT, advocates would need more recent data on the effect of NITs on labor markets.

There have not been many studies on what impact NIT payments would have on the LFPR because this policy has not been deemed to be viable recently. Although the existing studies find only a small impact on LFPR, additional studies would ground claims supporting a NIT. If it could be shown that a NIT would not hurt the labor market as well as ameliorating social instability, this might generate greater support the idea.

Advocates for a NIT/UBI

The Basic Income Earth Network (BIEN), an organization that promotes basic income, has an affiliate in the US called US Basic Income Guarantee Network (USBIG).

The majority of advocacy in the US has been academic. A number of political philosophers have developed normative arguments supporting NITs. There has also been some empirical research by economists.

Other people for Open Philanthropy Project to speak to

Professor Steensland suggested that the Open Philanthropy Project speak with libertarian advocates of a NIT or UBI in addition to social democrats. If there is to be

a successful push for a NIT in the US, that is the coalition that he thinks would be behind the effort.

*All Open Philanthropy Project conversations are available at
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