#  AC – Social Mobility

We affirm

Resolved: The United States should replace means-tested welfare programs with a universal basic income.

## Our Sole Contention is Restoring Socioeconomic Mobility.

**HUD 19** finds that mobility from poverty in the US is decreasing rapidly. In terms of opportunity for low income people to escape poverty, the US ranks low compared to other developed countries. **The Economist 18** furthers that an American born to a household in the bottom fifth of earnings has only a 7.8% chance of reaching the top fifth.

Fortunately, the implementation of a universal basic income would restore socioeconomic mobility in 3 ways.

###  First is by Ending the Welfare Trap.

**Dorfman 16** writesthat the problem with welfare is that benefits phase out too rapidly as income increases. The combination of taxes owed on new income and benefits lost encourages families to turn down opportunities to make more money. This effectively traps people in poverty.

Problematically, to obtain a job providing a middle class living you have to work your way up through several intermediate jobs with increasing incomes. But, if a person never accepts these jobs because it pays less than a lower income combined with welfare, they will never be self-supporting.

Empirically, welfare has been shown to prevent mobility as **Schneider 17** writes that families who were kicked off welfare in Kansas saw their incomes triple in four years as they were encouraged to find better work. It is for this reason that **Kramer 19** explains that despite extensive welfare spending, 40.6 million people remain in poverty.

Fortunately, a UBI would permanently solve this problem as families would continue to receive the same level of benefits no matter how much income they earn, thus incentivizing people to move up the income ladder.

### Second by Allowing for Job Retraining.

**Vincent 17** finds that the next wave of automation will dramatically increase inequality, further entrenching the divide between rich and poor. Those in intermediate positions could be layed off to automation which is problematic as these jobs have been vehicles for social mobility.

**Casey 19** furthersthat 47% of US employment is at high risk of automation. **Wharton 19** adds that while there may be enough jobs created to offset the jobs displaced, the shift in occupations needed will make filling the new work extremely challenging.

Fortunately, **Chideya 16** finds that because a UBI covers basic living expenses, it would give people the flexibility to retrain for jobs and embrace automation. **Tall 19** corroborates that a UBI will allow people greater freedom to continue education and better adapt to the changing labor market.

This is crucial as **Associated Press 19** writes that without retraining, 36 million Americans are at risk of job loss and poverty due to automation.

### Third by Promoting Entrepreneurship.

**Long 16** writes that entrepreneurship in America is at a 40-year low. **Boak 19** furthersthat despite more than a decade of economic growth, entrepreneurship has failed to restore to its pre-recession level. Despite low unemployment, lower business formation means there are fewer companies competing for workers, thus preventing wage growth and economic mobility.

Fortunately, a UBI would increase startup formation in 2 ways.

First by reducing the fear of failure.

**Santens 17** concludes that decreasing economic security has resulted in a population decreasingly likely to take risks. People are unlikely to start a business if they are constantly worried about paying rent or feeding themselves.

Fortunately, if a UBI was implemented to cover everyone’s basic needs for a month, the fear of hunger and homelessness is eliminated, thus removing the fear of failure involved in forming a startup. **The University of Bristol** further reports that knowing that they have an income to fall back on, will encourage many to start their own businesses.

**Groth 19** corroborates that while $12,000 a year may not seem like much, the psychological impact is enough to increase entrepreneurship.

Second by easing student debt burdens.

**Marchese 19** reportsthat student debt has had a depressive impact on entrepreneurship. Launching a business while carrying a mountain of student debt is virtually impossible, which is why millennial entrepreneurship is in free fall.

However, according to **Porlando 19**, implementing a UBI will decrease the monthly burden of student loans and provide a buffer that will increase the number of people who start small businesses.

Overall, **Rochon 19** finds that in an analysis of several UBI trials, on average, entrepreneurship increased by 300%. This is important because entrepreneurship is key to social mobility as **Shambaugh** finds in **2018** that increasing entrepreneurship enhances wage growth through increased competition, thus putting more money in people’s hands. **Slivinski 12** furthers that for every 1% increase in startup formation, poverty declines by 2%.

It is for all these reasons that **Bruenig 13** explains that a universal basic income could cut the official poverty rate in half.

Thus, we affirm.

# CARDS

## Intro

#### HUD ‘19

<https://www.huduser.gov/portal/pdredge/pdr_edge_featd_article_071414.html>

Using IRS data for over 40 million children and parents, Chetty’s research seeks to answer the question: Is the United States really the land of opportunity? [The research](http://obs.rc.fas.harvard.edu/chetty/mobility_geo.pdf) measures mobility based on the odds of a child from the bottom 20% of the income bracket reaching the top 20%. Chetty explains this measure as a quantifiable articulation of the American Dream: do children born in poverty have the opportunity to make it to the top? The overall results of the study demonstrate that the United States ranks particularly low compared to other developed countries. As Chetty states, “Your chance of achieving the American Dream is nearly twice as high in Canada relative to the United States.” More striking however is the difference in economic mobility between geographic areas within the United States.

#### Gates Foundation

<https://www.gatesfoundation.org/What-We-Do/US-Program/Economic-Mobility-and-Opportunity>

Our U.S. work began two decades ago with a program to help U.S. public libraries offer free internet access. From there, we expanded into investments to improve U.S. education: first K-12, then higher-education, and finally, in a few states, preschool. Our experience doing this work has taught us that many of the greatest barriers to opportunity occur outside the classroom. To take just one example, studies show that, even if they have identical resumes, white job applicants receive, on average, 36 percent more callbacks than black applicants and 24 percent more callbacks than Latino applicants. Mobility from poverty is also decreasing in the United States. Ninety percent of children born in 1940 earned more than their parents did. For children born in the 1980s, though, that figure has dropped to just 50 percent.

#### The Economist ‘18

14 February 2018, <https://www.economist.com/graphic-detail/2018/02/14/americans-overestimate-social-mobility-in-their-country>

HOW likely is someone to move up the economic ladder? A new study by Alberto Alesina, Stefanie Stantcheva and Edoardo Teso of Harvard University compares perceptions of social mobility in five countries—America, Britain, France, Italy and Sweden—against actual levels. It finds that Americans tend to be optimistic, while Europeans tend to be too pessimistic. An American born to a household in the bottom 20% of earnings, for instance, only has a 7.8% chance of reaching the top 20% when they grow up. Americans surveyed thought the probability was 11.7%.

## 1 Welfare Trap

#### Tanner & Hughes ‘13

Michael Tanner & Charles Hughes, CATO, 2013, <https://www.cato.org/sites/cato.org/files/pubs/pdf/the_work_versus_welfare_trade-off_2013_wp.pdf>

In 18 states, the total value of welfare benefits has declined in inflation adjusted terms since 1995. However, this is due to the changing composition of what we included in the package of benefits (largely reflecting a reduction in the number of people on welfare who receive public housing assistance) rather than a real decline in the value of components. ● Despite this decline, welfare currently pays more than a minimum wage job in 35 states, even after accounting for the Earned Income Tax Credit.

#### Smith ‘18

Yves Smith, May 1, 2018, Universal Basic Income and Minimum Wages: Progressive or Regressive? https://www.nakedcapitalism.com/2018/05/universal-basic-income-minimum-wages-progressive-regressive.html

So, traditional unemployment insurance– the concern is that it discourages people from going back to work, because their benefit level will decrease. So, for that purpose, the purpose of this study, it makes sense that they only studied the effect on unemployed workers. That being said, there is another criticism of the design of the Finnish study, which is that the stipend level was about 500 a month, which is not enough to live. It doesn’t actually free someone from the necessity of working. So, a criticism of the design of this study is that it actually– universal basic income of this type could actually be used as a way to subsidize, or promote, low wage or part time employment. So, that’s another criticism of the way this particular study was designed.

#### Dorfman ‘16

Jeffrey Dorfman, 13 October 2016, Forbes, <https://www.forbes.com/sites/jeffreydorfman/2016/10/13/welfare-offers-short-term-help-and-long-term-poverty/#144c3f8b32cd>

The third flaw in the government welfare system is the way that benefits phase outs as a recipient’s income increases. As a household’s income approaches the poverty line and rises above it, families on various welfare programs can actually face effective marginal tax rates of 50 or 60 percent (see this CBO [report](https://www.cbo.gov/publication/50923) for the details). That means that the combination of taxes owed on new income and benefits lost because of the rising income causes the family to lose 50 to 60 percent of its initial income gain to the federal government. In simple terms, a poor family trying to escape poverty pays an effective marginal tax rate that is considerably higher than a middle class family and higher than or roughly equal to the marginal tax rate of a family in the top one percent. Given that our federal income tax system is supposed to progressive, meaning higher income families pay a higher percentage of that income in taxes, it is nonsensical to impose such high tax rates on families in poverty. Clearly, welfare benefits must phase out as incomes rise, but they do not have to phase out this rapidly. An effective marginal tax rate that high can (and by numerous accounts from the real world does) cause families in and near poverty to turn down opportunities for promotions, raises, or more hours of work because the higher earned income is hardly worth it given the losses they face from taxes and lost benefits. Thus, the way that welfare benefits phase out can serve to trap people in poverty. To obtain a job that provides a middle class living you typically work your way up through several entry-level and intermediate jobs with increasing incomes. Yet, if a person never accepts one of those intermediate jobs, because it pays more than the poverty line but less than the combination of a lower income plus welfare benefits, they will likely never get a job high-paying enough to be self-supporting. This is not laziness or gaming the system, but optimal behavior in face of a poorly designed welfare system. Unless a person is willing suffer in the short-run in order to be better off at some uncertain time several years in the future, they can be trapped in poverty. Basic Income Addresses Two Welfare Shortcomings Interestingly, the movement to a universal basic income would solve two of these three shortcomings. A [basic income](http://www.scottsantens.com/basic-income-faq) would replace the current welfare system with payments to all households sufficient to provide everyone with enough money to live on, say $12,000 per year for adults and $4,000 per child. Families keep the basic income regardless of how much other income they earn, so everyone receives it, rich or poor. Therefore, a basic income policy solves the second and third problem, by removing any need for asset tests and by eliminating the high marginal effective tax rates that trap some in poverty and on welfare.

#### Rappaport ‘19

Rappaport, Mike. Feb 5 2019. “Means-Tested Welfare and the Disincentive to Work.” Law and Liberty. https://www.lawliberty.org/2019/02/05/means-tested-welfare-and-the-disincentive-to-work/

But there are significant problems with means-tested benefits. One problem is that such programs require a significant amount of administrative effort and associated cost to ensure that the persons are actually eligible. For example, it may be a problem if people work off the books and still receive the benefits. Some means-tested programs have a work requirement built into them. But such work requirements are probably not effective, and they can significantly raise administrative costs. But to my mind the truly problematic part of such programs is that they often make it unattractive for people to work. As people earn more money from a job, their benefits are reduced or eliminated. Depending on a person’s circumstances, their earnings might [reduce](https://taxfoundation.org/high-implicit-marginal-tax-rates-make-life-difficult-poor/) [their](https://johnhcochrane.blogspot.com/2013/10/mulligan-on-obamacare-marginal-tax-rates.html) [benefits](https://www.nber.org/papers/w19365.pdf) by 50 to over 100 percent. These high implicit marginal tax rates are an enormous problem.

#### Schneider ‘17

Christian Schneider, USA Today, <https://www.usatoday.com/story/opinion/2017/08/11/cutting-welfare-helps-people-christian-schneider-column/557082001/>

A recent study by the conservative-leaning [Foundation for Government Accountability](https://thefga.org/wp-content/uploads/2017/07/Work-Requirements-are-Working-for-Kansas-Families.pdf) tracked more than 6,000 Kansas families — 17,000 individuals — who were moved off of cash assistance in 2011 when Governor Sam Brownback instituted new work requirements for welfare recipients. The data show that families who left government assistance under the new work requirements saw their incomes double within one year of leaving welfare. Within four years, their incomes nearly tripled, as they earned nearly $48 million more in wages than when they received a government check. The jobs those Kansans obtained were spread throughout 600 different industries, from health care to information technology to food service to retail. Thanks to these new jobs, the number of able-bodied adults on the welfare rolls has dropped by 78% since Brownback's reforms took effect.

#### Santens ‘16

Santens, Scott. Sept 9 2016. “The progressive case for replacing the welfare state with basic income.” Tech Crunch. https://techcrunch.com/2016/09/09/the-progressive-case-for-replacing-the-welfare-state-with-basic-income/

However, one of the best examples of all the vast differences between the assumption and the observation of how government benefits work is how we target those with disabilities. It has been estimated that [22 percent of adults in the U.S. have some form of disability](http://www.cdc.gov/ncbddd/disabilityandhealth/infographic-disability-impacts-all.html). At the same time, [4.6 percent of adults](http://apps.npr.org/unfit-for-work/) age 18-64 in the U.S. are receiving disability income. So again, about one-quarter of those we say we should be targeting actually receive anything, while the bulk get nothing. It’s not just apples and oranges. It’s rotten apples and ripe oranges. The absolute worst thing though, and what too few people seem to know, is that when it comes to disability income, you are essentially not even allowed to earn additional income. [If you’re on SSDI and earn one dollar over $1,090 in a month, you are dropped from the program and lose 100 percent of your benefit](http://www.theguardian.com/global-development-professionals-network/2016/jun/23/disabled-people-grow-increasingly-frustrated-at-being-denied-the-chance-to-work). That is the steepest of “benefit cliffs” and it’s the equivalent of taxing those with disabilities at rates far greater than 100 percent as a reward for their labor. It’s also the exact opposite of a basic income that is never taken away. It is this clawback of means-tested benefits with the earning of income that is possibly the single greatest flaw of all targeted assistance, and also the single most ignored detail when people defend the current system over the introduction of a basic income that would replace it. Simply put, $1,000 per month in welfare is not at all the same thing as $1,000 per month in basic income. It’s not just apples and oranges. It’s rotten apples and ripe oranges. With welfare, because it is targeted and therefore withdrawn as income is earned, people on welfare are effectively punished for working. Their total incomes don’t really increase with employment. Welfare functions in many ways as a ceiling. With basic income, because it is unconditional and therefore never withdrawn as income is earned, people with basic incomes are always rewarded for working. Their total incomes always increase with any amount of employment. Basic income therefore functions as a floor.

#### Kramer ‘19

Kelli Kramer, Cardinal Scholars – Ball State University, 3 May 2019, <https://cardinalscholar.bsu.edu/bitstream/handle/123456789/201910/2019KramerKelli-combined.pdf?sequence=1&isAllowed=y>

Additionally, **despite extensive social welfare spending, the impact of this system may be limited**. According to the Center on Budget and Policy Priorities, 59 percent of the 2016 federal government spending financed social welfare programs (Center on Budget and Policy Priorities, 2017). Social Security alone comprises 24 percent of the 3.9 trillion-dollar federal budget (Center on Budget and Policy Priorities, 2017). Excluding Social Security and health insurance programs, other safety net programs accounted for nearly 35 billion dollars (Center on Budget and Policy Priorities, 2017). These programs kept a recorded 36 million out of poverty, allowing for a 14 percent poverty rate in 2016 rather than a suspected 25 percent without these programs (Center on Budget and Policy Priorities, 2017). However, **40.6 million people were still in poverty in 2016, showing that half the vulnerable population still struggles with poverty** (Semega, Fontenot, & Kollar, 2017). These **shortcomings show a trend towards allowing a higher poverty rate in the United**

## 2 Job Retraining

#### Tal ‘19

Tal, David. March 3 2019. “Forecast | Universal Basic Income cures mass unemployment.” Quantumrun. <https://www.quantumrun.com/prediction/universal-basic-income-cures-mass-unemployment>

When going through the laundry list of UBI’s benefits, it’s probably best to start with the average Joe. As mentioned above, the biggest impact a UBI will have on you directly is that you’ll become a few hundred to a few thousand dollars richer every month. It sounds simple, but there’s way more to it than that. With a UBI, you’ll experience: A guaranteed minimum living standard. While the quality of that standard may vary from country to country, you’ll never have to worry about having enough money to eat, clothe, and house yourself. That underlying fear of scarcity, of not having enough to survive should you lose your job or get sick, will no longer be a factor in your decision-making. A greater sense of well being and mental health knowing your UBI will be there to support you in times of need. Day to day, most of us rarely acknowledge the level of stress, anger, envy, even depression, we carry around our necks from our fear of scarcity—a UBI will lessen those negative emotions. Improved health, since a UBI will help you afford better quality food, gym memberships, and of course, medical treatment when needed (ahem, USA). Greater freedom to pursue more rewarding work. A UBI will give you the flexibility to take your time during a job hunt, instead of being pressured or settling for a job to pay rent. (It should be re-emphasized that people will still get a UBI even if they have a job; in those cases, the UBI will be a pleasant extra.) Greater freedom to continue your education on a regular basis to better adapt to the changing labor market. True financial independence from individuals, organizations, and even abusive relationships that try to control you through your lack of income.

#### Vincent ‘17

Vincent, James. July 13 2017. “Robots and AI are going to make social inequality even worse, says new report.” The Verge. https://www.theverge.com/2017/7/13/15963710/robots-ai-inequality-social-mobility-study

Most economists agree that advances in robotics and AI over the next few decades are likely to lead to significant job losses. But what’s less often considered is how these changes could also impact social mobility. A new report from UK charity Sutton Trust explains the danger, noting that unless governments take action, the next wave of automation will dramatically increase inequality within societies, further entrenching the divide between rich and poor. There are a number of reasons for this, say the report’s authors, including the ability of richer individuals to re-train for new jobs; the rising importance of “soft skills” like communication and confidence; and the reduction in the number of jobs used as “stepping stones” into professional industries. For example, the demand for paralegals and similar professions is likely to be reduced over the coming years as artificial intelligence is trained to handle more administrative tasks. In the UK more than 350,000 paralegals, payroll managers, and bookkeepers could lose their jobs if automated systems can do the same work. “Traditionally, jobs like these have been a vehicle for social mobility,” Sutton Trust research manager Carl Cullinane tells The Verge. Cullinane says that for individuals who weren’t able to attend university or get particular qualifications, semi-administrative jobs are often a way in to professional industries. “But because they don’t require more advanced skills they’re likely to be vulnerable to automation,” he says.

#### Casey ‘19

Casey, Marcus. July 18 2019. “Searching for clarity: How much will automation impact the middle class?.” Brooking Institute. <https://www.brookings.edu/blog/up-front/2019/07/18/how-much-will-automation-impact-the-middle-class-we-dont-know-yet/>

The long-run labor market consequences of advances in artificial intelligence (AI) and other forms of automation technology remain uncertain. This uncertainty stems from a recognition that while many jobs will undoubtedly be affected, it is difficult to predict which jobs are at risk and in which sectors new jobs will be created. This is not an idle concern: [One in six Americans](https://www.pewresearch.org/global/2018/09/13/in-advanced-and-emerging-economies-alike-worries-about-job-automation/) think that robots and computers will take over many jobs now done by humans; only 25% believe that automation will bring new, better paying jobs. And the estimates of jobs at risk are quite variable. For example, a [2017 McKinsey Global Institute](https://www.mckinsey.com/~/media/McKinsey/Featured%20Insights/Digital%20Disruption/Harnessing%20automation%20for%20a%20future%20that%20works/MGI-A-future-that-works_Full-report.ashx) study suggests that roughly 50% of work activities are automatable using current technologies. Another study by [Frey and Osborne (2013)](https://www.oxfordmartin.ox.ac.uk/downloads/academic/The_Future_of_Employment.pdf) argues that [47% of U.S. employment](https://www.oxfordmartin.ox.ac.uk/downloads/academic/The_Future_of_Employment.pdf) is at high risk of automation. Of course, as we have noted previously, even if the share of jobs at risk is quite high, other barriers such as adoption or transition costs for firms potentially [limit the speed and severity of displacement](https://www.brookings.edu/blog/up-front/2019/05/10/putting-on-the-brakes-how-technology-may-be-slowed-down-by-social-norms/). Regardless, employers and policymakers need credible information to make good decisions, especially when seeking to mitigate harm when worker displacements occur. To understand better where the difficulties arise in predicting the future of work, it is important to revisit both the promise and peril of automation technologies and AI.

#### Wharton ‘19

Sept 20 2019. “A CLOSER LOOK AT UNIVERSAL BASIC INCOME.” Wharton of UPenn. Public Policy Initiative. https://publicpolicy.wharton.upenn.edu/live/news/3136-a-closer-look-at-universal-basic-income

Historically, proponents of UBI have argued for it as a tool to fight poverty. Today, UBI advocates contend that artificial intelligence will threaten millions of jobs. They point to a UBI program as a necessary solution to maintain general economic welfare in the age of automation and AI.[[9]](https://publicpolicy.wharton.upenn.edu/live/news/3136-a-closer-look-at-universal-basic-income#_edn9) Indeed, significant developments in artificial intelligence will reshape the employment landscape, with experts forecasting the elimination of tens of millions of jobs in the coming decades in the United States alone. In the 2000s, automation destroyed close to 5 million jobs in the US manufacturing sector, and experts fear the next wave of automation will particularly affect retail, call center, and truck driving Occupations. The variability in the estimates stems from the uncertainty in forecasting technology adoption, with researchers having to make assumptions about how and when technologies will overcome the legal, social, and economic barriers to adoption. For example, even if self-driving technology is deemed viable today, when and where will the enabling infrastructure and legal requirements be established? Furthermore, researchers face the challenge of assessing the potential for automation across hundreds of occupations. Many of these occupations include a mix of multi-faceted tasks, some of which can be automated and others not, complicating the measurement of automation potential.[[11]](https://publicpolicy.wharton.upenn.edu/live/news/3136-a-closer-look-at-universal-basic-income#_edn11) Lastly, it is challenging to measure the net job impact, since, on the bright side, AI adoption will also likely create jobs but in areas that may be difficult to conceive of today. The McKinsey Global Institute finds that while there may be enough jobs created to offset the negative impacts of automation by 2030, the transition will be extremely challenging due to the massive shifts in occupations needed.

#### Chideya ‘16

Chideya, Farai. Dec 27 2016. “The Episodic Career: How to Thrive at Work in the Age of Disruption.” Google Bucks. https://books.google.com/books?id=tbP\_BgAAQBAJ&pg=PA54&dq=UBI+retrains+jobs&hl=en&newbks=1&newbks\_redir=0&sa=X&ved=2ahUKEwiFht-VnMvnAhUL1qwKHVUUC6wQ6AEwAXoECAYQAg#v=onepage&q=UBI%20retrains%20jobs&f=false

But Wenger does not believe the “jobless future” needs to destroy human lives. (Of course, the very term is an exaggeration. Even if it does lie ahead, there will be jobs, just not as many, and they will change in the skills sets the require more often.) First of all, he stresses, “Many jobs out there are not jobs we want humans to be doing. We don’t want humans to be driving trucks for eighteen hours, be overly tired, then drive again. If a computer can drive that truck, it’s a good thing, as long as we have an answer for what happens to that truck driver.” Wenger advocates a concept called universal basic income, or UBI, which would replace many existing social programs with a flat payment to all citizens that would cover basic living expenses. That would allow people to become entrepreneurs, retrain for jobs, and survive disruptive innovation while new jobs are being created. Proponents – many of them among the wealthiest Americans – content that UBI could simplify government and provide for a new era of security, abundance, and creativity. “You decouple the most basic income – that one you need to take care of food and clothing and shelter ­ from everything else,” he explains. “And once you do that, then we can embrace automation. It’s no longer our enemy. Automation becomes our friend.” In addition, many things that we once paid for can now be accessed for free including online courses and education resources that people can use to train or retrain for jobs.

#### Center for Poverty Research ‘18

Center for Poverty Research. Jan 12 2018 “What are the annual earnings for a full-time minimum wage worker?” https://poverty.ucdavis.edu/faq/what-are-annual-earnings-full-time-minimum-wage-worker

The annual earnings for a full-time minimum-wage worker is $15,080 at the current federal minimum wage of $7.25. Full-time work means working 2,080 hours each year, which is 40 hours each Week.

\*\*Thus, a UBI of $12,000 a year gives people more than 1,600 hours to seek retraining and schooling each year.\*\*

#### Associated Press ‘19

Market Watch/Associated Press, 24 January 2019, <https://www.marketwatch.com/story/ai-is-set-to-replace-36-million-us-workers-2019-01-24>

The report, published Thursday, says roughly 36 million Americans hold jobs with “high exposure” to automation — meaning at least 70 percent of their tasks could soon be performed by machines using current technology. Among those most likely to be affected are cooks, waiters and others in food services; short-haul truck drivers; and clerical office workers. “That population is going to need to upskill, reskill or change jobs fast,” said Mark Muro, a senior fellow at Brookings and lead author of the report.

## 3 Entrepreneurship

### Intro

#### Boak ‘19

Josh Boak, Associated Press, 5 September 2019, <https://apnews.com/e7179fc8b9dc4399818f2038b75ec423>

Despite a decade-plus of economic growth, Americans have slowed the pace at which they’re forming new companies, a trend that risks further widening the gap between the most affluent and everyone else. The longest expansion on record, which began in mid-2009, has failed to restore entrepreneurship to its pre-recession level, according to a Census Bureau report based on tax filings. Between 2007 and the first half of 2019, applications to form businesses that would likely hire workers fell 16%. Though the pace of applications picked up somewhat after 2012, it dipped again this year despite President Donald Trump’s assertion that his tax cuts and deregulatory drive would benefit smaller companies and their workers. Applications are down 2.6% so far this year compared with the same period last year. Business formation has long been one of the primary ways in which Americans have built wealth. When fewer new companies are established, fewer Americans tend to prosper over time. In addition, smaller companies account for roughly 85% of all hiring, making them an entry point for most workers into the workforce. Even with the unemployment rate at a near-record-low of 3.7%, a decline in the creation of new companies means there are fewer companies competing for workers, a trend that generally slows pay growth. The pace of pay growth has stalled for the past five months even as hiring has remained healthy. “What you see is reduced social and economic mobility,” said Steve Strongin, head of global investment research at Goldman Sachs. “It means that most of the growth is occurring in the corporate sphere, which keeps wage growth down and improves profits.” Smaller companies and startups were generally cautious about expanding as they emerged from the Great Recession, in many cases choosing not to hire. The 2008 financial crisis delivered a warning to many would-be entrepreneurs that scaling back their ambitions might help them survive another recession. “People became a lot more risk-averse after the Great Recession because so many people were hurt,” said Nicholas Johnson who founded Su Casa, a chain of four furniture stores based in Baltimore that employs 30 workers.

#### Long ‘16

Heather Long, CNN Business, 8 September 2016, <https://money.cnn.com/2016/09/08/news/economy/us-startups-near-40-year-low/index.html>

New business creation in the U.S. (a fancy way of saying "startups") is at nearly a 40-year low. Only 452,835 firms were born in 2014, according to the most recent U.S. Census data released in the past week. That's well below the 500,000 to 600,000 new companies that were started in the U.S. every year from the late 1970s to the mid- 2000s. "There's been a long-term decline in entrepreneurship," says Arnobio Morelix, a senior research analyst at the Kauffman Foundation, which tracks startups. The [Great Recession](http://money.cnn.com/gallery/news/economy/2016/06/15/us-economy-2016/index.html?iid=EL) was a great killer for startups. Americans didn't start new businesses because few had the money or the guts to do it in those gloomy days. But the expectation was that America's great entrepreneurial spirit would rush back as the economy recovered. So far, that hasn't happened.

#### Rochon ‘19

Sylvian Rochon, 26 June 2019, Data Driven Investor, https://www.dat adriveninvestor.com/2019/06/26/unconditional-basic-income-is-all-good-despite-what-the-nay-sayers-tell-you/

Basic income pilots since the 1970s have had amazing effects on communities that received it. Here is a short list taken from the [Mincome Experiment](https://mdl.library.utoronto.ca/collections/numeric-data/microdata/manitoba-basic-annual-income-experiment-mincome-1974-1979), the [American GAI experiment](https://www.utpjournals.press/doi/full/10.3138/cpp.37.3.283), the [Finnish Basic Income pilot](https://www.weforum.org/agenda/2019/02/the-results-finlands-universal-basic-income-experiment-are-in-is-it-working/) and [the Namibian Basic Income Experiment](https://www.centreforpublicimpact.org/case-study/basic-income-grant-big-namibia/): Crime rates decrease by as much as 40% Hospitalization rates decrease by up to 10% School completion/enrolment rate increase Innovation and business startups increase by up to 300% Family work effort reduced by up to 13% (primary, secondary and tertiary earners combined) General welfare increased and stress levels decreased Family re-structuration rates balloon (marriage, divorce, home changes etc.) The data repeats itself in all countries that try some form of basic income.

### 1 – Fear of Failure

#### Santens ’17

Futurism, 2 March 2017, Scott Santens, <https://futurism.com/universal-basic-income-will-reduce-our-fear-of-failure>

Taking risks is equivalent to random genetic mutation in this biological analogy. A new product or service introduced into the market can result in success or failure. The outcome is entirely unknown until it’s tried. What succeeds can make someone rich and what fails can bankrupt someone. That’s a big risk. We traditionally like to think of these risk-takers as a special kind of person, but really [they’re mostly just those who are economically secure enough to feel failure isn’t scarier than the potential for success.](http://qz.com/455109/entrepreneurs-dont-have-a-special-gene-for-risk-they-come-from-families-with-money/) As a prime example, Elon Musk is one of today’s most well-known and highly successful risk takers. Back in his college years [he challenged himself to live on $1 a day for a month](http://www.businessinsider.com/elon-musk-living-off-a-dollar-a-day-startalk-2015-3). Why did he do that? He figured that if he could successfully survive with very little money, he could survive any failure. With that knowledge gained, the risk of failure in his mind was reduced enough to not prevent him from risking everything to succeed. This isn’t just anecdotal evidence either. Studies have shown that the very existence of food stamps — just knowing they are there as an option in case of failure — [increases rates of entrepreneurship](https://www.washingtonpost.com/news/wonk/wp/2015/03/26/wonkbook-how-welfare-encourages-people-to-start-businesses/). A study of a reform to the French unemployment insurance system that allowed workers to remain eligible for benefits if they started a business found that [the reform resulted in more entrepreneurs starting their own businesses](http://equitablegrowth.org/equitablog/entrepreneurship-side-risks-social-insurance/). In Canada, a reform was made to their maternity leave policy, where new mothers were guaranteed a job after a year of leave. A study of the results of this policy change showed a [35% increase in entrepreneurship](http://www.nber.org/papers/w22446) due to women basically asking themselves, “What have I got to lose? If I fail, I’m guaranteed my paycheck back anyway.” Meanwhile, entrepreneurship is currently on a downward trend. Businesses that were less than five years old used to comprise half of all businesses three decades ago. [Now they comprise about one-third](https://www.washingtonpost.com/blogs/on-small-business/post/united-states-new-business-formation-rate-continues-dropping-steadily/2012/05/02/gIQAjKOewT_blog.html). Businesses are also closing their doors faster than new businesses are opening them. Until recently, [this had never previously been true](http://www.aei.org/publication/americas-free-enterprise-system-crisis-2-charts/) here in the US for as long as such data had been recorded. Startup rates are falling. Why? Risk aversion due to rising insecurity. For decades now [our economy has been going through some very significant changes](http://www.huffingtonpost.com/scott-santens/future-of-jobs_b_8011296.html) thanks to advancements in technology, and we have simultaneously been actively eroding the institutions that pooled risk like trade unions and our public safety net. Incomes adjusted for inflation have not budged for decades, and the jobs providing those incomes have gone from secure careers to insecure jobs, part-time and contract work, and now recently even gig labor in the sharing economy. Decreasing economic security means a population decreasingly likely to take risks. Looking at it this way, of course startups have been on the decline. [How can you take the leap of faith required for a startup when you’re more and more worried about just being able to pay the rent](http://www.aaronsw.com/weblog/prostartup)? None of this should be surprising. The entire insurance industry exists to reduce risk. When someone is able to insure something, they are more willing to take risks. Would there be as many restaurants if there was no insurance in case of fire? Of course not. The corporation itself exists to reduce personal risk. [Entrepreneurship and risk are inextricably linked](http://equitablegrowth.org/equitablog/protecting-against-risk-can-help-boost-u-s-entrepreneurship/). Reducing risk aversion is paramount to innovation.

What it all comes down to is fear. FDR was absolutely right when he said the only thing we have to fear is fear itself. Fear prevents risk-taking, which prevents failure, which prevents innovation. If the great fears are of hunger and homelessness, and they prevent many people from taking risks who would otherwise take risks, then the answer is to simply take hunger and homelessness off the table. Don’t just hope some people are unafraid enough. Eliminate what people fear so they are no longer afraid. If everyone received as an absolute minimum, a sufficient amount of money each month to cover their basic needs for that month no matter what — [an unconditional basic income](https://medium.com/working-life/why-should-we-support-the-idea-of-an-unconditional-basic-income-8a2680c73dd3) — then the fear of hunger and homelessness is eliminated. It’s gone. And with it, the risks of failure considered too steep to take a chance on something. But the effects of basic income don’t stop with a reduction of risk. Basic income is also basic capital. It enables more people to actually afford to create a new product or service instead of just think about it, and even better, it enables people to be the consumers who purchase those new products and services, and in so doing decide what succeeds and what fails through an even more widely distributed and further decentralized free market system. Such market effects have even been observed in universal basic income experiments in [Namibia](http://www.bignam.org/Publications/BIG_Assessment_report_08b.pdf) and [India](http://www.developmentpathways.co.uk/resources/wp-content/uploads/2016/04/Indias-Basic-Income-Experiment-PP21.pdf) where local markets flourished thanks to a tripling of entrepreneurs and the enabling of everyone to be a consumer with a minimum amount of buying power.

#### Buchanan ‘15

Leigh Buchanan, Inc., May 2015, <https://www.inc.com/magazine/201505/leigh-buchanan/the-vanishing-startups-in-decline.html>

Steve Jobs was a Boomer. So is Richard Branson. Also Bill Gates. And Oprah Winfrey. And Ben. And Jerry. The Boomers are a startup-happy bunch--over the past decade, the portion of founders in their 50s and 60s has increased, according to Kauffman data. By contrast, the portion of 20- and 30-year-old entrepreneurs has declined. In 1996, young people launched 35 percent of startups. By 2014, it was 18 percent. “We’re now past the peak demographic bulge we got from the Boomers,” says Dane Stangler, Kauffman’s vice president of research and policy. The Millennials, meanwhile aren’t expected to start launching companies en masse for five to seven years. And, while technology is young people’s oxygen, risk may be their carbon monoxide. According to the Global Entrepreneurship Monitor (GEM), a consortium of academic teams in more than 70 countries, until last year 25-to-34-year-olds were significantly more worried about failure than 35-to-54-year-olds. But there’s a hopeful sign for startup rates: In the past year, young people have begun to display more confidence. In 2014, just 34 percent of 25-to-34-year-olds said fear of failure would prevent them from starting a business, down from 41 percent a year earlier. Still, this remains a cautious group. “The fear of failure among 25-to-34-year-olds can reflect a greater level of caution, and a preference for more stable employment when there is high uncertainty and a less favorable environment for entrepreneurship,” says Donna Kelley, a professor of entrepreneurship at Babson College and GEM team leader for the United States. Massive student debt can also contribute to young people’s fear of risk.

#### Groth ’19

Aimee Groth, Quartz, 20 August 2019, <https://qz.com/1687957/the-case-for-andrew-yangs-ubi-plan/>

A report from the Roosevelt Institute [predicts a UBI would create a few million new jobs](http://rooseveltinstitute.org/wp-content/uploads/2017/08/Modeling-the-Macroeconomic-Effects-of-a-Universal-Basic-Income.pdf). While $12,000 may not seem like much, its psychological impact should not be underestimated—just ask any entrepreneur who has attempted to bootstrap a company. Most of us don’t get it right on the first try, whether it be in our career, in love, or pretty much anything that matters. Our professional and personal successes are the byproduct of a series of failures and the grace of those who had faith in our trajectory of growth and evolution, despite our shortcomings. One of my mentors, Sequoia partner Alfred Lin, once told me the defining trait of successful entrepreneurs is a commitment to process. In other words, “The person who iterates the fastest wins.” It takes time and capital to iterate and create value for the world. The rewards of doing so are vast, whether or not they result in material gains.

#### University of Bristol

Economics Network at the University of Bristol (“Universal Basic Income: debunking the scaremongering”, <http://www.studyingeconomics.ac.uk/blog/universal-basic-income-debunking-the-scaremongering/> )

Furthermore, UBI could be seen as encouraging employment as people would no longer have to work jobs that they feel forced to accept in order to pay the bills. Knowing that they have an income to fall back on, more time will be spent searching for meaningful jobs that align with people’s values and ideals. Entrepreneurship is encouraged as those wanting to start their own business rely on personal savings to do so as unemployment benefits are not given to those seeking to start a business. Those previously unable to finance this option will, through UBI, have the financial means to start their own businesses which would otherwise not be possible. For example, there exists a minimum bar to entry relating to business start-ups. If an individual has only a small amount of capital, it makes entrepreneurship near impossible, yet UBI, in offering a constant form of income, negates this. UBI also encourages employment in so far as it adds to an individual’s sense of stability, and making things such as childcare and transport more accessible (Harris, 2016). UBI is thus more likely to incentivize employment than to dis-incentivize it.

### 2 – Debt

#### Porlando ’19

Unintended Consequences, Porlando, 23 April 2019, <https://unintendedconsequenc.es/universal-basic-income-part-2/>

One item we’ve mentioned in past posts is the size and impact of higher costs of education. College tuition and fees, [noted in the first post](https://unintendedconsequenc.es/universal-basic-income-part-1/) as being up over 150% in 20 years. Student loan debt has been shown to be [negatively correlated](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2417676) with entrepreneurship, at least small business formation. It makes sense. What wasn’t risky becomes risky when you have higher fixed monthly expenses. So one of the UBI arguments is that monthly payments will take away some of the pain of student loans. (The big, and I think faulty, assumption is that the universities and lenders won’t increase tuition and rates even further.) That monthly UBI buffer could increase the number of people who take a chance and start a small business.

#### Marchese & Dearie ‘19

Sarah-Eva Marchese & John Dearie, The Hill, 2 February 2019, <https://thehill.com/opinion/finance/428057-free-entrepreneurs-from-student-debt-to-jumpstart-the-economy>

Student loan debt, a serious and worsening problem for years, has now reached levels that threaten America’s economic future. According to the Federal Reserve, total outstanding student loan debt reached [$1.56 trillion](https://www.federalreserve.gov/releases/g19/HIST/cc_hist_memo_levels.html) as of Sep. 30, more than tripling from $480 billion in 2006. Student loan debt is the only category of consumer debt that has grown continuously since the Great Recession and is now the [second-largest](https://www.bloomberg.com/news/articles/2018-10-17/the-student-loan-debt-crisis-is-about-to-get-worse) category of consumer debt after mortgage debt. Confronted by two unfortunate trends over the past two decades — reductions in state funding of higher education coupled with [rapidly increasing](https://www.bloomberg.com/news/articles/2016-10-26/college-is-still-getting-more-expensive-what-can-stop-it) tuition costs — American students have increasingly relied on borrowing to cover the costs of college. As a result, members of America’s college class of 2017 graduated with an average debt of $39,400, up [6 percent](https://studentloanhero.com/student-loan-debt-statistics/) from the previous year. In total, some [44 million](https://www.marketwatch.com/story/voters-to-congress-find-ways-to-lower-our-student-debt-2019-01-07) Americans — one in four adults — are paying off student loans. Mounting student debt poses serious challenges to the U.S. economy. As former students struggle to pay back their loans, they’re forced to postpone or rule out other purchases and investments like home ownership, which has dropped to a [three-decade low](https://www.nytimes.com/2018/05/25/business/how-student-debt-can-ruin-home-buying-dreams.html) among Americans in their 20s and 30s, creating a drag on the economy. A particularly dangerous anti-growth effect of record student debt is its depressive impact on entrepreneurship. Recent research has demonstrated that new businesses, or “startups,” are disproportionately responsible for the innovations that drive economic growth and account for virtually all [net new job creation](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1352538). But starting a business is risky — nearly half of all startups fail within five years. Launching a new business while carrying a mountain of student debt can be virtually impossible. An analysis released last May found that “student debt is [negatively related](https://pubsonline.informs.org/doi/10.1287/mnsc.2017.2995) to the propensity to start a firm, particularly larger and more successful ventures.” Indeed, millennial entrepreneurship is in free fall. The share of Americans under 30 who own a business has plunged 65 percent since the 1980s and is now at a [25-year low](https://www.wsj.com/articles/endangered-species-young-u-s-entrepreneurs-1420246116). According to a 2016 Small Business Administration [report](https://advocacy.sba.gov/2016/02/01/the-missing-millennial-entrepreneurs/), millennials are the least entrepreneurial generation in recent history. Such circumstances amount to nothing less than a national emergency, which requires a commensurately serious policy response.

#### Steinberg ‘14

Sarah Ayres Steinberg, Center for American Progress, 10 Nov. 2014, <https://www.americanprogress.org/issues/economy/reports/2014/11/10/100804/promoting-entrepreneurship-among-millennials/>

Roundtable participants consistently cited student debt as one of the biggest hurdles to starting a business, confirming many experts’ view that today’s record-high student-debt levels are inhibiting entrepreneurship and broader economic growth. In a recent report, the Consumer Financial Protection Bureau explained the impact of student debt on small business creation: For many young entrepreneurs, it’s critical to invest capital to develop ideas, market products, and hire employees. High student debt burdens require these individuals to take more cash out of their business so they can make monthly student loan payments. Others note that unmanageable student debt limits their ability to access small-business credit; some report being denied a small-business loan because of student loan debt. The growth of student-loan debt between 2000 and 2010 had a significant negative affect on small business formation during that time, according to a preliminary paper on research by Brent Ambrose, a professor of risk management at Pennsylvania State University, and Larry Cordell and Shuwei Ma, both economists at the Federal Reserve Bank of Philadelphia. Indeed, the topic of student-loan debt elicited groans from our discussion participants. One participant said “I don’t even want to think about it. I’m in forbearance now, but soon that’ll be $700 a month I can’t invest back in my business.” Student-loan debt prevented another participant from starting a business altogether. “My mom owned her own business for years, and I wanted to follow that path after I graduated,” he said. “But after taking on so much student debt, I realized it just wasn’t the right time to take on more debt.” Moreover, many young entrepreneurs have a high debt-to-income ratio as a result of their student debt. This makes it hard for them to take out loans and limits their ability to expand their businesses. Yet participants wanted to make it clear that they valued their respective educations. As one participant put it, “It’s a double-edged sword because I wouldn’t be here without my education, but it means I need to be more serious about the paper chase.”

#### Horton ‘19

Horton, Melissa. Aug 12 2019. “The 4 Most Common Reasons a Small Business Fails.” Investopedia. https://www.investopedia.com/articles/personal-finance/120815/4-most-common-reasons-small-business-fails.asp

Of the vast number of small businesses that fail each year, nearly half of the entrepreneurs state a lack of funding or [working capital](https://www.investopedia.com/terms/w/workingcapital.asp) is to blame. In most instances, a business owner is intimately aware of how much money is needed to keep operations running on a day-to-day basis, including funding payroll, paying fixed and varied overhead expenses such as rent and utilities, and ensuring outside vendors are paid on time. However, owners of failing companies are less in tune with how much revenue is generated by sales of products or services. This disconnect leads to funding shortfalls that quickly put a small business out of operation. In addition to finding funds for working capital and overhead expense needs, business owners, more often than not, miss the mark on pricing products and services. To beat out the competition in highly [saturated industries](https://www.investopedia.com/terms/m/marketsaturation.asp), companies may price a product or service far lower than similar offerings with the intent to entice new customers. While the strategy is successful in some cases, businesses that end up closing their doors are those that keep the price of a product or service too low for too long. When costs for production, marketing, and delivery outweigh the revenue generated from new sales, small businesses have little choice but to close operations. Small companies in the [startup](https://www.investopedia.com/terms/s/startup.asp) phase also face challenges in terms of obtaining financing to bring a new product to market, to fund an expansion, or to pay for ongoing marketing costs. While angel investors, venture capitalists, and conventional bank loans are among the myriad of funding sources available to small businesses, not every company has the revenue stream or growth trajectory needed to secure major financing from these sources. Without an influx of funding for large projects or ongoing working capital needs, small businesses are forced to close their doors. To protect a small business from common financing hurdles, business owners should first establish a realistic budget for company operations and be willing to provide some capital from their own coffers during the startup or expansion phase. Over time, it is imperative to [research and secure financing options](https://www.investopedia.com/articles/pf/08/make-money-in-business.asp) from multiple outlets before the funding is actually necessary. When the time comes to obtain funding, business owners should have a variety of sources to which they can ask for capital.

#### Shambaugh & Nunn ’18

Jay Shambaugh & Ryan Nunn, Brookings Institute, 17 April 2018, <https://www.brookings.edu/opinions/policy-actions-that-would-revitalize-wage-growth/>

There are many other strategies for enhancing wage growth, including educational policies aimed at improving worker skill levels and policies aimed at increasing entrepreneurship and innovation. Although the economy has changed dramatically in recent decades, both productivity growth and bargaining power remain necessary to lift wage growth. Accordingly, public policies must be reformed to better prepare workers for the modern labor market and to improve their ability to bargain for their share of economic growth.

#### Slivinski ’12

<https://www.realclearmarkets.com/docs/2012/11/PR254%20Increasing%20Entrepreneurship.pdf>

There is a strong connection between a state’s rate of entrepreneurship and declines in poverty. Statistical analysis of all 50 states indicates that states with a larger share of entrepreneurs had bigger declines in poverty. In fact, comparing states during the last economic boom—from 2001 to 2007—data show that for every 1 percentage point increase in the rate of entrepreneurship in a state, there is a 2 percent decline in the poverty rate.

## Impact

#### Bruenig ’13

Matt Bruenig, The Atlantic, 29 October 2013, <https://www.theatlantic.com/business/archive/2013/10/how-to-cut-the-poverty-rate-in-half-its-easy/280971/>

Using the dataset from the latest Census poverty report, [I determined](http://www.demos.org/blog/10/3/13/how-universal-basic-income-would-affect-poverty) that if we cut a $2,920 check to every single American—adults, children, and retirees—we could cut official poverty in half. Economists consider this sort of across-the-board payment a “[universal basic income](http://en.wikipedia.org/wiki/Universal_Basic_Income).” You can think of it as Social Security for all, not just the elderly. The upside of giving everybody about $3,000 is that it’s a very easy policy to run and a surefire way to cut poverty in half. But it's a large program: it would require about $907 billion in 2012, or 5.6 percent of the nation’s GDP.

# F/L

### AT People Won’t Work

1) This response seems logical, but it really makes no sense. Because of how much it costs to live in the United States, quitting your job to only rely on 12k a year would make for a really uncomfortable life.

2) Even if you buy their logic it has proven to be false in UBI trials.

3) Any reduces in work we are seeing are largely attributable to people staying in college longer, seeking retraining, or otherwise bettering themselves before entering the work enviorment.

### AT Losing Benefits

Santens ‘16

Santens, Scott. Sept 9 2016. “The progressive case for replacing the welfare state with basic income.” Tech Crunch. https://techcrunch.com/2016/09/09/the-progressive-case-for-replacing-the-welfare-state-with-basic-income/

Although true that one in four would be worse off in such an inferior UBI design, it’s also true that three of four would be far better off because they would no longer receive little to nothing. As an oversimplified example for the sake of clarity, that means instead of the distribution across four adults being $45,000/$0/$0/$0, it would be $12,000/$12,000/$12,000/$12,000. That is more progressive as a whole than it is regressive, and inequality is reduced overall, not increased, because the total at the bottom went from $45,000 across four people to $48,000 across four people. And that is for basically the worst possible, most unrealistic of UBI designs.

### AT Not Enough Money to Cover Student Debt

This is evident as **Money Wise** explains in **2020** that the average monthly student loan payment in the US was $210. Thus, a UBI of $1000 a month would provide plenty of money to ease student debt burdens and encourage business creation.

### AT VAT Hurts Small Businesses

1) Most countries with VAT exempt small businesses

Tax Policy Center

<https://www.taxpolicycenter.org/briefing-book/how-would-small-businesses-be-treated-under-vat>

Most countries exempt small businesses from a value-added tax (VAT)—partly because small businesses are a powerful political constituency and partly because the administrative and compliance costs of taxing small businesses are high relative to the revenue raised. The exemption is a mixed blessing, however. Many businesses prefer to buy their inputs from businesses in the VAT system so they can claim credits on the tax they pay. As a result, countries allow small businesses to register for the VAT even if they are not required to do so. For example, in Australia during the 2010–11 tax year, 37 percent of businesses had sales below the VAT threshold, yet 92 percent of all businesses registered for the VAT. A higher exemption based on business sales saves on compliance costs but reduces revenue, with the revenue loss depending on the tax rate. A recent study by Treasury Department economists finds that if the United States had a 10 percent VAT, the optimal exemption based on sales would be about $200,000 and would cover about 43 million businesses (Brashares et al. 2014). That exemption would be higher than in most other countries, but the 10 percent rate would be lower than in most other countries. At a 20 percent rate, close to the average for Organisation for Economic Co-operation and Development countries, the optimal exemption would be $90,000, which is within the range of exemptions in other countries.

Gale ‘16

Brookings Institute, <https://www.brookings.edu/research/entrepreneurship-and-small-business-under-a-value-added-tax/>

As explained below, the VAT is, in effect, a consumption tax. Although it would be new to the United States, the VAT is a workhorse of tax systems around the world. Approximately 160 countries around the world— including every OECD member except the United States—administer a VAT. VATs provide the third largest revenue source in OECD countries, behind income and payroll taxes. Across all levels of government, VAT revenue averaged 5.5 percent of GDP and almost 17 percent of overall revenues in OECD countries (OECD 2015) in 2012. One of the critical questions in designing a VAT is whether to exempt small businesses and, if so, at what threshold. Including all businesses may seem, a priori, like a natural policy choice, but the government’s administrative and private compliance costs associated with collecting tax from small businesses often prove to be high relative to the revenue generated. As a result, most countries with VATs exempt some small businesses.

Gale ‘16

March 2016, Brookings, <https://pdfs.semanticscholar.org/ab4c/f4ba95506377cd58e125d3e4b3c6033e103a.pdf>

Of the 33 OECD countries with a VAT, 28 have set a threshold under which small businesses do not have to register for the tax. In some cases, the threshold varies by industry, by whether the business is a non-resident 3 The ratio can exceed 1 if government services are taxed and/or if exempted goods raise taxes on net. 4 Including small firms in the VAT can reduce revenues to the extent that those firms have negative value-added, export most of their sales, or have low sales (due, for example, to being in a start-up stage). entity that imports goods or by other criteria. In 2014, the UK had the highest threshold at about $103,000 (US dollars), followed by France, and Japan (Table 3). Overall, 9 countries have thresholds over $60,000, 10 countries have thresholds between $60,000 and $20,000, 2 countries have thresholds between $20,000 and $10,000, 7 countries have thresholds below $10,000 and 5 countries—Chile, Mexico, Turkey, Spain, and Sweden —do not have an exemption threshold.

2) No ev that VAT decreased small business entry in any countries.

3) Even if the US doesn’t exempt small businesses, the increased money that consumers have mean small price increases passed along due to a VAT are negligible.

### AT Not Enough to Start Business

According to the U.S. Small Business Administration, most microbusinesses cost around $3,000, while most home-based franchises cost $2,000 to $5,000 to start. UBI is more than enough. But the argument is also psychological. With a guaranteed income to fall back on people are more likely to use savings and other money to finance small businesses or even take loans.

### AT UBI Not Enough To Pay for Multiple Things

1) Yeah UBI in and of itself isn’t enough but it provides mobility and it helps increase wages overall through increased entrepreneurship and market competition.

### AT No Empirics

In Namibia income of the poorest 20% of people increased by 200% with UBI as they found new work to boost income.

Haarmann ‘08, Claudia Haarmann, Basic Income Grant Coalition, &quot;BIG Pilot Project - Assessment Report&quot;, September 2008, http://www.bignam.org/Publications/BIG\_Assessment\_report\_08a.pdf

While on average people in all income groups were able to achieve an effective increase, the most dramatic effect was found among the poorest 20% of households, which realized an increase of almost 200% of their income between November 2007 and July 2008. These figures exclude the BIG income. They demonstrate the ability of the BIG to free up people&#39;s economic potential and boost income. The findings also point to the fact that a considerable amount of the BIG money stays in the local community, boosting local economic activity there. Comparing the average real income from different sources before and after the implementation of the BIG, we found significant increases in almost all cases. The only exception is the income derived from farming. This should be attributed to seasonal differences between the time of the two surveys. The baseline survey was done during harvest time in November, while the impact assessment was done during winter, when no products from gardening etc. were available. Income from wage employment increased by 27%, while income from self- employment increased by over 300%. During the first five months of the BIG pilot project, there were only 26 crimes reported, of which only 11 were economic or poverty related, making it 42% of the total. Clearly, as shown in Graph 2.10-1, the incidence of poverty-related crimes has fallen by over 20% since the BIG was introduced. These are the findings after six months of implementation of the BIG in Otjivero-Omitara. The evidence summarised in this report is immensely encouraging. It is to be hoped that readers and policy-makers, and international institutions concerned with economic and social development, will take an active interest. The pilot will continue to evolve. It is surely impressive that the community itself took a leadership role in this project. Even after only a few months, the evidence from the BIG pilot shows that the people of Otjivero-Omitara have by and large spent the money on the improvement of their own living conditions. This is contrary to the claim that the BIG would lead to dependency, laziness and spending on wasteful consumption. The findings suggest that the introduction of a BIG could have a powerful positive effect on similar communities all over Namibia. It could help the Government meet its aspirations for the people, and cut social and economic deprivation. In particular, the BIG would have an immediate and positive effect on people&#39;s health and nutrition, and contribute to the effectiveness of the ARV treatment. The BIG has also reduced the dependency of young women on men for survival. This has been a factor in the spread of the virus. Thus the BIG has given women a measure of control over their own sexuality, freeing them to some extent from pressure to engage in transactional sex. Eradicate extreme poverty and hunger From November 2007 to July 2008, the share of malnourished children dropped from 42% to 17%. Achieve universal primary education The number of children not attending school dropped by 50%.

Thousands lifted from poverty each year in Alaska.

Berman ‘16 Matthew Berman, Institute of Social and Economic Research, &quot;Permanent Fund Dividends and Poverty in Alaska&quot;, November 2016, https://iseralaska.org/static/legacy\_publication\_links/2016\_12- PFDandPoverty.pdf

Our estimates show that the Alaska Permanent Fund Dividend has lifted 15,000 to 25,000 Alaskans out of poverty annually, depending on the size of the dividend and the state of the economy that year. We made our own estimates of income and associated poverty rates because we found strong evidence that PFD income has been systematically underreported in the Census Bureau data used to calculate official poverty rates. The PFD has been especially important in mitigating poverty among Alaska Native people. Without the PFD, one-third more Alaska Natives would have seen their income drop below the poverty threshold. The PFD has also played a major role in reducing poverty rates for Alaska children. Based on average rates over the past five years, we estimate that eliminating the PFD would increase the number of children living below the poverty threshold by more than one-third. Despite the ameliorating effects of the PFD, poverty rates have been rising in Alaska, especially for children and for residents of urban areas. One reason the PFD has become less effective in stemming the increase in child and urban poverty is that more new Alaska residents are arriving in urban areas poor and not eligible to receive the PFD right away. But despite the recent rise in poverty in urban Alaska, poverty rates there remain far below rates in rural Alaska, where employment opportunities are fewer. Reducing or eliminating the PFD to help fill the budget gap will significantly increase the number of Alaskans below the poverty threshold. However, unless the Census Bureau revises its survey methods for collecting income data, official poverty rates will show a much smaller increase in poverty rates than will actually occur.