# AC – Work/Startups

We affirm

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

## Contention One is Encouraging Work.

**Rector** explains in **2018** that the real problem with welfare is that they tend to discourage self-support through work. **Smith** continues in **2018** that programs like unemployment insurance discourage people from going back to work because their benefit levels will decrease as they earn more income.

However, a universal basic income solves this issue. **Warren** finds in **2018** that poverty is about a lack of cash, not stupidity. You can’t pull yourself up by your bootstraps if you have no boots. Because of this, studies have shown that a UBI increases labor activity among the unemployed. It provides low-income people with the financial security to quit low-paying and unfulfilling jobs and seek retraining and acquire better jobs.

Empirically, **Widerquist** explains in **2018** that in UBI trials in Finland, employment among study participants increased.

This is important because **Cheung** finds as of this month that Federal Reserve officials have stated that labor force participation is key to US economic growth. Despite the fact that unemployment has fallen to low levels, the US labor force participation rate has hovered around 63% with little improvement over the last 5 years. Moreover, **Chmura** explains in **2019** that a low labor force participation rate indicates low productivity in the economy. As a driver of long-term economic growth, low labor-force participation will prevent sustainable growth.

## Contention Two is Starting Up the Economy.

**Boak** of the Associated Press explains in **2019** that despite more than a decade of economic growth, entrepreneurship has failed to restore to its pre-recession level. Between 2007 and 2019, business formation declined by 16%. **Long** continues in **2016** that entrepreneurship in America is at a 40-year low. **Boak** continues that even with record low unemployment, lower business formation means there are fewer companies competing for workers, leading to a decline in wage growth and economic mobility. Most growth is only occurring in the corporate sphere thus further suppressing wage growth.

Fortunately, a universal basic income would increase startup formation in 2 ways.

First by reducing the fear of failure.

**Santens** concludes in **2017** 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. Entrepreneurship and risk are inextricably linked.

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 those to start their own businesses. Even more, those who are currently unable to finance a startup, will receive the financial means to do so under a UBI. A UBI negates a lack of capital.

**Groth** corroborates in **2019** that while $12,000 a year may not seem like much, the psychological impact is enough to increase entrepreneurship.

Second by easing debt burdens.

**Marchese** writes in **2019** that 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** in 2019, 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. 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.

Overall, **Rochon** explains in **2019** that in an analysis of several UBI experiments, on average, business startups increased by 300%.

The impact is long term economic stability.

**Lettieri** explains in **2016** that the malaise in entrepreneurship has led to less innovation as new businesses are disproportionately likely to introduce radical new innovations into the economy. Moreover, a lack of entrepreneurship has led to less competition, allowing for increasing consolidation within industries. Between 1997 and 2012, two thirds of all industry sectors became more concentrated. This concentration has stripped the incentive for incumbents to innovate and allowed them to raise prices artificially. This fall off in new business formation has also resulted in low productivity growth and rising inequality. Even more, **Shambaugh** finds in **2018** that increasing entrepreneurship enhances wage growth through increased competition, thus putting more money in people’s hands. This is important because **Slivinski** finds in **2012** that for every 1% increase in startup formation, poverty declines by 2%.

Moreover, **Matthews** quantifies in **2017** that overall, a UBI would permanently add trillions of dollars to the US economy.

Thus, we affirm.

# CARDS

## Starting Up

### 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.

### 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.

### 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

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.”

### 3 – Excess Capital

#### 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.

#### 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.

### Impact

#### Rochon ‘19

Sylvian Rochon, 26 June 2019, Data Driven Investor, <https://www.datadriveninvestor.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.

#### Lettieri ‘16

John W Lettieri, 29 June 2016, The Committee on Small Business and Entrepreneurship, <https://www.sbc.senate.gov/public/_cache/files/0/d/0d8d1a51-ee1d-4f83-b740-515e46e861dc/7F75741C1A2E6182E1A5D21B61D278F3.lettieri-testimony.pdf>

What are the consequences? Many of our biggest concerns today are not isolated conditions but in fact symptoms of this deeper malaise in entrepreneurship. Let’s explore some of the biggest consequences of the startup slowdown in turn: ● Less innovation.New businesses are disproportionately likely to introduce radical new product and process innovations that disrupt industries and established interests. As 14 new entrants into the market, startups have the ability to pursue new ideas and seize upon new knowledge in a way that older, more risk­averse firms avoid. Startups also 15 form a critical link in the nation’s more formal innovation ecosystem. Many are born from the commercialization of technologies developed in universities—the primary channel through which the federal government funds innovation. Without vibrant 16 entrepreneurship, much of this federal investment will never realize its market potential. ● Less competition.Fewer new firms entering the market has already allowed for increasing consolidation within industries, lower rates of corporate investment, and increasing returns to incumbency. A recent evaluation by The Economist quantifies the increasing market concentration across today’s economy. Their analysis found that two­thirds of all industry sectors became more concentrated between 1997 and 2012, with the top four firms in each sector capturing an increasing share of total revenue. 17 Without healthy competition, incumbents have less of a reason to innovate and more ability to raise prices. In a less competitive economy, the fruits of economic growth that should be returned to workers and consumers instead become rents enjoyed by incumbents. ● Lower productivity.GDP growth has been stuck near 2.0 percent since 2005, and the rate of productivity growth is projected to turn negative for the first time in more than three decades in 2016. In the 85 years the Bureau of Economic Analysis has been 18 collecting data, the present is the only 10 year stretch in which annual GDP growth has never hit 3 percent. 19 The fall off in new business formation is an under­explored potential explanation for why the economy is producing less than it should for each hour worked—and why living standards are stagnating as a result. Entrepreneurs are the driving force behind the process of creative destruction that keeps the economy efficient, productive, and advancing. As new businesses commercialize innovations and their business models disrupt calcified industries and light fires under bloated firms, startups pressure the economy to allocate its resources to their most valuable and efficient use. 20 ● Greater inequality. As mentioned above, without robust competition profits will quickly turn into rents and these rents will fuel inequality. Recent work from Jason Furman and Peter Orszag documents how firms have enjoyed rapidly­rising returns on capital in industries that have become more concentrated. They show that this intra­industry 21 inequality has been a major contributor to rising income inequality among workers. In other words, the weakening of competition, which can be directly tied to the decline in startups (challengers), is responsible for a significant portion of the increase in inequality in the United States. Economic theory suggests that new companies should enter the market to compete away these super­normal profits, but that is not happening. At the same time, there are rising concerns that entrepreneurship is becoming the province of the wealthy. The Center for American Progress has found that the wealth 22 gap between the entrepreneurial class and the middle class is expanding. As 23 entrepreneurship grows farther out of reach for middle income Americans, it loses its promise as a path to opportunity; instead it becomes a luxury good. A recent Harvard Business School survey of alumni expresses the concern: “entrepreneurship might become a source of prosperity but not shared prosperity in the United States.” 24

#### Matthews ’17

Dylan Matthews, Vox, 30 Aug 2017, <https://www.vox.com/policy-and-politics/2017/8/30/16220134/universal-basic-income-roosevelt-institute-economic-growth>

A universal basic income could make the US economy trillions of dollars larger, permanently, according to a [new study by the left-leaning Roosevelt Institute](http://rooseveltinstitute.org/modeling-macroeconomic-effects-ubi/). Basic income, a proposal in which every American would be given a basic stipend from the government no strings attached, is often brought up as a potential solution to widespread automation reducing demand for labor in the future.

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.

## Encouraging Work

#### Rector ‘18

Rector, Robert. April 5 2018.” Understanding the Hidden $1.1 Trillion Welfare System and How to Reform It.” The Heritage Foundation. https://www.heritage.org/welfare/report/understanding-the-hidden-11-trillion-welfare-system-and-how-reform-it

The welfare state is expensive not because bureaucracy swallows the funds but because the welfare system provides very generous benefits to tens of millions of families. However, the real problem in welfare is neither an accounting issue (how poverty is measured) nor bureaucratic inefficiency but the “moral hazard” of existing welfare programs’ tendency to discourage self-support through work and marriage. The objective that a low-wage parent who works full-time for the whole year should be able to support a family above the poverty level when earnings and welfare are combined is laudable.30 In most respects, the existing welfare system already fulfills that objective if existing benefits are counted accurately.31 Unfortunately, most discussions of welfare ignore the standard benefits shown in Chart 9; the taxpayers get no credit for the generous support they provide. More important, most existing welfare programs either fail to encourage or actively discourage efforts toward self-support through work and marriage. As a result, they are inefficient, unnecessarily costly, and ultimately harmful to recipients.

#### 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.

#### Warren ‘18

Michael Warren, May 26, 2018, London Free Press, Is universal basic $ income the future?, <https://lfpress.com/opinion/columnists/warren-is-universal-basic-income-the-future>

The other objection is that giving people free cash will reduce the incentive to work even though there is extensive evidence that the poor are not lazy and unmotivated. Economist Joseph Hanlon puts it this way: "Poverty is fundamentally about a lack of cash. It's not about stupidity. You can't pull yourself up by your bootstraps if you have no boots." Studies show UBI increases labour activity among the unemployed. It can also provide low-income people with the financial security to quit lowpaying, unfulfilling jobs and seek retraining, a better job or launch a small business. Whatever party wins the June 7 provincial election should continue this three-city UBI trial to completion. The findings are essential to determine whether UBI is a cost-effective way of helping the millions of Ontarians who will be impacted by a technological revolution that's coming at warp speed. R. Michael Warren is a former corporate director, Ontario deputy minister,

#### Nova ‘18

Annie Nova, May, 1 2018, <https://www.cnbc.com/2018/05/01/nearly-half-of-americans-believe-a-universal-basic-income-could-be-the-answer-to-automation-.html> Universal basic income: U.S. support grows as Finland ends its trial

"The claim is often made that if you give people a basic income, they'll become lazy and stop doing work," Standing said. "It's an insult to the human condition."Basic incomes tend to increase people's work rather than reduce it." That's because research has shown that a basic income can improve people's mental and physical health, Standing said, as well as encourage them to pursue employment for reasons more meaningful than just a need to put food on the table.

#### Widerquist ‘18

Widerquist, Karl. July 1 2018. “Current UBI Experiments: An update for July 2018.” BIEN. https://basicincome.org/news/2018/07/current-ubi-experiments-an-update-for-july-2018/

The stated goal of the Finnish experiment is, “To obtain information on the effects of a basic income on employment.”[[ii]](https://basicincome.org/news/2018/07/current-ubi-experiments-an-update-for-july-2018/" \l "_edn2) This concern is very similar to what became the focus of the four U.S. experiments in the 1970s, but the design and focus of the study makes it very different. One of the motivations of the experiment is the fear that Finland’s long-term unemployment insurance eligibility criteria created significant disincentives to work. Because the Finnish project tests UBI only on people currently receiving unemployment benefits (that is, people currently not working), and because UBI eliminates eligibility criteria that might inhibit unemployed people from taking jobs, the study might find that UBI increases employment among study participants. The study does not increase marginal tax rates for participants and so it will provide a much higher overall income for low-income workers in the study,[[iii]](https://basicincome.org/news/2018/07/current-ubi-experiments-an-update-for-july-2018/" \l "_edn3) but it will be expensive to replicate that program design on a national scale.

#### Boorman ‘19

Boorman, Georgi. Sept 24 2019. “[Jobs Are Everywhere. So Why Aren’t More Young People Working?](https://thefederalist.com/2019/09/24/jobs-are-everywhere-so-why-arent-more-young-people-working/).” Federalist. https://thefederalist.com/2019/09/24/jobs-are-everywhere-so-why-arent-more-young-people-working/

These jobs most often suit young people, as the name “entry-level” implies. Despite hundreds of thousands of [jobs created](http://www.ncsl.org/research/labor-and-employment/national-employment-monthly-update.asp) over the last several years, s[ummer employment for teens](https://www.pewresearch.org/fact-tank/2019/06/27/teen-summer-jobs-in-us/) is only just over 34.6 percent this year. It’s down from 51 percent in 2000, and, most notably, far lower than recession levels at any point in the five preceding decades. [Employment for 16-24 year olds](https://www.bls.gov/news.release/youth.nr0.htm) is only 56.2 percent, and [labor force participation for 20-24 year olds](https://fred.stlouisfed.org/series/LNU01300036) as of July is 75.7 percent, down 8.1 points from its high 30 years ago and below what it was at the same time of year in ‘09, in the midst of the Great Recession. This doesn’t only apply to the non-college-educated, either. According to the Harvard Business Review, the [unemployment rate for recent college graduates](https://hbr.org/2019/05/what-the-job-market-looks-like-for-todays-college-graduates) is higher than it was pre-recession.

#### Bass ‘19

Bass, David. Jan 29 2019. “One of the best ways to escape poverty: Full-time work.” Georgia Center for Opportunity. https://georgiaopportunity.org/one-of-the-best-ways-to-escape-poverty-full-time-work/

It may surprise you to learn that [data from the U.S. Census data](https://www.census.gov/content/dam/Census/library/publications/2016/demo/p60-256.pdf) show that just 2.4 percent of those who work full-time year-round live in poverty. In contrast, 14 percent of those who did work—but not full-time, and not year-round—were in poverty, and fully 32 percent of those who did not work at all lived in poverty. Surprisingly, these numbers are nothing new. Economist Lawrence Mead noted [in his book](https://www.amazon.com/Prophecy-Charity-Help-Values-Capitalism/dp/0844743801) From Prophesy to Charity: How to Help the Poor that the poverty rate in 2009 for those who worked at least a 35-hour work week for 50 weeks of the year was just 3 percent. Mead summarizes: “The lion’s share of adult poverty is due, at least in the first instance, to low working levels.” Clearly, the key to escaping poverty isn’t merely raising wages, as important as that might be. It’s full-time (or close to full-time) work. And one of the key ways to help our neighbors escape poverty is straightforward and simple: help them get job training, land a stable job, and advance into higher paying positions over time.

#### Chmura ‘19

Christine Chmura, 1 Sept 2019, <https://www.richmond.com/business/economic-impact-the-decline-in-the-labor-force-participation-rate/article_262f48c1-02cb-5080-93a0-763da7da5a1a.html>

The jobless rate is at historic lows and certainly is an important economic barometer. But looking at the labor force participation rate might be a more telling story. That rate, which calculates the number of people employed or unemployed looking for work as a percentage of the total adult working-age population, has been steadily falling since 2000. And based on the latest participation rate data, one has to wonder where has all the labor gone? The labor participation rate is important because it is a broader measure than the unemployment rate in identifying the workers available to produce goods and services in an economy. In other words, it points to the potential of all productive workers in a society. In addition, because overall economic growth is driven by increases in productivity and the labor force, the labor force participation rate is a driver of long-term economic growth. The labor force participation rate also can impact wages. A low unemployment rate is historically associated with rising wages because a reduced supply of available workers causes firms to raise wages to attract qualified workers. If the unemployment rate is low and the participation rate is rising, however, then more people are coming into the labor force to apply for the job openings and this new supply of workers can hold back wage growth. The labor participation rate rose from 58.6% in January 1948 to a peak of 67.3% in the first three months of 2000 as baby boomers and more women entered the labor force. Higher education levels, which are associated with increased participation in the economy, also rose over this period. The percentage of people 25 years and older who completed high school or college rose from 33.1% in 1947 to 84.1% in 2000, according to U.S. Census Bureau. Since the peak in 2000, however, participation rates have generally decreased. The pace of decline accelerated after the Great Recession and hit a 38-year low of 62.4% in September 2015. The declining labor force participation rate contributed to the slow economic recovery and tepid growth since the Great Recession.

# Frontlines

### F/L Can’t Pay Long Term

1) AI will double global GDP through productivity growth – this has two major implications

a. we need a UBI because there will be less work to be done

b. US government will have way more tax revenue allowing it to massively expand its spending – in the long term a UBI is feasible.

Redmore ‘17 Seth Redmore, 9-19-2017, "Artificial Intelligence Will Double Economic Growth: Here's How," Lexalytics, <https://www.lexalytics.com/lexablog/artificial-intelligence-double-economic-growth>

Remember back in October 2016, when Donald Trump promised 4% growth for the United States economy? Experts were skeptical (still are, too). Around the same time, the Federal Reserve Bank of San Francisco predicted a “new normal” growth rate of 1.5% to 1.75%. Thing is, Trump may have been on to something – albeit inadvertently. Many economists today are predicting that artificial intelligence will drive unprecedented economic growth: upwards of 4.6% or more. But how will this occur? Here’s the short answer: Artificial intelligence helps people do more work, in less time, with fewer resources and less expertise. Recent GDP Growth Has Slowed We’ll start with some context. Worldwide, gross domestic product (GDP) has been pretty stagnant. Growth in many large economies has averaged a meager 1.1 percent since 2010. See this chart from a recent Accenture report, “Why Artificial Intelligence is the Future of Growth“: Things are about to change. Enter artificial intelligence. Artificial Intelligence Changes the Economic Game Let’s define some terms. Capital measures the value of human-made goods and the means of production. Labor represents the work done by people, and the skills those workers possess. Economic growth occurs when capital or labor increase, or when they’re used more efficiently. Historically, innovations like the steam engine and typewriter have either increased capital or labor, or helped people use them more efficiently. Artificial intelligence changes the game by acting as a force multiplier for both capital and labor. Artificial/Augmented Intelligence will Double Economic Growth AI’s ability to enhance both capital and labor is unique. According to the study by Accenture, artificial/augmented intelligence will nearly double global GDP in the next 20 years. These are numbers we haven’t seen since the 1980s. AI-powered technologies will help humans develop better tools to produce goods and services (capital), and let us focus our work activities (labor) on whatever produces the greatest value. And because it can learn as it goes, AI’s ability will only increase as time goes on. In fact, AI may be the single greatest economic growth factor in history. But how will this look in practice? Let’s start with the impact of AI on white collar (office) work.

### Entrepreneurship Extension

#### Lettieri ‘16

John W Lettieri, 29 June 2016, The Committee on Small Business and Entrepreneurship, <https://www.sbc.senate.gov/public/_cache/files/0/d/0d8d1a51-ee1d-4f83-b740-515e46e861dc/7F75741C1A2E6182E1A5D21B61D278F3.lettieri-testimony.pdf>

1) Entrepreneurship triggers creative destruction that ensures productivity growth and efficient economic allocation.

Kritikos (Undated), Univ of Potsdam, <https://wol.iza.org/articles/entrepreneurs-and-their-impact-on-jobs-and-economic-growth/long>

Existing firms often struggle to adjust to new market conditions and permanent changes, getting locked into their old positions. They fail to make the necessary internal adjustments and lack the ability for “creative destruction,” famously described by Schumpeter in 1934 [[7]](https://wol.iza.org/articles/entrepreneurs-and-their-impact-on-jobs-and-economic-growth/long#izawol.8-biblStruct-000012). The entry of new businesses and the exit of worn-out firms can help to free firms from a locked-in position. Moreover, entrepreneurs may create entirely new markets and industries that become the engines of future growth processes.

The fall off in new business formation is an under­explored potential explanation for why the economy is producing less than it should for each hour worked—and why living standards are stagnating as a result. Entrepreneurs are the driving force behind the process of creative destruction that keeps the economy efficient, productive, and advancing. As new businesses commercialize innovations and their business models disrupt calcified industries and light fires under bloated firms, startups pressure the economy to allocate its resources to their most valuable and efficient use. 20