# NC – Safety Net/Spec

We negate

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

## Contention One is the Safety Net.

**Trisi 18** writes that since 1967, the poverty rate has fallen by nearly half from 26% in 1967 to 14% in 2017 specifically due to the growing effectiveness of means-tested welfare programs.

Specifically, means-tested welfare programs help low-income Americans in 2 essential ways.

The first is by saving the next generation.

**Sherman 17** writes that means-tested welfare programs provide food assistance, housing subsidies, and working family tax credits to bolster income and help families afford basic needs to keep millions of children above the poverty line. These programs help children do better in school and increase their earnings in their adult years. For example, young children with access to food stamps grew up to have higher high school graduation rates and lower rates of health problems. Poor families that were given housing vouchers to move to less poor neighborhoods saw the incomes of their children rise by 31% when they reach adulthood. Moreover, **Coleman 19** corroborates that social programs specifically aimed at impoverished children pay for themselves as the kids grow up.

Overall, the **Children’s Defense Fund** findsthat in 2018 alone, 10.7 million children were lifted out of poverty by means-tested welfare programs.

Astoundingly, because these programs are so effective **Goulden 18** writes that a UBI would increase child poverty by 60%.

The second is by providing healthcare.

**Rudowitz 19** explains that Medicaid is the nation’s public health insurance program for low income Americans, covering 20% of the country. **Donaldson 19** furthers that Medicaid serves more than 72 million Americans and fewer than 20% support cutting its funding.

Crucially, **Golshan 19** quantifiesthat Medicaid reduces the probability of mortality of those on it by 70. Replacing Medicaid with a UBI would effectively push millions of Americans into poverty and be a death sentence for millions more.

Moreover, **Katch 19** finds that Medicaid provides more comprehensive benefits than private insurance at significantly lower out-of-pocket costs. **Ku 08** furthers that if low-income adults on Medicaid were instead covered by private insurance, out-of-pocket medical payments would rise by 556%. This is extremely problematic as **Herman 19** finds that medical expenses remain the largest contributor to poverty. **Weissmann 16** furthers that 11.2 million individuals were pushed into poverty in 2015 alone due to out-of-pocket medical spending. Without health coverage, oppressive medical costs will entrench poverty for millions of Americans.

Overall, **Parrot 14** finds that the safety net has reduced the poverty rate by 14% in other words, 1 in 7 non poor americans would be poor without the safety net, the equivalent of 40 million people.

## Contention Two is Speculation.

**Noguchi 18** warnsthat the implementation of a UBI would summon widespread fears of inflation. A UBI would move more cash into the hands of those most likely to spend it thus putting upward pressure on prices. **Archetto 18** warrants that with the knowledge that people can afford higher prices, businesses would certainly charge more for their products. Moreover, **Seeking Alpha 17** writes that if inflation rises faster than expected the Fed would hike interest rates aggressively which could plunge the economy into a recession.

However, whether or not real inflation occurs, the fear of inflation alone can have adverse consequences.

**Global Pimco** warrants that inflation poses a “stealth” threat to investors because it chips away at investment returns. Inflation prevents gains because returns must first keep up with the rate of inflation and then make profit on top of that. For example, an investment that returns 2% before inflation in an environment of 3% inflation will actually produce a negative return of -1% when adjusted.

This is problematic as **Warr 18** explains that just the threat of inflation can cause trouble among investors as they begin to realize that things may be about to slow down. When investors begin exiting markets, everyone follows causing the market to tank. This is why a market can appear to be doing great and then suddenly tank at the first hint of inflation.

Moreover, **Amadeo 18** explains that a stock market crash would easily kick-start a recession, as it would signal a massive loss of confidence in the economy.

The impact is entrenching poverty.

Another recession would be devastating as a **Tufts University** study concluded that because the US economy is so integral to the world economy, the last recession pushed between 100 million people into poverty worldwide.

To avoid another crisis, we negate.

# CARDS

## C1 Safety Net

### Intro

#### Trisi & Saenz ‘19

Danilo Trisi & Matt Saenz, Center on Budget and Policy Priorities, <https://www.cbpp.org/research/poverty-and-inequality/economic-security-programs-cut-poverty-nearly-in-half-over-last-50>

Using a version of the federal government’s Supplemental Poverty Measure (SPM) — a more comprehensive metric than the official poverty measure — we calculate that the poverty rate has fallen by nearly half since 1967, largely due to the growing effectiveness of economic security programs such as Social Security, food assistance, and tax credits for working families. Poverty fell from 26.0 percent in 1967 to 14.4 percent in 2017 by this measure. Most of the improvement came from economic security programs. Earnings and other non-government sources of income did not improve sufficiently over this period to reduce poverty substantially. In 1967, economic security programs lifted above the poverty line just 4 percent of those who would otherwise be poor. By 2017, that figure had jumped to 43 percent. In 2018 poverty fell again to a new record low of 12.8 percent by our measure: the SPM with an inflation-adjusted poverty line. Changes in the Census Bureau’s survey methods make 2018 data not strictly comparable to 1967.[[1]](https://www.cbpp.org/research/poverty-and-inequality/economic-security-programs-cut-poverty-nearly-in-half-over-last-50%22%20%5Cl%20%22_ftn1) But the Census Bureau provides enough data about this survey transition to make clear that the SPM poverty rate reached a record low in 2018 by our measure.[[2]](https://www.cbpp.org/research/poverty-and-inequality/economic-security-programs-cut-poverty-nearly-in-half-over-last-50%22%20%5Cl%20%22_ftn2)

### Child Poverty Programs

#### Goulden ‘18

Chris Goulden, Joseph Rowntree Foundation, 25 April 2018, <https://www.jrf.org.uk/blog/universal-basic-income-not-answer-poverty>

Compass, in research funded by JRF, modelled a range of different UBI schemes. These are all effectively ruled out as undesirable and/or implausible because it is not possible to raise the revenue needed to support them from taxation ­– even by increasing the basic rate to 30% from 20%. The UBI schemes also INCREASE poverty for children, working-age adults and pensioners compared to the current tax-benefit system: child poverty rises by over 60%. This is because of the effects referred to above, namely that the middle/lower-middle of the income distribution pull away from those who are worst off – almost perfectly designed to increase relative income poverty!

#### Coleman ‘19

Patrick A Coleman, 20 August 2019, Fatherly, <https://www.fatherly.com/love-money/child-welfare-programs-pay-for-themselves-new-study-finds/>

A new study from Harvard University economists Nathaniel Hendren and Ben Sprung-Keyser found that social programs that are aimed at children, and particularly impoverished children, offer real returns on the money spent. According to their study, A Unified Welfare Analysis of Government Policies, that’s simply not the case with welfare programs for adults. Moreover, looking at spending data related to a wide range of social programs directed at a diverse age range of beneficiaries, the duo discovered that not only do social programs for kids pay for themselves, but do so well into the future. To reach the finding the Harvard researchers calculated the ratio between a social welfare programs’ cost to the government and the value of the benefit to the recipient. Programs aimed at children’s education like the Carolina Abecedarian Study, which provided high-quality education to a study group of at-risk children, were calculated to not only have paid for themselves but also offered returns to the government beyond the cost of the program. The 56 kids who received early intervention from the Abecedarian study when it began in 1972, are now in their 40s. Looking at their outcomes offers an excellent insight into how exactly these programs aimed at at-risk children can recoup their costs. The Abecedarian participants are far more likely to have graduated with a four-year college degree, are more likely to be engaged in a high-skilled job and are five times less likely to have relied on public assistance as an adult. Education is not the only area where investment in children pays off. Studies prior to the Harvard analysis have shown that investment in children’s health also appears to pay for itself in the long run. This is of particular interest as state governments mull over the decision to expand Medicaid, which has been proved to increase the number of children with medical insurance in participating states. Since the passage of the Affordable Care Act in 2014, 36 states have decided to expand Medicaid. Another 17 states have declined. This has set up a natural experiment allowing researchers to look at outcomes of the Medicaid expansion programs over the past five years.

#### Children’s Defense Fund ‘19

<https://www.childrensdefense.org/2019/new-census-data-reveals-continued-child-poverty-crisis-in-america/>

Data released by the Census Bureau today also made clear why we must not only protect, but further invest in programs proven to reduce child poverty. Data from the Supplemental Poverty Measure (SPM) expands on the Official Poverty Measure by analyzing the impact of various government and other programs on family resources. The SPM suggests that in 2018, 10.7 million children were lifted out of poverty by programs and policies including: Supplemental Nutrition Assistance Program (SNAP) or food stamps: 1.3 million children Housing subsidies: 926,000 children National School Lunch Program: 702,000 children Special Supplemental Nutrition Program for Women, Infants, and Children (WIC): 160,000 children Supplemental Security Income Program: 515,000 children Temporary Assistance for Needy Families (TANF) and general assistance: 209,000 children Earned Income Tax Credit and other refundable credits: 4.2 million children “Enough is enough. We know how to reduce child poverty in this country. The 10.7 million children lifted out of poverty last year by effective policies and programs like SNAP proves it. Now we need to invest in these proven programs to lift millions more children out of poverty and ensure every child in America, no matter their race, background, or zip code, can live up to their full potential.” In April of this year, the Children’s Defense Fund released its latest [Ending Child Poverty Now report](https://www.childrensdefense.org/ending-child-poverty-now/), which showed that the United States could lift millions out of poverty now by improving and investing in existing policies and programs to increase employment, make work pay and meet children’s basic needs. The report detailed how investing an additional 1.4 percent of the federal budget into these proven policies and programs could reduce child poverty at least 57 percent, lift 5.5 million children out of poverty and make an immediate down payment on ending child poverty for all children.

#### Sherman ‘17

Arloc Sherman & Tazra Mitchell, 17 July 2017, Center on Budget and Policy Priorities, <https://www.cbpp.org/research/poverty-and-inequality/economic-security-programs-help-low-income-children-succeed-over>

Government economic security programs such as food assistance, housing subsidies, and working-family tax credits — which bolster income, help families afford basic needs, and keep millions of children above the poverty line — also have longer-term benefits, studies find: they help children to do better in school and increase their earning power in their adult years. One in three U.S. children spend a year or more below the poverty line before their 18th birthday.[[1]](https://www.cbpp.org/research/poverty-and-inequality/economic-security-programs-help-low-income-children-succeed-over%22%20%5Cl%20%22_edn1) Children experiencing poverty tend to be worse off in a range of ways, including being more likely to enter school behind their peers, scoring lower on achievement tests, working less and earning less as adults, and having worse health outcomes.[[2]](https://www.cbpp.org/research/poverty-and-inequality/economic-security-programs-help-low-income-children-succeed-over%22%20%5Cl%20%22_edn2) This pattern is especially clear for the poorest and youngest children and those who remain in poverty a long time during childhood.[[3]](https://www.cbpp.org/research/poverty-and-inequality/economic-security-programs-help-low-income-children-succeed-over%22%20%5Cl%20%22_edn3) Further, these adverse outcomes happen “in part because they are poorer, not just because low income is correlated with other household and parental characteristics,” a recent systematic research review concludes.[[4]](https://www.cbpp.org/research/poverty-and-inequality/economic-security-programs-help-low-income-children-succeed-over%22%20%5Cl%20%22_edn4) That is, income itself matters. [ECONOMIC SECURITY PROGRAMS CAN BLUNT THESE NEGATIVE EFFECTS OF POVERTY AND BRING POOR CHILDREN CLOSER TO EQUAL OPPORTUNITY.](https://twitter.com/share/?url=https://www.cbpp.org/research/poverty-and-inequality/economic-security-programs-help-low-income-children-succeed-over&text=Economic%20security%C2%A0programs%C2%A0can%20blunt%20these%C2%A0negative%20effects%C2%A0of%20poverty%C2%A0and%C2%A0bring%20poor%C2%A0children%20closer%20to%20equal%20opportunity.%C2%A0) Economic security programs can blunt these negative effects of poverty and bring poor children closer to equal opportunity, numerous studies find. For example, a study of the long-term effects of the introduction of food stamps (now known as SNAP) in the 1960s and 1970s found that young children who had access to food stamps grew up to have higher high school graduation rates and lower rates of certain health problems such as heart disease and obesity, as compared to similar disadvantaged children who lacked access to food stamps because their county hadn’t yet implemented the program. In addition, women who had access to food stamps as young children had improved economic self-sufficiency in adulthood. Other economic security programs have been found to improve health outcomes at birth, raise reading and math test scores in middle school, increase high school completion and college entry, lift lifetime income, and extend longevity. The findings come from studies of the Earned Income Tax Credit (EITC), anti-poverty and welfare-to-work pilot programs in the 1990s, an earlier public assistance program for mothers, and various negative income tax experiments in the late 1960s through early 1980s, among others. In addition, a recent well-known housing study found that housing vouchers that help poor families move to less poor neighborhoods before children turn 13 raise the earnings of these children by 31 percent when they reach adulthood.[[5]](https://www.cbpp.org/research/poverty-and-inequality/economic-security-programs-help-low-income-children-succeed-over%22%20%5Cl%20%22_edn5) Researchers are still exploring the reasons why more adequate family income helps children over the long term. One way that the added income may help is, for example, by reducing severe poverty-related stress, a condition that scientists have linked to lasting consequences for children’s brain development and physical health. Another may be by helping families afford better learning environments from child care through college. Important gains for children have been found both in programs that boost income by raising parental employment and in programs that raise income without an increase in parental employment. Overall, the weight of the evidence indicates that economic security programs not only open doors of opportunity for participating low-income children but also lift their future health, productivity, and ability to contribute to their communities and the economy in ways that benefit society as a whole

### Medicaid

#### Rudowitz ‘19

Robin Rudowitz, 6 Marsh 2019, Kaiser Family Foundation, <https://www.kff.org/medicaid/issue-brief/10-things-to-know-about-medicaid-setting-the-facts-straight/>

Medicaid is the nation’s public health insurance program for people with low income. The Medicaid program covers [1 in 5 Americans](https://www.kff.org/other/state-indicator/total-population/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D), including many with complex and costly needs for care. The program is the principal source of long-term care coverage for Americans. The vast majority of Medicaid enrollees lack access to other affordable health insurance. Medicaid covers a broad array of health services and limits enrollee out-of-pocket costs. Medicaid finances nearly a fifth of all personal health care spending in the U.S., providing significant financing for hospitals, community health centers, physicians, nursing homes, and jobs in the health care sector. Title XIX of the Social Security Act and a large body of federal regulations govern the program, defining federal Medicaid requirements and state options and authorities. The Centers for Medicare and Medicaid Services (CMS) within the Department of Health and Human Services (HHS) is responsible for implementing Medicaid (Figure 1).

#### Donaldson ‘19

Cathryn Donaldson, AHIP, 25 September 2019, <https://www.ahip.org/new-polling-the-vast-majority-of-americans-want-a-strong-sustainable-medicaid-program/>

Medicaid serves more than 72 million Americans, with Medicaid managed care plans delivering coverage to more than 54 million enrollees. Support for Medicaid continues to grow, with more Americans than ever wanting to ensure it remains strong and stable for the millions who rely on it. That’s according to a new poll from Morning Consult, conducted on behalf of the Modern Medicaid Alliance (MMA). More information, including in-depth, state-by-state data and polling, can be accessed via the just-refreshed Modern Medicaid Alliance Medicaid Dashboard. Below are a few key takeaways from the Medicaid Dashboard: 87% of Americans say it’s important to have a strong, sustainable Medicaid program in the U.S. 72% of Americans have a favorable view of Medicaid. That’s an 8 percentage point jump (i.e., 13% increase) from just 2 years ago. Fewer than 20% of Americans support cutting Medicaid funding. “This new data shows that more and more Americans have a positive view of Medicaid, and they want the program to continue delivering high-quality, affordable coverage and care,” said Matt Eyles, President and CEO of AHIP. “Building on our efforts to convene the Modern Medicaid Alliance that began in 2016, we’re proud to support MMA’s launch of the Medicaid Dashboard as a one-stop shop for the latest, most comprehensive research and polling.” Every day, the Medicaid program is helping millions of Americans access the care they need to stay healthy and productive. It is the largest health care program in the United States, covering more than 20% of the U.S. population, and serves a diverse array of people including adults, children, pregnant women, people with disabilities and senior citizens.

#### Golshan ‘19

Tara Golshan, 23 July 2019, Vox, <https://www.vox.com/policy-and-politics/2019/7/23/20703776/medicaid-expansion-obamacare-health-care-2020>

The researchers found that states that expanded Medicaid saw higher rates of enrollment and lower rates of uninsurance. Among the 55- to 64-year-olds studied, researchers found, receiving Medicaid “reduced the probability of mortality over a 16 month period by about 1.6 percentage points, or a decline of 70 percent.” Based on their findings, they estimate that states’ refusal to expand the program led to 15,600 additional deaths.

#### Ku & Broaddus ‘08

Leighton Ku & Matthew Broaddus, Health Affairs, 24 June 2008, <https://www.healthaffairs.org/doi/full/10.1377/hlthaff.27.4.w318>

Following the approach of Hadley and Holahan, we illustrate the effect of Medicaid versus private coverage by simulating two scenarios: (1) what total and out-of-pocket medical spending would be if those covered by Medicaid (or SCHIP) were instead covered by private insurance; and (2) what spending would be if those covered by private insurance were instead covered by Medicaid (or SCHIP). To do this, we used the characteristics of the Medicaid/SCHIP group—their health conditions, age, sex, income, education, race/ethnicity, region of the country, and so on—and applied the coefficients derived for those with private insurance. We also undertook the same type of exercise for those who had private insurance, applying the coefficients found for people covered by Medicaid or SCHIP. Because of the estimation models, findings from simulation models should be compared only to each other, not to the unadjusted values shown in [Exhibit 2](https://www.healthaffairs.org/doi/full/10.1377/hlthaff.27.4.w318#T2). The results are summarized in [Exhibit 3](https://www.healthaffairs.org/doi/full/10.1377/hlthaff.27.4.w318#T3). The models estimate that if an average low-income Medicaid adult were instead covered by private health insurance for a full year, total spending would climb from $5,671 per person per year to $7,126, an increase of 26 percent. The level of out-of-pocket payments would rise from $197 to $1,293, an increase [by] of 556 percent.

#### Katch ‘19

Hannah Katch, 22 November 2019, Center on Budget and Policy Priorities, <https://www.cbpp.org/sites/default/files/atoms/files/9-24-13health.pdf>

Medicaid provides more comprehensive benefits than private insurance at significantly lower out-of-pocket cost to beneficiaries, but its lower payment rates to health care providers and lower administrative costs make the program very efficient. It costs Medicaid much less than private insurance to cover people of similar health status. For example, adults on Medicaid cost about 22 percent less than if they were covered by private insurance, Urban Institute research shows.

#### Weissmann ’16

Jordan Weissmann, 13 September 2016, SLATE, <https://slate.com/business/2016/09/medical-expenses-still-drive-more-than-11-million-americans-into-poverty.html>

Based on an analysis of its so-called [Supplemental Poverty Measure](http://www.census.gov/content/dam/Census/library/publications/2016/demo/p60-258.pdf), the Census Bureau reports that 11.2 million individuals were pushed below the poverty line last year thanks to out-of-pocket medical spending, including insurance premiums, prescription drug costs, and doctor’s office co-pays. Overall, those expenses drove up the supplemental poverty rate by 3.5 percentage points, little changed from [most](https://www.census.gov/content/dam/Census/library/publications/2015/demo/p60-254.pdf) [recent](https://www.census.gov/prod/2013pubs/p60-247.pdf) years.

#### Herman ‘19

Bob Herman, axios, 16 September 2019, <https://www.axios.com/medical-expenses-poverty-deductibles-540e2c09-417a-4936-97aa-c241fd5396d2.html>

How it works: The Census Bureau tracks how various social programs and daily expenses influence poverty rates. Social Security, SNAP benefits and housing subsidies are among the most effective anti-poverty programs. But year after year, medical expenses remain "the largest contributor to increasing the number of individuals in poverty," according to the [Census Bureau](https://www.census.gov/content/dam/Census/library/publications/2019/demo/p60-268.pdf).

#### Corbett ‘19

Jessica Corbett, Common Dreams, 8 November 2019, <https://www.commondreams.org/news/2019/11/08/study-least-15600-premature-deaths-resulted-gop-blocking-medicaid-expansion>

New [research](https://www.cbpp.org/research/health/medicaid-expansion-has-saved-at-least-19000-lives-new-research-finds) "shows that gaining Medicaid coverage is literally a matter of life and death, particularly for people with serious health needs," and bolsters arguments in favor of states expanding their Medicaid programs, according to a report published this week by a leading progressive policy institute. A report released Wednesday by the Center on Budget and Policy Priorities (CBPP) details how the Affordable Care Act's (ACA) expansion of Medicaid from 2014 to 2017 saved the lives of at least 19,200 people aged 55 to 64. Meanwhile, state decisions to not expand during that time led to the premature deaths of 15,600 adults in that age group. Highlighting those figures in a tweet Friday, Andy Slavitt, who served as head of the Centers for Medicare and Medicaid Services in the Obama administration, called the CBPP's report "major" and "important."

### Impact

#### Parrott ‘14

Center on Budget and Policy Priorities, 3 December 2014, <https://www.cbpp.org/research/policymakers-often-overstate-marginal-tax-rates-for-lower-income-workers-and-gloss-over>

A recent review of research on how various income-tested programs affect people’s choices about work, which Robert A. Moffitt co-authored, concluded that most low-income benefit programs have at most a modest impact in reducing work.  Overall, the study found, programs’ work disincentives are sufficiently small as to have “almost no effect” in diminishing the safety net’s success in reducing poverty.[[22]](https://www.cbpp.org/research/policymakers-often-overstate-marginal-tax-rates-for-lower-income-workers-and-gloss-over%22%20%5Cl%20%22_ftn22)  They found that, after accounting for these modest overall behavioral effects, the safety net lowers the poverty rate by about 14 percentage points, a very large amount.  In other words, one of every seven non-poor Americans would be poor without the safety net.  That translates into more than 40 million people.

## C2 Speculation

#### Archetto ‘18

Archetto, Greg. July 16 2018. “Implementation of a 'universal basic income' program would be a disaster.” The Hill. https://thehill.com/opinion/finance/397192-implementation-of-a-universal-basic-income-program-would-be-a-disaster

For example, in [Finland](https://www.economist.com/finance-and-economics/2018/04/26/the-lapsing-of-finlands-universal-basic-income-trial) — and a smattering of other countries — principalities and cities are currently experimenting with UBI using sample populations limited by age, employment status, and other factors, hardly "universal." So far no definitive results have been gleaned on UBI's efficacy, but in today's millennial parlance, let me "save you a click." In order to fully appreciate how UBI would work, you need to look at what it's implementation would do to an entire economy, not just a fraction of it. If everyone suddenly had an extra $10K a year, and everyone knew that everyone had an extra $10K a year, prices would go up and inflation would rise, thus negating the perceived gains of such a program. Think of it this way. If you walk into a store right now, the price of any product is based on the maximum amount of money it can command in exchange for it in relation to the number of customers needed to pay that price and keep it moving off the shelves at a predictable pace. In other words, supply and demand. However, this is based on the fact that the shop owner has no way of knowing the wealth level of every customer that walks into his store. Now, if Scrooge McDuck waddled in, the shop owner could assume his wealth, deduce that he could afford to pay more, and try to raise the prices on the fly. However, that would be tough because prices are usually clearly marked. But generally, that price is set using the knowledge that any single customer that walks in at any given time has a wealth baseline of $0 and an upper bound of, say, $112 billion. But, if you add in the knowledge that everybody that walks into your store, because of UBI, now has a wealth baseline of X+$10K, don't you think that shop owner would charge more for his products? He knows you can afford a higher price now. These price rises would then have reverberations throughout the economy. As prices went up, wages would need to follow, which would make prices go even higher in an upward inflationary spiral. This is essentially Milton Friedman's "[helicopter money](https://en.wikipedia.org/wiki/Helicopter_money)" analogy. It's the same reason why, if you as an American (or westerner for that matter) have ever visited a market in a third-world country, the shopkeepers immediately jack up the prices because they know you can afford to pay more. You might as well be wearing golden robes and a diamond tiara. UBI is a subsidy, plain and simple, and if we've learned anything about subsidies, it's that whenever you subsidize anything, you invariably raise its price, because you've lowered the cost to the consumer, and thus increased demand. If a Rube Goldberg machine is defined as something intentionally designed to perform a simple task in an indirect and over-complicated manner, then he'd award the concept of UBI a gold medal were he alive today.

#### Noguchi ‘18

Noguchim, Eri. Aug 16 2018. “A Universal Basic Income (UBI) may affect the labor market. So what?.” Roosevelt House: Public Policy Institute At Hunter College. http://www.roosevelthouse.hunter.cuny.edu/?forum-post=universal-basic-income-ubi-may-affect-labor-market

Of course, the UBI detractors would most likely chime in and respond that it is not the upward pressure on wages, per se, that is problematic, but rather the potential that increasing wages could overheat the economy by creating greater demand than supply, which is the principle driver of inflation. Paying higher wages to workers, combined with the infusion of unearned cash (and here the term “unearned” is solely meant to indicate that it is not tied to paid labor) in the form of a universal guaranteed basic income to all citizens regardless of their employment status, would, most likely, move more cash into the hands of those most likely to spend it, for both would disproportionately be allocated to those who find themselves on the lower rungs of the country’s income distribution continuum. And putting more cash in the hands of those most likely to spend it, that is not accompanied by an economy proportionately increasing the production of those goods and services a newly moneyed class is demanding, will most likely place an upward pressure on prices, which, of course, summons fears of inflation.

#### Warr ‘18

Warr, Steven S. Feb 14 2018. “Why does inflation make stock prices fall?” The Conversation. <https://theconversation.com/why-does-inflation-make-stock-prices-fall-91874>

Pundits have [offered many reasons](https://www.theguardian.com/business/2018/feb/06/stock-markets-dow-jones-five-key-factors) for the biggest stock market swoon in two years. One of the most frequently blamed culprits was the [threat of inflation](https://www.theguardian.com/business/2018/feb/08/dow-jones-sinks-again-as-bond-yields-rise-and-higher-inflation-feared), which loosely means an increase in consumer prices over time. That threat became a little more real after the latest data, released on Feb. 14, showed [inflation in January](https://www.bloomberg.com/news/articles/2018-02-14/u-s-consumer-prices-rise-more-than-forecast-on-apparel-costs) rising more than expected, sending stocks and bonds lower. What would prompt something so seemingly banal to send investors into a state of craziness and even panic? A closer look at inflation – a topic [I’ve studied closely](https://scholar.google.com/citations?user=1E8KAEsAAAAJ&hl=en&oi=sra) – and how it affects markets offers some answers. It also hints that an economic slowdown is closer than you may think. For now, it’s mostly just the threat of inflation that’s causing trouble as investors begin to realize that the party is getting a little too crazy and that the Fed is going to step in and slow things down a bit. In other words, inflation is warning sign that an economic slowdown is coming – whether gradually executed by the Fed or abruptly by a spike in inflation. So if all of this is understood, why did the market crash? Investors, naturally, want to stay at the party as long as they can. It is only when they see others heading for the exits that they realize maybe it’s time they left too, prompting a rush to the door. Thus the market tanks. This is why a market can appear to be doing great and then suddenly fall at the first hint of inflation.

#### Global Pimco

Understanding Investing. Inflation.” https://global.pimco.com/en-gbl/resources/education/understanding-inflation

Inflation poses a “stealth” threat to investors because it chips away at real savings and investment returns. Most investors aim to increase their long-term purchasing power. Inflation puts this goal at risk because investment returns must first keep up with the rate of inflation in order to increase real purchasing power. For example, an investment that returns 2% before inflation in an environment of 3% inflation will actually produce a negative return (−1%) when adjusted for inflation.

#### Farley ‘18

Farley, Alan. Feb 28 2018. “The One Word That Keeps Making The Stock Market Sink.” Money.com. https://money.com/the-one-word-that-keeps-making-the-stock-market-sink/

After rebounding for several days following an early-February plunge, the Dow Jones industrial average fell nearly 300 points on Tuesday. The reason: Federal Reserve chairman Jerome [Powell told Congress](https://www.cnbc.com/2018/02/27/us-stock-futures-dow-data-earnings-and-politics-on-the-agenda.html) that “inflation is moving up to target” and that the Fed will keep raising rates this year — despite the recent market volatility — to keep inflation in check. For a stock market that looked like it was finally regaining its footing, Powell’s testimony reminded investors just why the Dow plummeted more than 3,000 points in the first place: growing fear that inflation is finally on the rise, which left some investors to wonder if they [could still make money investing in the stock market.](https://www.investopedia.com/investing/can-you-make-money-stocks/)

#### Hall ‘19

Hall, Mary. Nov 21 2019. “How Do Interest Rates Affect the Stock Market?” Investopedia. https://www.investopedia.com/investing/how-interest-rates-affect-stock-market/

The investment community and the financial media tend to obsess over interest rates—the cost someone pays for the use of someone else's money—and with good reason. When the Federal Open Market Committee (FOMC) sets the target for the federal funds rate—the rate at which banks borrow from and lend to each other—it has a ripple effect across the entire U.S. economy. This also includes the U.S. stock market. And, while it usually takes at least 12 months for any increase or decrease in interest rates to be felt in a widespread economic way, the market's response to a change is often more immediate. Credit becomes more expensive with higher rates, which negatively affects earnings and stock prices. The federal funds rate is used by the Federal Reserve (the Fed) to attempt to control [inflation](https://www.investopedia.com/terms/i/inflation.asp). By increasing the federal funds rate, the Fed basically attempts to shrink the supply of money available for purchasing or doing things, thus making money more expensive to obtain. Conversely, when it decreases the federal funds rate, it increases the money supply and encourages spending by making it cheaper to borrow. Other countries' central banks do the same thing for the same reason. When the Fed increases the discount rate, it does not directly affect the stock market. The only truly direct effect is that borrowing money from the Fed is more expensive for banks. But, as noted above, increases in the rate have a ripple effect. Because it costs them more to borrow money, financial institutions often increase the rates they charge their customers to borrow money. Individuals are affected through increases to credit card and mortgage interest rates, especially if these loans carry a variable interest rate. This has the effect of decreasing the amount of money consumers can spend. After all, people still have to pay the bills, and when those bills become more expensive, households are left with less [disposable income](https://www.investopedia.com/terms/d/disposableincome.asp). This means people will spend less discretionary money, which, in turn, affects businesses' revenues and profits. But businesses are affected directly as well because they also borrow money from banks to run and expand their operations. When the banks make borrowing more expensive, companies may not borrow as much and will pay higher rates of interest on their loans. Less business spending can slow the growth of a company—it may curtail expansion plans or new ventures, or even induce cutbacks. There may be a decrease in earnings as well, which, for a public company, usually affects its stock price negatively. If a company is seen as cutting back on its growth or is less profitable—either through higher debt expenses or less revenue—the estimated amount of future [cash flows](https://www.investopedia.com/terms/c/cashflow.asp) will drop. All else being equal, this will lower the price of the company's stock. If enough companies experience declines in their stock prices, the whole market, or the key indexes many people equate with the market—the Dow Jones Industrial Average, S&P 500, etc.—will go down. With a lowered expectation in the growth and future cash flows of a company, investors will not get as much growth from stock price appreciation, making stock ownership less desirable. Furthermore, investing in equities can be viewed as too risky compared to other investments. When the Fed raises the federal funds rate, newly offered [government securities](https://www.investopedia.com/terms/g/governmentsecurity.asp), such as Treasury bills and bonds, are often viewed as the safest investments and will usually experience a corresponding increase in interest rates. In other words, the risk-free rate of return goes up, making these investments more desirable. As the risk-free rate goes up, the total return required for investing in stocks also increases. Therefore, if the required risk premium decreases while the potential return remains the same or dips lower, investors may feel stocks have become too risky and will put their money elsewhere. Nothing has to actually happen to consumers or companies for the stock market to react to interest-rate changes. Rising or falling interest rates also affect investors' psychology, and the markets are nothing if not psychological. When the Fed announces a hike, both businesses and consumers will cut back on spending, which will cause [earnings](https://www.investopedia.com/terms/e/earnings.asp) to fall and stock prices to drop, and the market tumbles in anticipation. On the other hand, when the Fed announces a cut, the assumption is consumers and businesses will increase spending and investment, causing stock prices to rise. If expectations differ significantly from the Fed's actions, these generalized, conventional reactions may not apply. Let's say the word on the street is the Fed is going to cut interest rates by 50 basis points at its next meeting, but the Fed announces a drop of only 25 basis points. The news may actually cause stocks to decline because assumptions of a 50-basis-points cut had already been priced into the market.

#### Seeking Alpha ‘17

11-7-2017, "Fed Watch: 3 More Hikes And Done?," Seeking Alpha, <https://seekingalpha.com/article/4121729-fed-watch-3-hikes-done?page=2>

Policy normalization The Fed is currently implementing monetary policy normalization as outlined in the Policy Normalization Principles and Plans in 2014. Specifically, the Fed is committed to gradually increase its target range for the federal funds rate, initially from the zero-bounce level to "more normal levels". Essentially, it is in the process of removing the extraordinary stimulus enacted after the 2008 financial crisis. However, the Fed does not define these "more normal levels." Note, it does acknowledge that the policy normalization regime is data-dependent. Thus, the Fed is likely to continue to gradually increase interest rates, as long as economic data continues to support the monetary tightening. Ideally, the Fed would like to move the bar as high as possible, just to make sure that it retains sufficient ability to appropriately ease interest rates when the next recession arrives - without actually causing a recession. At the same time, the Fed's failure to increase interest rates to "more normal levels" before the next recession arrives, will severely limit its ability to fight that recession - without resorting to the alternative monetary policy measures. Thus, the Fed is facing a delicate task of reaching that "not too high - not too low" level for the federal funds rate. Key risk factor There are two key risk factors related to the Fed's policy normalization: 1) inflation rises faster than expected so the Fed hikes more aggressively, and thus causes a recession; or 2) weak economic data or asset market bubbles/busts prevent the Fed in completing the policy normalization process before the next recession arrives. Which one of these two risks is currently more important? Market expectations on future interest rate hikes Based on the Federal Funds futures, we can determine the market consensus expectations regarding the future interest rate hikes. Here is the chart showing the implied Fed Funds rates over the next two-three years: Based on Nov 2017 contract, the current Fed rate is 1.155%. The first 25 basis hike to 1.405% is expected by March 2018 contract expiration, although the January contract shows close to 100% probability for the first hike, which includes the Dec 2017 Federal Reserve meeting. The second 25 basis hike to 1.655% is expected by October 2018 contract expiration. The third 25 basis hike to 1.905% is expected by February 2020 contract expiration. The last available Federal Reserve Funds futures contract is October 2020, and it implies only 1.965%, which means vary small chance of the fourth hike. Market implications The current market consensus is that the Fed will fail to hike past the 2% level - which is clearly not "sufficiently high" or "normal". Thus, investors should focus on the "too low" risk, or the inability of the Fed to finalize the policy normalization process. The current market expectations are that: 1) the Fed will likely hike at the Dec 2017 meeting; 2) the Fed will hike again by October of 2018, so only once in 2018; 3) the Fed will not hike at all in 2019; 4) the Fed will hike one more time by October 2020. Overall, the Federal Funds futures imply that the Fed will not be able to hike beyond the 2% level by October 2020. More importantly, the clarity disappears after October 2018, given expectations of no further policy action in 2019. Based on these observations, it appears that market potentially sees a turbulent second half of 2018, and thereafter. Specifically, the October 2018 level of 1.65% is clearly insufficient for the Fed to counter the next recession. Further, the expected policy inactivity in 2019 potentially signals a recession sometimes in the second half of 2018. This is clearly in nightmare scenario for the Fed. Note, the last recession started with the federal funds rate above 5% and less than $1 trillion on the Fed's balance sheet. If the next recession comes with the federal funds rate below 2%, and more than $4 trillion on the Fed's balance sheet, the Fed will have to resort to negative interest rates and additional QE in response. Practically, this would be bearish for the stock market (SPY), bearish for the US Dollar (UUP) and highly bullish for gold (GLD) and silver (SLV). Key variable to follow The limiting factor on expected federal funds rate is the 10Y T-Bond yield (TLT). Specifically, the long term interest rates reflect expected longer term economic growth and inflation. Currently, the yield on 10Y T-Bond is 2.32%, which reflects anemic inflation and low long term economic growth. Rising short term interest rates, accompanied with falling or flat longer term interest rates, narrow and eventually invert the yield curve, and thus cause a recession. Thus, the Fed is currently limited at right around the 2% level. We will continue to follow the implied federal funds rate, as well as the yield on 10Y T-Bond, along with portfolio implications. Note, the Federal Funds futures can be volatile and the interpretation of the implied Federal Funds curve is subjective.

#### Amadeo ‘19

Kimberly Amadeo, The Balance, 25 April 2019, <https://www.thebalance.com/could-a-stock-market-crash-cause-a-recession-3306175>

The next [stock market crash](https://www.thebalance.com/stock-market-crash-examples-cause-impact-3305864) can easily kick-start a [recession](https://www.thebalance.com/what-is-a-recession-3306019). The underlying reason is that [stocks](https://www.thebalance.com/common-stocks-3305892) are shares of ownership in a corporation. As a result, the stock market reflects investors' confidence in the future earnings of all the companies in it. Corporate earnings are dependent on the health of the U.S. economy. That makes the stock market a [leading economic indicator](https://www.thebalance.com/leading-economic-indicators-definition-list-of-top-5-3305862) for the U.S. economy itself.

# F/L

### AT Medicaid Worse Than No Insurance

1) Logically, this argument makes no sense. I would say that regardless of what some biased, small sampled study says is true we should probably use our intuition in this round and realize that even if Medicaid isn’t the savior of the world – it’s a damn lot better than being uninsured.

2) What the study doesn’t account for is that if you’re on Medicaid, you’re probably suffering from a long list of risk factors other patients don’t have. The problem with the comparison is that with Medicaid there’s more emergencies, because they’re sicker than most people.

Sherman ‘17

Sherman, Amy. June 28 2017. “Are Medicaid patients more likely to die than uninsured, as Heritage Action CEO says?” PolitikFact. https://www.politifact.com/factchecks/2017/jun/28/michael-needham/are-medicaid-patients-more-likely-die-uninsured-he/

The largest study, done by the University of Virginia and published in 2010, followed the [patient outcomes of almost 900,000 major surgeries across the country](https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3071622/). The study kept track of whether those patients had private insurance, Medicare, Medicaid or no insurance at all. The results showed Medicaid patients were more likely to die following a procedure than the uninsured, but the deaths result from the fact that Medicaid patients tend to begin treatment in poorer health. That's a critical distinction, said one of the key researchers for the study, Dr. Irving Kron, a University of Virginia School of Medicine professor and cardiovascular surgeon. Kron told PolitiFact that Needham’s conclusion is incorrect. Kron has said that his study doesn’t mean Medicaid is to blame for higher odds of patient deaths. While the study adjusts for socioeconomic factors, it notes that if you’re on Medicaid, you’re probably suffering from a long list of risk factors other patients don’t have. Medicaid recipients are the poorest, least educated and sickest of all patients. Those patients have the highest incidence of AIDS, depression, liver disease, neurologic disorders, psychoses and metastatic cancer, according to the study. "The reality is it’s apples and oranges," [Kron previously told PolitiFact](https://www.politifact.com/florida/statements/2015/apr/22/richard-corcoran/medicaid-recipients-97-percent-more-likely-die-pri/). "The problem with Medicaid is there’s more emergencies, because they’re sicker than most people. … They wait for care and unfortunately, emergent patients don’t do as well as elective patients."

3) The authors of the study commonly used to support this argument rejected the conclusion that the study indicated that Medicaid was worse than no insurance at all.

Sherman ‘17

Sherman, Amy. June 28 2017. “Are Medicaid patients more likely to die than uninsured, as Heritage Action CEO says?” PolitikFact. https://www.politifact.com/factchecks/2017/jun/28/michael-needham/are-medicaid-patients-more-likely-die-uninsured-he/

Gottlieb’s op-ed also cited studies examining outcomes for Medicaid patients who had [cancer of the throat](http://news.cancerconnect.com/uninsured-have-worse-head-and-neck-cancer-survival/), [coronary angioplasty](http://www.ajconline.org/article/S0002-9149%2810%2902234-4/abstract) or [lung transplants](https://www.ncbi.nlm.nih.gov/pubmed/20869264). We tracked down authors of two of the studies; they rejected Gottlieb’s conclusions. Gottlieb cited a 2010 study of 1,231 patients with cancer of the throat, published in the medical journal Cancer. The study found that Medicaid patients and people lacking any health insurance were both 50 percent more likely to die when compared with privately insured patients—even after adjusting for factors that influence cancer outcomes, Gottlieb wrote. However, the authors of that report told PolitiFact that Gottlieb’s conclusion was wrong. One of the caveats of the insurance records used for this study was that no distinction was made between patients who were covered by Medicaid at the time of diagnosis and those who were uninsured at diagnosis but were then enrolled in Medicaid, said Scott M. Langevin, an assistant professor in the Department of Environmental Health University of Cincinnati College of Medicine. Since researchers were unable to consider the Medicaid and uninsured groups separately, it’s an "errant interpretation" to conclude that health outcomes for people on Medicaid and those completely uninsured are exactly the same, Langevin said.

### AT Medicaid – Welfare Trap

1) Medicaid provides coverage for people up to incomes of 138% of the poverty line, or at the point where the family can buy coverage for themselves. But even then, families who get to this point receive subsidies for private coverage from Medicaid so that they aren’t left out to dry.

Parrott ’14 Center on Budget and Policy Priorities, 3 December 2014, <https://www.cbpp.org/research/policymakers-often-overstate-marginal-tax-rates-for-lower-income-workers-and-gloss-over>

The ACA expands access to health coverage through public programs (mainly Medicaid) and subsidies to buy coverage in the exchanges.  In states that adopt the ACA’s Medicaid expansion, Medicaid provides free or low-cost coverage to poor and low-income children and non-elderly adults with incomes up to 138 percent of the poverty line, or about $27,310 for a family of three. Individuals and families that earn too much to qualify for Medicaid can receive subsidies for private coverage purchased through the exchanges.

### AT Doctors Don’t Accept

1) While that may be true to some marginal extent, the alternate for these people isn’t private insurance – its no insurance. And Lee reported in 2017 that compared with uninsured adults, Medicaid enrollees were considerably more likely to have seen a doctor in the past year.

Lee ‘17

Lee, Michelle. Feb 1 2017. “Paul Ryan’s claim that ‘more and more doctors just won’t take Medicaid’.” Washington Post. https://www.washingtonpost.com/news/fact-checker/wp/2017/02/01/paul-ryans-claim-that-more-and-more-doctors-just-wont-take-medicaid/

MACPAC’s study found adults with Medicaid were as likely to have a usual source of medical care as those with private coverage. Medicaid beneficiaries also were as likely to have seen a doctor in the past year as adults with private insurance. Compared with uninsured adults, Medicaid enrollees were considerably more likely to have seen a doctor in the past year. But Medicaid enrollees do face more barriers — such as delays because of transportation problems and difficulty finding doctors who accept their insurance — compared with those with private coverage. Medicaid enrollees, on average, face more delays in getting appointments than those with private insurance. And Medicaid patients have more difficulty finding specialists who will treat them, compared with people with private insurance.

### AT Discourages Work

1) There literally isn’t any empirical to evidence to support this. Their so-called logic is just neoliberal ideas that say poor people are poor because they are lazy – its pretty gross. SNAP is actually very unique in that there is not so-called “welfare cliff” with SNAP as benefits phase out gradually.

Belluz ‘18

Belluz, Julia. Dec 12 2018. “A new Trump rule could take food stamps away from 755,000 people.” Vox. https://www.vox.com/science-and-health/2018/12/20/18150449/food-stamps-snap-usda

Yet one oft-repeated Republican Party line is that benefits like SNAP discourage people from working. But according to the researchers who study SNAP, there’s no good evidence that it acts as a [work disincentive](https://www.washingtonpost.com/news/wonk/wp/2017/04/04/what-many-americans-get-wrong-about-food-stamps-according-to-an-economist/?utm_term=.9589c736c943). In fact, as the [Center on Budget and Policy Priorities](http://www.cbpp.org/research/the-relationship-between-snap-and-work-among-low-income-households#_ftn4) points out, the majority of non-disabled, working-age households that start to get SNAP don’t actually stop working. [Craig Gundersen](http://ace.illinois.edu/directory/cggunder), a professor of agricultural and consumer economics at the University of Illinois who studies SNAP, explained why in the [Washington Post](https://www.washingtonpost.com/news/wonk/wp/2017/04/04/what-many-americans-get-wrong-about-food-stamps-according-to-an-economist/?utm_term=.162427f3be6f): What makes SNAP perfect is that the tax on each additional dollar of income is 24 cents. There’s not a disincentive to work, except insofar as all taxes are disincentives to work. And I don’t think that 24 percent is a high tax rate in this context. There’s also no cliff effect with respect to SNAP, because as your income increases, your benefits gradually go down. There’s also little waste and fraud in the program. Some [95 percent of federal dollars spent](https://newrepublic.com/article/118877/experts-answer-your-questions-about-food-stamps-and-snap) on SNAP go directly to benefits. The [USDA takes SNAP abuse very seriously](https://www.fns.usda.gov/fraud/what-snap-fraud), which is why the rate of SNAP fraud has declined dramatically over the years.

### AT Wasted Money

1) 95% of federal dollars spent on SNAP goes directly to people in the form of benefits.

Belluz ‘18

Belluz, Julia. Dec 12 2018. “A new Trump rule could take food stamps away from 755,000 people.” Vox. https://www.vox.com/science-and-health/2018/12/20/18150449/food-stamps-snap-usda

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### AT Welfare is Short-Term Solution

Palta ’15, Rina Palta, 28 May 2015, KPCC, <https://www.scpr.org/news/2015/05/28/52039/many-people-dont-spend-long-on-welfare-study-says/>

Researchers found that over a four-year period, 79 percent of people who received cash General Assistance - known as "welfare" - left the program within two years. About half left supplemental security income, medicaid, and food stamps in the same amount of time. The major outlier was housing assistance - including public housing and subsidized rental programs. There, only 40 percent dropped out within two years. Experts said the numbers confirmed what they've been noticing for years. "I think there's a myth out there that there's a swath of the public that simply doesn't work and they linger on welfare benefits for their entire adult lives - and that's just not the case," said UC-Irvine Law Professor Kaaryn Gustafson.

### AT Speculation Has Never Happened

1. This is because a UBI has never been implemented on a full-scale across an entire country as large as the US – this is critical because the fact that it’s so untried is exactly why investors will get scared and pull their investments.

### AT Medicaid Welfare Trap

1) Two out of three Medicaid recipients have jobs and the rest are mostly people who are ill, disabled, retired, or taking care of family. Their argument is theoretical but not empirical.

Campbell ’19, Vox, 5 June 2019, <https://www.vox.com/2019/6/5/18650437/usda-snap-food-stamps-economic-impact>

And for other programs that don’t require beneficiaries to work, such as Medicaid, most of the recipients [work anyway](https://www.vox.com/2018/7/26/17465068/work-requirements-medicaid-snap-republican-cartoon). Two out of three [Medicaid recipients have jobs](https://www.vox.com/2018/7/26/17465068/work-requirements-medicaid-snap-republican-cartoon), and the rest are mostly people who are ill, disabled, retired, or taking care of a family member. Vox’s Alvin Chang and Tara Golshan [reviewed the research](https://www.vox.com/2018/7/26/17465068/work-requirements-medicaid-snap-republican-cartoon) on the impact of forcing welfare recipients to work in exchange for benefits, which is something several states have tried.

2) No welfare trap – 79% are off within 2 years.

Palta ’15, Rina Palta, 28 May 2015, KPCC, <https://www.scpr.org/news/2015/05/28/52039/many-people-dont-spend-long-on-welfare-study-says/>

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# Overviews

## Medicaid Pre-Req

Healthcare access is a pre-requisite to escaping poverty for 2 reasons.

1. High medical expenses cause bankruptcy.
2. Poor health means you can’t receive a better job.