

## Information about the Mayors for a Guaranteed Income Project

### What is a guaranteed income?

A guaranteed income is a monthly, cash payment given directly to individuals. It is unconditional, with no strings attached and no work requirements. A guaranteed income is meant to supplement, rather than replace, the existing social safety net and can be a tool for racial and gender equity.

### Why is guaranteed income the right solution?

Cash is the simplest yet most powerful way to do the most good for the most people in these uncertain times. It is powerful for three reasons. First, it moves quickly. Even with Treasury problems, 80 million American households have already received a check the government just mandated a couple weeks ago. Second, it allows for flexibility. No two American households are identical in their needs. While one will need funds for rent, others will need it for childcare, and yet others will need it for a laptop so their child can engage in distance learning. And of course, most families need something different every month. Third, many people are only partially covered by or completely left out of existing social safety net programs. Cash can help fill these gaps and ensure everybody who needs help gets it.

### How would we pay for a guaranteed income?

Budgets are moral documents, and it's time for the U.S. government to prioritize everyday Americans and their economic dignity. There's a number of ways to pay for guaranteed income, from a sovereign wealth fund in which citizens benefit from shared national resources like the Alaska Permanent Fund, to bringing tax rates on the wealthiest Americans to their 20th century historical averages.

### Are there places where guaranteed income is already happening?

There's a number of guaranteed income pilots happening all across the country. In Stockton, Mayor Michael D. Tubbs has been giving 125 residents \$500 per month, since February 2019. In Jackson, Mississippi, Springboard to Opportunities & the Magnolia Mothers Trust are giving \$1000 per month to Black mothers. In addition, Chicago, Newark, and Atlanta have formed task forces exploring the feasibility of guaranteed income pilots, and Milwaukee's city council has directed the creation of a pilot.

### How do cities and municipalities benefit from a federal guaranteed income?

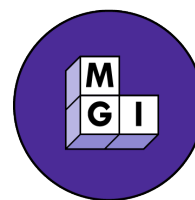
More cash in people's pockets keeps families financially secure and stimulates the local economy. Especially in the wake of COVID-19 and the ensuing recession, a guaranteed income will stimulate spending on Main Street and generate much-needed state and local revenue to drive the economic recovery across the country.

### Why Mayors?

Cities are the laboratories of democracy, and mayors are closest to the communities they serve. Mayors see the real, everyday effects of economic insecurity and are the best equipped to advocate for their residents.

### But what about a jobs guarantee, or housing?

Cash is effective and immediate, but it is not a silver bullet. We cannot use it as the answer for everything from solving the climate crisis to repairing our broken healthcare system to addressing predicted job displacement from automation. We need meaningful, systemic change to our economy – and cash is just one part of that.



## Statement on Stimulus Checks Analysis

June 2, 2021 - With a [new analysis](#) of Census Bureau Household Pulse Surveys showing the tremendous success of stimulus checks in keeping Americans struggling with the pandemic's economic fallout afloat, Mayors for a Guaranteed Income is renewing its call for a federal guaranteed income.

Among the report's key findings:

- From December 2020 to April 2021, food insufficiency fell by over 40%, financial instability fell by 45%, and reported adverse mental health symptoms fell by 20%.
- Data from the past year suggest material hardship among U.S. households fell following implementation of robust federal income transfers, and rose in the absence of government action.
- Declines in material hardship were greatest, in percentage point terms, among low-income households but also evident higher up the income distribution.

“The data shows at both [the micro](#) and macro levels that cash is the most direct and effective way to combat economic instability. Investing in people through a targeted guaranteed income will strengthen communities, bolster economies and help close our country's persistent racial and gender income gaps. This is no longer a question of whether cash works, it's whether our political leaders have the will to enact programs that prioritize shared prosperity over those that only further marginalize the poor and middle class for the benefit of the wealthy and corporations.”

Founded in June of 2020 by former Stockton Mayor Michael Tubbs, MGI is a coalition of 53 mayors committed to advancing a guaranteed income – direct, recurring cash payments to the poor and middle class – at the local, state and federal levels.



**MAYORS FOR A  
GUARANTEED  
INCOME**

# LEARNING AGENDA



**CENTER FOR GUARANTEED  
INCOME RESEARCH**  
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# EXECUTIVE SUMMARY

Public support and political momentum for cash-transfers, universal basic income (UBI), and guaranteed income (GI) continues growing. In September 2019, The Hill reported that 49 percent of Americans favored universal basic income, [I] and in early 2020 the GenForward project at the University of Chicago found that 72% of young Democrats, 54% of young independents, and 47% of young Republicans supported UBI. [II] At the same time, the protracted nature of the pandemic is forcing a national conversation on the government's responsibility to its people and our responsibility to one another. COVID-19 is exposing what mayors of large and small cities alike have always known--that most households live one paycheck from financial ruin and our current safety net is ill-equipped to remediate it.

Pre-pandemic, 40% of Americans could not afford a \$400 emergency and income volatility, where annual pay fluctuates by 25% or more, continues locking households out of safe financial products and upward mobility. [III] As the pandemic shows little sign of slowing, households face an unprecedented inability to meet basic needs with 8 million Americans falling into poverty as CARES Act aid expired. [IV] The \$1,200 stimulus payments demonstrated bipartisan political will, but uptake was limited by a lack of disbursement mechanisms that failed to reach many of the most economically vulnerable households. An estimated 30% of households eligible did not receive the stimulus payments due to how the IRS distributed payments, [V] further highlighting the need for locally contextualized data on cash distribution.

As those on the political frontlines of the pandemic, mayors lack the luxury of time. The pandemic has exposed an urgent need for building efficient programs and policy proposals that match the dynamic nature of the economy and the fluctuations households experience weekly. The simplicity of cash offers one path towards stabilizing households in crisis, and a growing body of evidence indicates the power of providing an income floor.

But, public conversation and the pressure created by the pandemic is moving faster than the evidence, widening the gap between what we need and what we know:

- Who does guaranteed income work best for and how?
- What limits should be placed on guaranteed income?
- How does guaranteed income interact with the existing policy landscape and markets?
- What infrastructure would it take to scale a guaranteed income program or policy across an entire community?

Cities are uniquely positioned to answer these questions. The Stockton Economic Empowerment Demonstration (SEED), the first mayor-led guaranteed income pilot in the country created by Mayor Michael Tubbs, has already significantly advanced public discourse on the topic, and now he has again driven the moment forward by forming Mayors for a Guaranteed Income (MGI). This coalition includes more than 25 mayors from around the country, several of whom are committed to launching guaranteed income pilots in their cities in 2020 and 2021. At least three will be launched by the end of the calendar year.

These mayors are committed to building a rigorous and innovative body of research capable of detecting person-level impacts of guaranteed income crucial to continue building the evidence base around cash. To that end, MGI is committing to a centralized, independent research and evaluation infrastructure that ensures future advocacy is rooted in both anecdotal and data-based evidence.

MGI partner cities are signing on to the following learning agenda with an eye towards moving the needle on poverty and matching the urgency of our current economic moment with evidence-based policy proposals. This agenda builds on the existing body of cash-transfer literature, as well as the implementation and research lessons learned in Stockton to build an evidence-rich pilot to policy pipeline.

# BACKGROUND

## PREVIOUS GUARANTEED INCOME EXPERIMENTS

In the US, several large scale experiments of a negative income tax were conducted in Seattle, WA, Denver, CO, Gary, IN, Pennsylvania, Iowa, North Carolina, and New Jersey beginning in the 1960s. Nearly all experiments focused on lower-income households with the primary research interest of labor market effects, i.e. did individuals who received the income boost end up working less?

Across the four experiments, evidence did indicate that individuals in the treatment group worked between 7% and 17% fewer hours on average than the comparison groups.[VI] Later analysis pointed out a failure to account for labor demand, as well as sample selection rendering most participants at or below the poverty line, severely limited the ability to draw conclusions about labor market effects from these early experiments. [VII]

In addition to these early negative income tax experiments, the Alaska Permanent Fund, as well as casino dividends provided to the Eastern Band of Cherokees, are considered forms of guaranteed income. In Alaska, residents receive a yearly dividend from oil revenues. In 2020, the fund paid \$992 to each eligible resident. [VIII] Similarly, casino dividends are paid out to eligible members of the Eastern Band of Cherokees each year--ranging from around \$600 to \$16,000 depending on revenues. [IX] Again, there appear to be no appreciable labor market impacts of these dividends; however, dividend and negative income tax recipients do appear to consume more during the month the dividend is disbursed, children of recipients have better educational outcomes, and recipients experience substantial positive mental and physical health impacts. [X] Growing interest in guaranteed income internationally spurred two experiments over the past few years: one in Finland focused on employment, economic security, and mental health, [XI] and one in Ontario focused on poverty reduction. Both of these experiments were disrupted due to political shifts, thus there are limited findings. Initial snapshot data from SEED show that individuals receiving the benefit are overwhelmingly spending the money on food and merchandise, and only 2% are unemployed and not looking for work.

This first demonstration has been a major inflection point in the call to understand more about how guaranteed income impacts people. Now, there are currently six guaranteed income experiments actively operating in the U.S. Table 1 below contains details of these experiments.

EXPERIMENT, LOCATION	DURATION	SAMPLE SIZE	POPULATION	AMOUNT	RESEARCH DESIGN	KEY OUTCOMES
Stockton Economic Empowerment Demonstration, Stockton, CA	24 months	150 treatment; 200 control	General	\$500/month	Mixed Methods RCT w/ PAR	Income volatility, mental and physical health, hope/mattering
OpenResearch, Location Hidden	Unknown	3000	21-40 years old, below AMI	\$1000 to 1000; \$50 to 2000/month	RCT	Time use, mental and physical health, wellbeing, financial health decision making politics and social behaviors, crime, effect on children
Transition-Age Youth Basic Income Pilot Program Santa Clara, CA	1 year	72	Youth aged out of foster care	\$1000/month	Non-experimental	Financial volatility, health, positive behaviors, community effects, self-sufficiency, public services coordination, COVID-19 outcomes
Preserving Our Diversity Santa Monica, CA	Ongoing	250	65+; in rent controlled apartment for 20+ years, income less than 50% AMI	\$747/one person household; \$1,306 two-person household	None	None
Baby's First Years, Multiple Sites	40 months	1000	Low-income mothers	\$333/month; \$20/month	Mixed Methods RCT	Parental stress, family expenditures, family routines, time use, parenting practices, childcare, child development
Magnolia Mother's Trust, Jackson, MS	1 year	80	Low-income Black or African American mothers	\$1000/month	Mixed Methods	Financial security, debt reduction, education, family engagement, future orientation



## WHAT ARE THE KNOWLEDGE GAPS?

A recent umbrella review of guaranteed income and universal basic income programs worldwide indicated a number of gaps: experimental evaluation of a long term, truly universal UBI, disparate impacts based on demographics, how guaranteed income may interface with existing benefits programs, individual and community level mediators of guaranteed income effects, and both economic and social spillover effects. [XII]

**Disparate impacts.** At the conclusion of current experiments, we will have an elementary understanding of how guaranteed income may function in the lives of new mothers and their children, Black women living in public housing, older adults in rent-controlled housing, and a diverse group of lower-income households. The size of these experiments, however, are not adequately powered to detect intervention effects on subpopulations within those samples. Put simply, we will know how guaranteed income impacts savings accumulation for a Black women in public housing in Jackson, MS, but how that outcome may change based on age, household size, employment, and a host of other demographic factors will remain indiscernible.

**Outcomes.** We have limited evidence to inform which outcomes are most impacted by a guaranteed income. Research regarding labor market effects, educational attainment, and health impacts of guaranteed income in the U.S. are 50 years old. While those findings serve as a jumping off point for hypothesis testing today, radical shifts in markets, public, and family life may result in different findings. Additionally, while there is strong evidence of positive health and economic outcomes related to the Alaska Permanent Fund and the casino dividends, those are predicated on a one-time yearly disbursement that fluctuates based on revenue. This is substantially different from a predictable monthly cash disbursement, and will may influence different outcomes. Finally, there are a number of potential outcomes of guaranteed income that are yet to be tested.

**Methods.** Our current knowledge base lacks three methodological necessities: (1) a rigorous, multi-site RCT, (2) a multi-pronged qualitative approach that provides a window into household, community, and cultural shifts around guaranteed income quantitative methodology is incapable of detecting, and (3) implementation data about how guaranteed income programs ought to shift based on region and demographics.

**Implementation and scaling.** With resources like the Basic Income Toolkit from the National League of Cities and Stanford’s Basic Income Lab, we have some insight into the challenges of guaranteed income implementation. Early implementation data from SEED and Magnolia Mother’s Trust have revealed how guaranteed income interacts with the safety net and benefits cliff in two locations. Yet, the US’s decentralized model of safety net services means that we know very little about how guaranteed income will operate across states and counties. In some locations, guaranteed income payments may lead to reductions in SNAP benefits, or an increase in rent for those receiving a Section 8 voucher. In others, a guaranteed income payment may not impact existing safety net benefits at all. This key question, how guaranteed income payments impact different benefits based on location, is largely unanswered.

Information from existing pilots suggests scaling will require an adaptive disbursement mechanism and human support appropriate for different populations. For example, a younger, more tech-savvy and financially stable population may adjust seamlessly to automated disbursements delivered through an app and may need little personalized support. An older adult, with social security payments may need to have a monthly disbursement delivered through an existing bank account or debit card, and may need support from a person to understand how retirement income and their guaranteed income interact with Medicare eligibility. It is unlikely there is a one size fits all solution to implement and scale guaranteed income, and the existing implementation data suggests that policy and program take-up differ significantly based on how a household or group understands or experiences the program.

# LEARNING QUESTIONS

Based on our existing knowledge from prior experiments, and new findings we anticipate from studies currently underway, the following learning questions will guide future guaranteed income research:

- 1. How can guaranteed income function as a financial vaccine to assist households in weathering unexpected shocks?** While the pandemic is an unusual historic event, volatility, market risk, and employment unpredictability characterize life in the United States.
- 2. What are the pathways and barriers to guaranteed income policy take-up across geographically diverse locations?** This includes considering private and public sector disbursement mechanisms, understanding the local policy context, and determining what scaffolding can be borrowed from existing public infrastructure.
- 3. How can guaranteed income be paired with other policy initiatives to generate structural change?** While guaranteed income is a strong step towards alleviating economic vulnerability, it does not represent a panacea for the complex needs cities and households face. MGI research will be conducted with an eye towards understanding how guaranteed income may interact with other justice oriented programs and policies.
- 4. How do households perceive and utilize guaranteed income differently than the EITC, CARES Act, and other safety net benefits?**

## **5. Which individual-level outcomes are most impacted by GI?**

Outcomes to study should include:

- Family networks and resource pooling
- Physical health
- Mental health
- Coping/Stress
- Hope/Mattering
- Housing
- Financial Capability and Asset Building
- Education
- Employment
- Business Development
- Substance Abuse
- Children's Development
- Parenting

## **6. How do outcomes of guaranteed income differ by subpopulation? Guaranteed income studies should be powered to detect disparate outcomes for some of the following vulnerable subpopulations?**

- Caregivers
- Minoritized populations
- Women
- Transition age youth
- High school students
- LGBTQ adults and youth
- People with a criminal record
- Immigrants
- Older adults (approaching retirement)
- Medically fragile adults
- Housing cost burdened adults
- College students

## **7. How can guaranteed income (GI) programs utilize data-driven solutions to reduce inefficiency in government programs to build trust and support for cash-transfer initiatives?**

# LEARNING ACTIVITIES

To answer those learning questions, future guaranteed income research should employ the following learning activities.

## **Multi-City Demonstration**

Over the next year, Mayors for a Guaranteed Income will launch guaranteed income pilots in several US cities. In addition to answering the key research questions listed above, MGI is committed to advocating for cash-based policies at the state and federal level, investing in narrative change efforts to highlight the lived experiences of economic insecurity, inviting other cities to join efforts, and providing technical assistance, access to centralized research, and funding support for new pilots.

The geographic variability MGI represents offers a unique opportunity to understand how guaranteed income functions in different housing markets, local economies, and unique policy subsystems. It also represents an opportunity to build on bipartisan momentum around cash-transfers by exploring guaranteed income take-up and potential narrative shift across the US. To date, much of the momentum on cash transfer and guaranteed income experimentation has been concentrated on the coasts. With the exception of the Magnolia Mother's Trust in Jackson, MS, there are no large scale pilots in the South or the Southwest leaving large gaps in understanding how guaranteed income may function both empirically and politically in these locations. Similar gaps in representation exist in the Midwest, but the 2020 MGI pilot launches will be filling this void.

## **Data-Driven Solutions**

Based on implementation data, we know that guaranteed income programs using a range of delivery mechanisms and funding streams carry the potential to reduce inefficiency within city-led programs by building user-friendly systems that meet recipients where they are at. The lack of speed, efficiency, and layers of bureaucracy in some programs contributes to a lack of trust and take-up among eligible participants. MGI pilot cities will participate in data-driven solutions to decrease wait times and boost efficiency. Put simply-- the pace of programmatic intervention in the midst of a crisis ought to match the pace of emergency situations households face.

## **Mixed-Methods Research**

MGI pilot cities are incentivized and strongly encouraged to join the centralized research infrastructure provided through the Center for Guaranteed Income Research at the University of Pennsylvania School of Social Policy and Practice. The research design will leverage SEED's existing infrastructure, with a common core of survey data for each site and added questions based on location and context. This will be blended with a multi-site ethnography that explores the daily, lived experience of poverty and economic insecurity and of receiving a guaranteed income. To answer the key research questions, some cities may employ a RCT, while others may employ quasi-experimental methods. The Center for Guaranteed Income Research will provide technical assistance and guidance with sampling decisions, recruitment and retention methods, and data collection activities.

## **Quantitative Strand**

Leveraging the multi-site design and resultant large sample of participants (estimated at 5000), the quantitative strand will detect how guaranteed income may impact disparate populations and outcomes. All guaranteed income cities that partner with the Center for Guaranteed Income Research will field a core survey every six months for the duration of the project. Where feasible and appropriate, the survey will be launched prior to random assignment, ensuring a true baseline. The core survey includes measures of physical functioning, mental health, income volatility, spending, consumption, employment, education, family dynamics and parenting, stress and coping, hope and mattering, household food security, and COVID-19 variables. Because the local context should influence key outcomes, partner cities will be invited to choose from the list of aforementioned outcomes of interest that do not appear on the core survey.

Even with conservative estimates of MDE, this study is adequately powered to detect effects of a similar magnitude to those that have undergirded policy change efforts related to expansion of the Earned Income Tax Credit (EITC).

Regarding the primary outcomes of psychological distress and physical functioning, prior research regarding the effect of EITC on improved cognitive function via health promotion reports effect sizes ranging from .25 to .49 (Jones, Wang, & Yilmazer, 2018). Again, using the EITC as a proxy, we also know that liquid financial assets help lower-income households avoid material hardship after a financial shock. The presence of liquid financial assets, which are likely higher for guaranteed income recipients than non-recipients, appears to mediate the direct relationship of financial shocks to material hardship by approximately 10% (Despard, et al., 2018). Moreover, lower-income households that experience financial shocks are 28-35% more likely to use risky alternative financial services than those without shocks with an effect size ranging from .71 to .74 (Despard, et al. 2018).

### **Qualitative Strand: Multi-Site Ethnography**

The philosophical logic underpinning guaranteed income rests on the assumption that people are the experts on their own lives, know best what their needs are, and that there ought to be a floor we do not let people fall beneath. Practically speaking this means people are worthy of financial dignity simply because they are human not based on their market performance. As such, the provision of a guaranteed income is inherently disruptive to most safety net, economic, and policy-driven institutions in American life which tie cash to waged labor or means-tested benefits.

Given this, we do not know how the provision of money with no strings attached may alter (1) pathways and barriers to policy take-up across a wide variety of geographic settings, (2) household decision-making and adaptation, (3) how households may perceive guaranteed income differently than the EITC or traditional means-tested programs, and (4) how individuals have made sense of and coped with the uncertainty of the pandemic and the uncertainty of the market in their daily lives. Given that those receiving cash in these pilots will be experiencing a unique intervention and the pandemic both collectively and individually, we will use a mixed-ethnographic approach that provides us with a way to explicitly surface an unfolding phenomenon that is experienced by many, but lacks common language and shared understanding. [XIII] Cities opting into a centralized research structure will also work with the Center to select purposive cases for in-depth interviews and long-term narrative data collection that can address the three aforementioned gaps. These narrative data will inform portions of the guaranteed income diaries project described below.

# LEARNING PRODUCTS

## **Public Facing Data Visualization Dashboard**

The Center for Guaranteed Income Research will release early snapshot data including demographics, spending behaviors, photographs, and videos on a public facing data visualization website. The dashboard will feature city-level filters, such that residents, city leaders, and policy-makers will view snapshot data from all 25 cities, and then select their own city data to compare nationally, and to others. Similar to what was built for SEED, the public facing dashboard will be a critical tool to engage the public, ensure transparency and accountability in the research process, and elevate guaranteed income in public discourse.

## **Public Facing Narrative Database**

In addition to snapshot data shared via the dashboard, the Center will create a narrative database to translate real world impact of guaranteed income to the general public. Similar to the Financial Diaries, [XIV] which helped policymakers and everyday citizens better understand income volatility, the narrative database will follow selected recipients' experiences of guaranteed income before, during, and after their participation in a city pilot.

## **Outcome Evaluation**

After the conclusion of each demonstration, MGI partner cities will release preliminary outcome evaluations prepared in partnership with the Center for Guaranteed Income Research. These preliminary evaluations will highlight findings of the core quantitative instrument, selected ancillary instruments of interest to the pilot city, and implementation findings related to interactions with existing benefits and disbursement mechanisms. After the conclusion of all MGI demonstrations, the Center will release a final report of national findings of all sites and all key research questions. The final product will serve as the primary empirical basis for scaling up and scaling out guaranteed income across the country.



## **Policy Briefs**

As implementation data are analyzed, particularly that related to benefits interactions and appropriate financial instruments for disbursement, the Center will release a series of policy briefs. These will detail how guaranteed income can be implemented alongside disparate policy and regulatory constraints of individual states. Once national implementation data are analyzed, a federal policy brief will detail how to scale guaranteed income in across the country.

# CENTRALIZED RESEARCH & EVALUATION STRUCTURE

The Center for Guaranteed Income Research will be housed at the University of Pennsylvania School of Social Policy and Practice, and jointly funded by MGI and other philanthropic institutions. Some seed funding (amount TBD) and in-kind staff assistance will be provided by Penn while the group pursues external funding. To date, the broader MGI team has entered into research fundraising conversations with several philanthropic organizations. Initial funding for the launch (September-February 1st) is being provided to Dr. Castro Baker and Dr. West through donations already secured at MGI. Dr. Castro Baker and Dr. West will also be adding their existing Co-PI cash-transfer, UBI, and guaranteed income projects to the center's infrastructure (details below).

The Center will be led by two center directors that share equal responsibilities in center oversight, current Assistant Professor Amy Castro Baker, and Dr. Stacia Martin-West who will be serving as a faculty fellow at Penn in addition to her primary appointment at the University of Tennessee. The primary role of the directors with regards to MGI include creation of a learning agenda to guide pilot cities, creation of a set of guiding research principles and objectives, oversight of research design for pilot cities, oversight of centralized mixed-methods multi-city instruments, supervision of staff, and serving as liaisons when/where necessary with MGI staff and initiatives.

Two full time Research Associates, one with quantitative expertise, and one with qualitative expertise, will have the following responsibilities: translation of center and MGI research principles to local contexts of pilot cities, coordination with field-level Research Fellows in pilot cities to implement research design, facilitation of IRB applications, data collection oversight and management, data analysis assistance, and collaboration with Research Fellows to produce local policy-relevant deliverables. Research Fellows, who reside in the pilot city and have been appointed by pilot leadership, will receive a stipend from the Center to execute the research design in their city. Akin to the logic behind guaranteed income, pilot researchers will be free to leverage the funds for research however they see fit to provide maximum flexibility for their local context and community-based stakeholders.

Their primary responsibilities will include field level oversight, acquisition and organization of local resources to execute research design, participant recruitment and retention, data collection, data analysis, and creation of local policy relevant deliverables. When possible, pilot cities are strongly encouraged to work with the team at Penn to identify a researcher from a local HBCU to conduct or participate in the research. Any research fellows running the pilots will also be provided a research affiliation with Penn through the center providing them access to Penn's resources, standardized indirect costs, and streamlined research support under the Center Directors. Administrative support and grant management support will be provided through a TBD position at the center and in partnership with SP2.

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# INCOME GUARANTEE BENEFITS *and* FINANCING: *Poverty and Distributional Impacts*

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The concept of a guaranteed income has resurged in public discourse in the United States as a potential anti-poverty policy. It has been about 50 years since the negative income tax (NIT) experiments tested the idea of an income floor to support vulnerable families, and in just the last few years there have been Congressional proposals for a universal child credit, an NIT-type tax credit, as well as a presidential candidate running on a universal basic income (UBI). The common characteristic of these proposals is to guarantee a given level of income for eligible individuals or families. While income guarantee programs are sometimes represented as necessarily “universal” (eligible to everyone) and “basic” (a livable income), versions of guarantees can be more or less targeted, and critically, the way a program might be financed is an important aspect of its potential impact. For example, a fundamental tax reform that democratizes the current system of personal deductions and credits into a universal and refundable credit would be a progressive innovation that could fund a modest-sized income guarantee before considering other financing mechanisms.

In this brief, we explore three alternative income guarantee designs as well as three different primary methods of financing the program benefits. A common argument against a UBI is that the cost is too large and the benefits are not targeted. Using more general models of an income guarantee, we explore the feasibility of applying a fundamental baseline tax reform, eliminating potentially redundant tax code provisions (personal deductions and child/dependent tax credits) while financing the remainder of program costs by either a proportional increase in federal income taxes, a consumption tax via a value-added tax (VAT), or a carbon tax. One major finding is that income guarantee policies could significantly decrease poverty. Additionally, the program design and financing mechanisms matter for both feasibility and impacts.

## Key Findings

- Income guarantee plans can substantially reduce poverty at reasonable costs.
- How much poverty is reduced depends upon who is eligible and how the benefit is financed.
- A modest income guarantee of \$250 per month for adults and children can be financed principally by eliminating redundant deductions in the federal income tax and secondarily by a \$42-per-metric-ton carbon tax.
- This \$250 per month benefit for adults and children with hybrid financing reduces child poverty from 12.6 to 4.8%. A \$500 per month benefit limited to adults financed solely by a carbon/consumption tax would reduce child poverty only to 10.3%.



## Policy Designs

In all analyses, we compare three income guarantee benefit designs that are smaller in scale than the income necessary to meet a family’s basic needs, yet substantial enough for alleviating poverty. Each of the designs includes categorical eligibility by age or work status, and each is also less than fully universal in that the benefit amount for each begins to phase out at \$150,000 in household income at a rate of 2% for each additional \$1,000 (that is, from \$150,000 to \$200,000). Plan A targets all individuals under age 65 (including children), plan B is targeted only to adults aged 19 to 64, and plan C is targeted to adults over age 18 who are working in the labor market, caring for the young, disabled, or elderly, or enrolled in full-time postsecondary education.<sup>1</sup> Table 1 indicates the benefit amount per individual (\$250 monthly for plan A and \$500 for plans B and C), as well as the total yearly gross cost and net cost after the fundamental baseline tax reform of eliminating personal deductions and child/dependent tax credits. The plans range in gross cost from \$720 billion to \$1 trillion, yet the baseline tax reform would offset these costs by eliminating about \$600 billion in redundant tax code that serves a similar purpose as an income guarantee. That is, personal deductions exist primarily to protect a certain portion of income from tax liability to ensure families have a foundation of livable income that is safe from taxation. The income guarantee programs would essentially democratize these personal deductions or credits into the form of a cash transfer, while all other earnings and income is immediately subject to federal income tax.

The fundamental tax reform of eliminating deductions simplifies the federal income tax code. It also makes it more progressive, not by raising rates, but by replacing tax deductions with fully refundable adult and child tax credits which are economically equivalent to an income guarantee for adults and children.

**Table 1. Gross and Net Costs of Three Income Guarantee Benefit Plans**

	A. Individuals under age 65	B. Individuals aged 19 to 64	C. Working individuals over age 18
Monthly benefit amount per individual	\$250	\$500	\$500
Total yearly gross cost	\$720 billion	\$1 trillion	\$940 billion
Fundamental baseline tax reform	-\$600 billion	-\$600 billion	-\$600 billion
Net costs remaining	\$120 billion	\$400 billion	\$340 billion

Notes: Yearly totals are rounded. The fundamental baseline tax reform represents the tax revenue generated by eliminating personal deductions and child/dependent tax credits, which offsets the gross costs before financing by other mechanisms.

The magnitude of the baseline tax reform shown in Table 1 suggests that the majority of a modestly-sized income guarantee could be financed by restructuring personal deductions and credits to be flat and fully refundable. While there are many financing options for the net costs, we focus on a relatively progressive federal income tax and compare that to consumption taxes via a value-added tax, or VAT, or a carbon tax. Of the three options, the carbon pricing model has received bipartisan support from prominent economists and think tanks as a means of generating revenue while reducing greenhouse emissions that are harmful to the environment. The 2018 Nobel laureate economist William Nordhaus and others have contributed research toward an intergovernmental task force consensus suggesting that carbon pricing should be approximately \$42 per metric ton of greenhouse emissions (and increase over time). Meanwhile, the Climate Leadership Council,

<sup>1</sup> Note that Plan C may include adults aged 65 and over if they are working according to the criteria listed.

led in part by conservative economists and former Republican Secretaries of State, proposed a carbon dividend plan with carbon pricing similar to the task force recommendation and distributing the revenue back to the population. We consider both income tax and carbon tax financing as well as hybrid models. The exact mix of financing is of course at the discretion of policymakers, but our simulations below highlight the tradeoffs and virtues of different approaches.

## **Results**

Because the fundamental baseline tax reform is potentially such an important component of financing an income guarantee policy, we begin with comparisons of poverty impacts with and without the initial baseline reform. Figure 1.1 shows the results without fundamental tax reform. It contrasts financing by higher income taxes relative to a carbon tax. Income tax financing in this case, in contrast to the fundamental income tax reform, only involves proportional increases across all tax rates. The carbon tax financing necessary for the selected income guarantee designs exceeds the \$42-per-metric-ton level discussed above but corresponds to some upper-range estimates and could also be thought of as a hybrid of a carbon tax and a VAT.<sup>2</sup> The poverty reduction effects of all three programs when financed by the federal income tax are quite large—reducing poverty from 13.2% to between 6.5% and 8%. Depending on who is eligible for benefits, the carbon tax reduces poverty by about three percentage points less than income tax financing. As eligibility for the benefits narrows from all those below age 65 to only adults, and then to only working adults, poverty rates increase. What may be surprising is that limiting eligibility has a bigger effect on poverty rates than doubling the benefit from \$250 to \$500 per month.

Figure 1.2 displays results that incorporate the fundamental baseline tax reform. It depicts the effects on poverty of financing the remaining net costs via either proportional increases in income tax rates or a carbon tax. Instead of a pure carbon/consumption tax as shown in Figure 1.1, the carbon tax results in Figure 1.2 combine a mixture of the fundamental reform on income taxes and financing the remaining costs via carbon taxes. The income tax results in Figures 1.1 and 1.2 are similar. For all programs, however, poverty rates are slightly higher with fundamental tax reform (by about half of a percentage point). Some low income families would pay more in taxes when redundant deductions and credits are eliminated as compared to proportional increases in tax rates. When beginning with a baseline reform on income taxes, financing the remainder by income tax or carbon tax would make little difference when the benefit size is relatively small, as in Plan A (the poverty rates would fall to 7.8 or 8.7, respectively). This is because the bulk of the costs are paid for via the fundamental tax reform. The differences are more substantial for the two plans that are higher-benefit, more costly, and more restrictive.

2 When financing by carbon tax, some income guarantee plans may cost more than some of the central estimates of socially-efficient carbon pricing suggested by climate science and economic models. In those cases, one could imagine a carbon tax that is supplemented by a general value-added tax on consumption, which would yield similar qualitative results.

**Figure 1. Poverty Impacts of Income Guarantee Designs by Financing Plan**

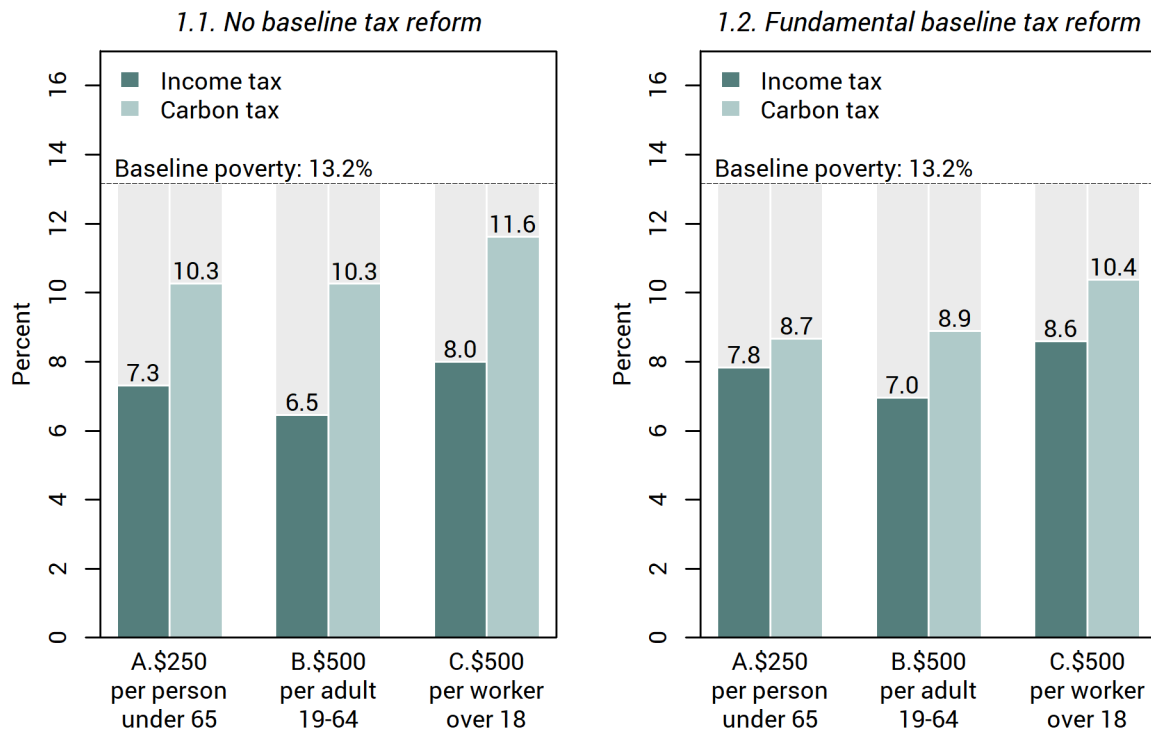
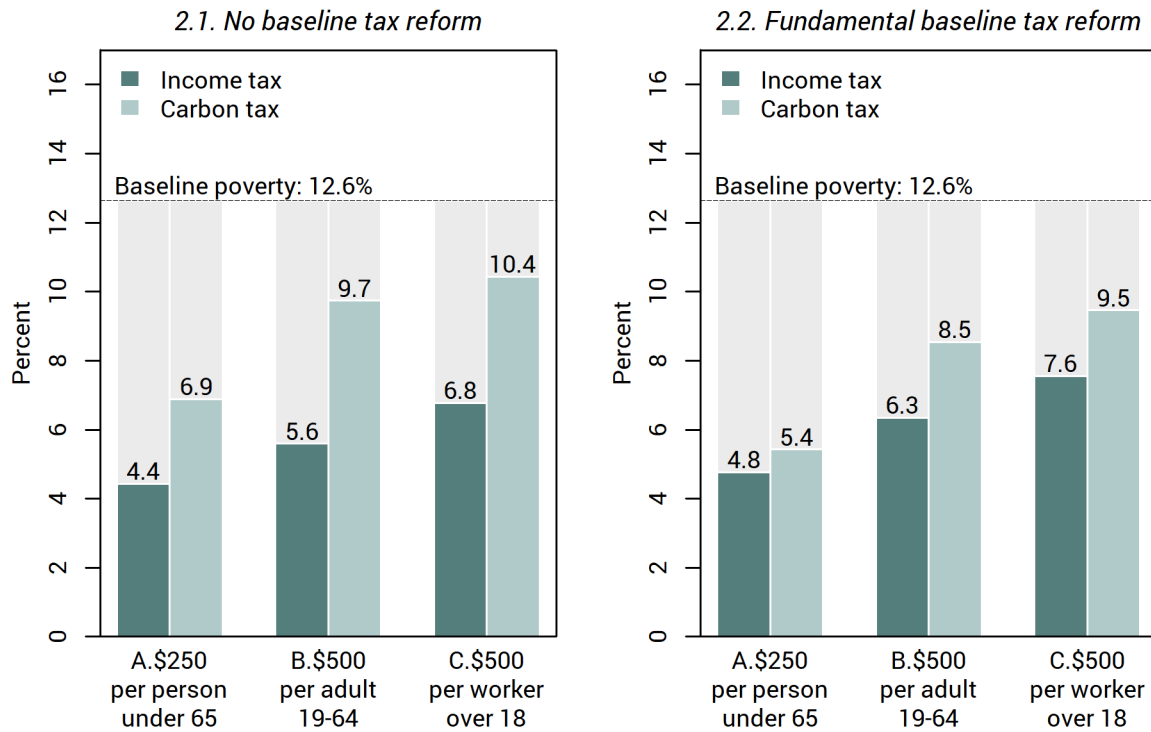


Figure 2 report results for the population of children under the age of 18 years old. The relative comparisons of guarantee and financing plans generally follows the same pattern for children as in the total population, but the interaction between financing mechanisms and eligibility of children for benefits is starker. With pure carbon/consumption tax financing (panel 2.1), child poverty rates are reduced only to 9.7% and 10.4% with \$500 per month plans limited to adults or adult workers. Plan A—which includes children as well as adults—would reduce the poverty rate to 4.4% with a lower benefit of \$250 per month financed by a pure increase in income tax rates. One difference in the patterns seen in child poverty relative to national poverty is that doubling the benefits and restricting eligibility to adults (moving from design A to B) leads to relatively higher child poverty. This difference in child poverty outcomes is exacerbated by financing via carbon tax where children contribute to the family’s carbon consumption and tax burden yet are excluded from benefit eligibility.<sup>3</sup>

<sup>3</sup> In another brief, we show that a carbon tax and dividend can actually increase child poverty if benefits are restricted to adults only. Targeting adults only aged 19 to 64 as we do in this brief, increases the likelihood of children benefiting more from an adult only program because those 19-64 are more likely than aged adults to have children. Also, our carbon tax estimates here assume a mixture of carbon pricing and general consumption taxation to finance more generous program designs. A strictly pure carbon tax and dividend would be subject to lower benefit values than the total costs passed through according to Congressional Budget Office accounting rules that adjust for tax revenue losses associated with carbon pricing effects on reduced production among affected firms.



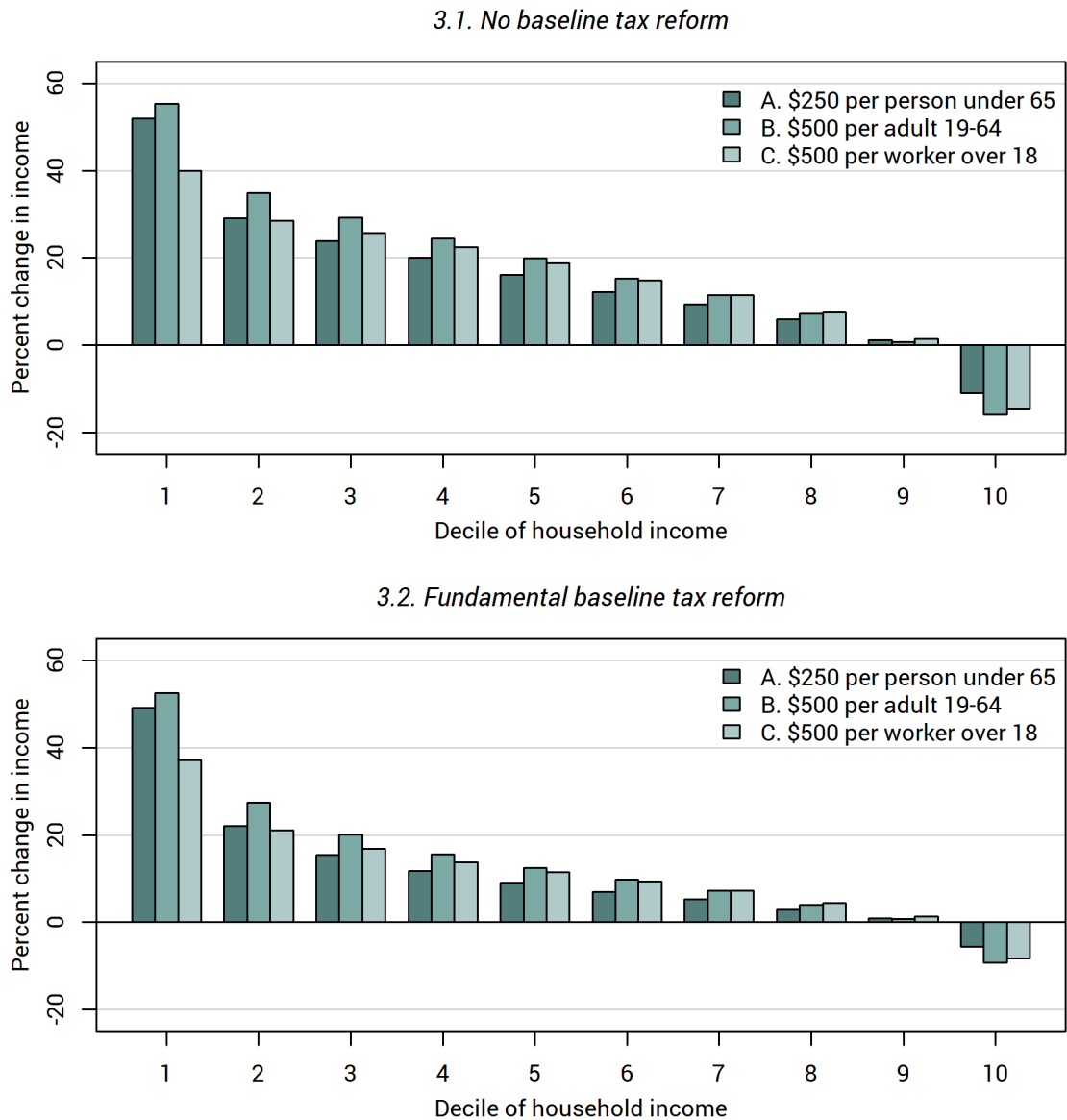
**Figure 2. Under-18 Poverty Impacts of Income Guarantee Designs by Financing Plan**



The income guarantee designs that begin with a fundamental tax reform offer a way to reduce tax code redundancy and diversify the tax instruments for financing the gross costs of an income guarantee program. There is no reason that the tax revenue to cover the net costs could not be diversified further with some combination of financing strategies, such as a hybrid plan with a carbon tax in addition to proportional increases in federal income tax rates. Other tax strategies could be introduced to either complement a progressive redistribution (some form of a wealth tax, for example), or again, the carbon tax could be supplemented with a VAT that increases in size as the carbon tax revenues decrease with lower greenhouse emissions.

While the results so far have focused on poverty reduction, Figure 3 shows the distributional impact of the net transfer after financing the income guarantee benefit designs both without and with the fundamental tax reform (panels 3.1 and 3.2, respectively). With a phase-out threshold of \$200,000, the lower 90% of the population by household income would receive a net benefit, on average, regardless of the financing plan chosen. Without the fundamental tax reform, the lowest decile of households would have about a 40 to 55% increase in income. Across the middle of the income distribution, net benefits are somewhat smaller when the fundamental tax reform offsets the guarantee by eliminating personal deductions and credits. Households in the 9th decile of income would have benefits close to zero on average, and the top 10% of households would see a net tax that decreased their incomes by at most 16% without the fundamental tax reform, or no greater than 10% after the fundamental reform.

**Figure 3. Distributional Impacts of an Income Guarantee Financed by Proportional Increases in Income Taxes without and with Fundamental Tax Reform**



*Conclusion*

Income guarantee plans can reduce poverty substantially at a reasonable cost. A modest income guarantee of \$250 per month for adults and children can reduce poverty by 40%, and over 80% of the costs can be financed by eliminating redundant and less progressive deductions and non-refundable credits in the federal income tax. The remainder could be financed by a carbon tax. How much poverty is reduced depends upon who is eligible and how the benefit is financed. If the benefits were limited to adults and were financed entirely by a carbon tax or a value-added tax that was nearly as regressive as the carbon tax, the program would only modestly reduce poverty.

### *Appendix*

In order to estimate how an income guarantee policy would affect poverty, we simulate benefit amounts for individuals based on data from the Current Population Survey's Annual Social and Economic Supplement (CPS-ASEC). We supplement this main data source with adjusted estimates from Urban Institute's Transfer Income Model version 3 (TRIM) to account for underreported social welfare income, imputed household spending estimates from the Consumer Expenditure Survey (CE), and simulated tax credits and liabilities using Tax-Calculator release 2.5.0. We construct a 3-year file with data corresponding to 2013 to 2015, and we adjust dollar values for inflation to simulate outcomes based on tax law in the year 2020. For each family, we estimate their net income after taxes, transfers, and certain expenses based on the Supplemental Poverty Measure (SPM) framework, and then we calculate what the poverty rate would be based on SPM poverty thresholds relative to net income before and after simulating the net changes from each income guarantee and financing plan. Our estimates incorporate potential behavioral effects such as individual labor supply responses to the net policy reform, or the decrease in greenhouse emissions from a carbon tax.

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