



Claims That Don't Need a Test

Abstract This chapter identifies several empirical claims that should not be ignored by people designing, conducting, and writing about Universal Basic Income (UBI) experiments but that cannot be tested on an experimental scale. Evidence about these claims will have to come from other sources, which will have to be combined with experimental evidence to connect experimental findings to the most important questions for the public evaluation of UBI as a policy.

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At least five of the claims on the lists in Chap. 13 don't need a test to confirm their truth. Either they are true by definition or they can be shown to be true by analytical reasoning, with little or no empirical reasoning necessary. These include:

- The efficient-transfer claim
- The poverty claim
- The freedom claim
- The compensation claim
- The reciprocity (or work ethic) claim

These claims are related to important claims that can be researched, and they can be used to help frame related research questions, but it is important to understand that they play a prominent role in the UBI discussion as stated—that is, as claims that are already verifiably true.

The efficient-transfer claim is analytically true. All lump-sum transfers are efficient in the sense defined by economists. That is, net recipients benefit financially as much as net taxpayers pay. Nonlump-sum transfers give individuals incentives to change their behavior to get the grant. These changes in behavior cause additional social costs. This fact has played a prominent role in the discussion among economists since James Buchanan, F.A. Hayek, and James Tobin endorsed the idea.

The efficiency claim applies to the grant, not necessarily the taxes used to support it. Lump-sum taxes, such as those on resource rents, are also efficient, and if UBI can be financed entirely by such taxes, no social cost would be involved with UBI at all. Experiments cannot test whether lump-sum taxes can raise enough revenue to support UBI, and experiments will probably assume that a substantial increase in nonlump-sum taxes will be necessary.

It is interesting the extent to which the discussion of UBI has ignored the efficient-transfer feature of UBI. The efficiency gain or loss of an economic policy proposal usually plays a large role in the academic discussion of it (and sometimes a role in the political discussion of it).

At least three research questions closely related to efficiency are important: first, what portion of UBI's cost represents an efficient transfer and what portion represents a social cost? Second, how does the efficiency loss of UBI in these terms compare to the efficiency loss of an equally generous expansion of existing programs? Third, to what extent do the dynamic-efficiency-improving effects of UBI (such as reducing the costs associated with poverty) counter the static inefficiency of the taxes needed to finance it?

These three questions have been neglected by most past experiments. The labor-market findings of UBI experiments will be useful toward answering these questions, but the experimental findings will have to be combined with a large amount of outside evidence to produce a result.¹ The need for evidence from other sources will be a running theme as these chapters try to relate the questions people want answered to the questions experiments can directly examine.

¹ See subsequent chapters.

The poverty claim, as stated, is analytically true. A UBI set at or above the poverty line necessarily eliminates poverty at least if poverty is defined in absolute terms. Relative poverty is trickier, because many UBI schemes will cause the median income to rise. For example, most European countries define the poverty line at 60% of median income. Eliminating poverty requires a UBI at 60% of the poverty line and a marginal tax rate of 60% for net recipients. Whether this UBI scheme is desirable and reasonably affordable is an open question, but whether it can be done is analytically true.

UBI's ability to *eliminate* poverty is an important advantage over the conditional approach, which necessarily leaves some portion of the population in poverty. If the people are truly required to meet conditions involved in nonuniversal approaches to poverty, a credible threat of poverty must exist, which would seem to require making good on that threat for at least some people. If so, conditional programs *have* to leave some people in both relative and absolute poverty. Yet, experiments can say nothing about this issue.

Several research questions related to poverty are relevant, such as what is the relative effectiveness of attempting to eliminate poverty with a UBI rather than by increasing existing transfer programs? And is a UBI that eliminates absolute or relative poverty affordable?

The freedom claim, the compensation claim, and the reciprocity claim are true by definition. The controversy is not over their truth but over their moral content. UBI set at a sufficient level undoubtedly gives nonwealthy people greater control over some aspects of their lives, increasing freedom in the sense used in the freedom claim. The same UBI can be considered compensation for the unequal division of resources. The same UBI makes it possible for nonwealthy people to consume products that involve labor without themselves contributing labor, violating the reciprocity principle in the sense used in that claim. No empirical investigation can settle the disagreement over the moral value of these senses of freedom and reciprocity.

There are important closely related empirical questions. The extent to which the benefit-to-workers claim, the productive-nonlabor claim, and the flexible-lifestyle claim hold true would indicate something about how valuable the added freedom for low-income people was, but unfortunately, UBI experiments are not the best way to investigate them (see below).

UBI experiments can contribute something to the question of whether more people violate this reciprocity principle under UBI, capitalism as is, or under an expanded conditional welfare system. However,

to do so, they would have to define the ethically controversial concept of meaningful social contribution. Many people would object to whatever definition they chose.

One of the most valuable things researchers can do about the reciprocity issue is to head off the interpretation that experiments say more about it than they do. Experiments can and will certainly collect data on the labor time of the control and experimental groups. Opponents are likely to interpret any decline in labor time as an indication of a violation of the work ethic, and some writers are likely to spin it as such, as many did in the 1970s (see Chap. 6). Merely presenting labor-time findings—even on the way to calculating its effect on cost—without addressing its possible effect on the reciprocity principle invites that misconception among people for whom that principle is a primary concern.

To head off that mistake, researchers can address whether any labor-time decline reflects people dropping out of the labor force or merely reducing the number of hours they work. If researchers stop there, they leave open the interpretation that work is the only meaningful social contribution. But to go much further, they might have to define controversial moral claims. They can discuss the issue conceptually without getting into specific estimates of what should count, but some confusion on this issue might be inevitable.

Even if experiments could somehow show that UBI was very unlikely to cause an increase in violations of the politically relevant versions of the reciprocity principle, the truth that UBI makes it *possible* for nonwealthy people to live without laboring is likely still to feature prominently in the debate.

Some spin and some misunderstanding on all of these issues are inevitable. The goal is simply to reduce them as much as possible. To do so, anyone writing about experimental results needs to present them in a way that answers people's questions about how the findings relate to these issues. Few, if any, nonspecialists will be able to work out many of these issues for themselves, and they won't be helped much by a dry list of caveats.