



GUARANTEED MINIMUM INCOME

CENTRAL QUESTION



Should the government provide a guaranteed minimum income to Americans in times of economic crisis?

INTRODUCTION



As COVID-19 spread across the United States and the globe in early 2020, Americans suddenly found themselves in the midst of an economic crisis. With governors issuing stay-at-home orders and closing businesses that they deemed non-essential, millions of Americans temporarily or permanently lost their jobs. In this *Close Up in Class Controversial Issue in the News*, we will examine the economic safety net that the government has in place, explore the idea of providing a guaranteed minimum income in times of crisis, and ask you to weigh the pros and cons of one of the paths forward.

BACKGROUND



What Safety Net Programs Does the U.S. Government Provide? Ever since the nation's founding, Americans have debated the appropriate role of government in the lives of citizens, and the extent to which citizens should depend on the government for support. Americans have a long history of celebrating individual liberty, self-reliance, and private industry. These values are central to the U.S. economy, which is driven by free enterprise and capitalism—a system in which private businesses operate in competition, largely free of government control. Today, the U.S. economy is the single largest national economy in the world.

But as the United States has grown, some Americans have advocated a larger economic role for the government, often in response to concerns about unemployment or poverty. In the 1930s, for example, with the onset of the Great Depression, the role of the government grew dramatically. President Franklin Delano Roosevelt, facing an unemployment rate of nearly 25 percent when he took office in 1933, promised the American people a “New Deal”—a series of government-led initiatives aimed at providing immediate economic relief, temporary work, and long-term economic reforms.¹

The New Deal era saw the establishment of several significant government safety net programs and paved the way for others to come. Today, those programs include the following:

- **Medicaid**, a health insurance program for low-income and disabled Americans
- **Medicare**, a health insurance program for people aged 65 or older, and for people under the age of 65 with certain disabilities or end-stage renal disease
- **Social Security**, a program that provides monthly income to retired workers, disabled Americans, and families of the retired, disabled, or deceased
- **Supplemental Nutrition Assistance Program**, also known as food stamps, a program that provides low-income Americans with monthly funding to purchase food
- **Temporary Assistance for Needy Families**, a welfare program that provides cash assistance, child care, education and job training, and other services to low-income Americans
- **Unemployment Insurance**, a program that helps people who have lost their jobs by temporarily replacing part of their wages, usually for up to 26 weeks²

A 2015 report from the Census Bureau found that 21.8 percent of all U.S. families participated in at least one means-tested government safety net program per month.³

Do Some Countries Have Larger Safety Nets? The United States' more targeted safety net makes it different from the "welfare state" that is more common in European countries. In a welfare state, the government plays a major role in protecting and promoting the economic and social well-being of citizens. Citizens receive national benefits such as health care, education, parental leave, low-cost housing, and cash grants if they lose employment. In return for these benefits, citizens pay much higher taxes. In Denmark, for example, the government's 2018 tax revenue equaled 45 percent of the nation's economic output—nearly twice the level of the United States (24 percent).⁴

THE CURRENT CONTROVERSY



Should the government provide a guaranteed minimum income to Americans in times of economic crisis?

In March 2020, mere weeks after boasting a February unemployment rate of 3.5 percent (the lowest rate in more than 50 years), the United States was suddenly dealing with an outbreak of COVID-19.⁵ As most governors issued stay-at-home orders and closed non-essential businesses, millions of Americans temporarily or permanently lost their jobs by government decree.⁶ As a result, the nationwide unemployment rate surged to 14.7 percent in April 2020, its highest level since the Great Depression.⁷

To help ease the economic pain, Congress passed and President Donald Trump signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Among its provisions, the CARES Act allocated more than \$2 trillion to:

- Aid small businesses with loans that become grants if employees are kept on payroll for eight weeks and the money is used for payroll, rent, mortgage interest, or utilities
- Assist state and local governments
- Expand unemployment insurance by boosting federal funding, expanding eligibility, and increasing weekly benefits by \$600
- Send one-time government payments of up to \$1,200 to adults with incomes below \$99,000 and \$500 for each child under 17 years old.⁸

However, some Americans want the federal government to take a larger role, by stepping in to provide a guaranteed minimum income to workers during the COVID-19 crisis.

- Representatives Ro Khanna, D-Calif., and Tim Ryan, D-Ohio, introduced the Emergency Money for the People Act, which would give government payments of \$2,000 per month to those who are 16 or older and make less than \$130,000 per year, and \$500 per child (for up to three children) to eligible families. The payments would last for at least six months and up to 12 months.⁹

- Representative Pramila Jayapal, D-Wash., proposed the Paycheck Guarantee Act, under which the federal government would help struggling businesses cover 100 percent of base payroll costs for at least three months, covering an annual salary of up to \$100,000 per worker.¹⁰
- Senator Josh Hawley, R-Mo., proposed a plan for the federal government to cover 80 percent of wages for workers at any U.S. business, up to the national median wage, for the duration of the COVID-19 emergency, and offer businesses a bonus for rehiring laid-off workers.¹¹
- As a 2020 presidential candidate, entrepreneur Andrew Yang championed a universal basic income program that would guarantee each U.S. citizen over the age of 18 a government payment of \$1,000 per month, to be funded by a new value added tax of ten percent.¹²

These proposals are similar to the efforts that several European nations have undertaken in response to the COVID-19 pandemic. In Denmark, for example, the government agreed to cover up to 90 percent of all worker salaries for three months (provided that companies refrain from layoffs) and to cover rent costs for companies that suffer losses in revenue. And in the Netherlands, the government pledged to cover 90 percent of wages for companies that show revenue losses of at least 20 percent.¹³

Supporters of guaranteed minimum income argue that the government must step in to help at this extraordinary time of economic uncertainty, especially because many Americans have lost their jobs due to government orders. But opponents believe such a program would be unsustainably expensive, would set a dangerous precedent and violate American ideals, and would allow governors to delay reopening the economy—something that they believe must begin to happen promptly.



SHOULD THE GOVERNMENT PROVIDE A GUARANTEED MINIMUM INCOME TO AMERICANS IN TIMES OF ECONOMIC CRISIS?



YES: The government must protect Americans and see them through this uncertain time.

Between mid-March and the end of April 2020, as most governors responded to the COVID-19 pandemic by issuing stay-at-home orders and forcing the closure of businesses deemed non-essential, an astounding 30.3 million Americans (approximately 18.6 percent of the U.S. workforce) filed a first-time claim for unemployment insurance benefits.¹⁴

In other words, many Americans are experiencing extraordinary economic pain, with millions losing their jobs through no fault of their own. And because government actions have directly caused these job losses, the government must step in and provide workers with a guaranteed minimum income to help see them through this national emergency.

“A one-time, twelve-hundred-dollar check isn’t going to cut it,” said Representative Khanna, who proposed a plan to give Americans aged 16 and older who make less than \$130,000 annually government payments of \$2,000 per month for at least six months and up to 12 months. “Americans need sustained cash infusions for the duration of this crisis in order to come out on the other side alive, healthy, and ready to get back to work.”¹⁵

“Because the government has taken the step of closing the economy to protect public health, Congress should in turn protect every single job in this country for the duration of this crisis,” said Senator Hawley, who proposed a plan for the federal government to cover 80 percent of workers’ wages for the duration of the emergency. “The goal must be to get unemployment down—now—to secure American workers and their families, and to help businesses get ready to restart as soon as possible. This approach will prepare us to surge into recovery. Workers will benefit from the steady paycheck and the knowledge that their jobs are safe. And businesses, able to retain their workforce at little cost, will be poised for success once the economy reopens.”¹⁶

The United States would be wise to follow the European model of using government funds to pay private wages until this emergency passes. Doing so would help keep businesses afloat, avoid traumatic layoffs, keep money in the pockets of workers, and ensure that employers and employees are ready to quickly resume operations when the time comes.

“The economic impact of this virus is unprecedented for our country. As millions of Americans file for unemployment week over week, we have to work quickly to patch the dam—and that means putting cash in the hands of hard-working families,” said Representative Ryan.¹⁷



NO: The government must not bankrupt itself with a policy that will hurt workers in the end.

Americans are indeed in the midst of an economic crisis, but it would be unsustainable and against American ideals for the government to provide a guaranteed minimum income. Such a policy would rack up immense costs, deprive Americans of their right to provide for themselves, set a terrible precedent, and merely delay—rather than ease—economic pain.

The government already has in place several important programs to help struggling workers and business owners. The CARES Act greatly enhanced unemployment insurance in the short term by boosting federal funding, expanding eligibility, and increasing weekly benefits by \$600. The government also sent a payment of up to \$1,200 to adults with incomes below \$99,000, and created an innovative system of forgivable loans for small businesses that keep employees on payroll.¹⁸ These programs are on the right track, allowing the government to provide aid without taking over the private economy.

To go further and guarantee a minimum income would create more negative effects than positive ones. Such a policy would allow nervous governors to keep businesses closed indefinitely, since workers would have government payments to rely on. But governors must allow businesses to reopen soon, especially as the threat of COVID-19 subsides in many parts of the country. Without a smart, rapid, and widespread reopening, the largest economy in the world—and the well-being of millions of workers—will be in ruins.

If the government were to follow the European model and cover workers’ wages during the COVID-19 emergency, the costs would be enormous. In 2019, 157 million Americans were employed, with a median income of \$64,000. If the government wrote paychecks for the entire U.S. workforce for six months, it would cost approximately \$5 trillion, according to a *New York Times* analysis. Even just covering the wages of 53 million low-wage workers, who have a median income of \$18,000, would cost \$477 billion.¹⁹ And adding untold trillions to the national debt could easily bring on inflation, destabilize the dollar, and send shock waves across the global economy.

Furthermore, to establish a guaranteed minimum income would set a dangerous precedent. Will workers and business expect another government bailout the next time unemployment hits ten percent? Eight percent? Where does the government interference and dependency end?

It is important to remember that it is not the job of government to provide everything that we need, from the cradle to the grave. It is the job of government to create conditions in which we can successfully provide for ourselves.

QUESTIONS TO CONSIDER

1. Do you believe the government should provide Americans with a guaranteed minimum income in times of economic crisis? Explain your answer.
2. What do you believe are the benefits of the United States’ more targeted safety net system? What do you believe are its drawbacks?
3. What do you believe are the benefits of living in a welfare state? What do you believe are the drawbacks?