

Disadvantages of UBI

- **Inflation:** If everyone suddenly received a basic income, it would create inflation. Most would immediately spend the extra cash, driving up demand. Retailers would order more, and manufacturers would try to produce more. But if they couldn't increase supply, they would raise prices.
- Higher prices would soon make the basics unaffordable to those at the bottom of the income pyramid. In the long run, a guaranteed income would not raise their standard of living.
- **Motivation to work:** Many recipients might prefer to live on the free income rather than get a job and they would not acquire work skills. It could reduce an already-falling labor force participation rate.
- **Cost:** The cost of implementing UBI would be significantly high for any government across the world. The idea is that UBI would take pressure off health services and make social security institutions redundant, but this is nevertheless an enormous amount for a government to budget for.

Examples of UBI

United States

- Alaska has had a guaranteed income program since 1982. The Alaska Permanent Fund paid each resident an average of \$1,606 in 2019, all out of oil revenues. Almost three-fourths of recipients save it for emergencies.
- In 2017, the Hawaii state legislature passed a bill declaring that everyone is entitled to basic financial security. It directed the government to develop a solution, which may include a guaranteed income.

Canada

- A UBI trial in Manitoba, Canada conducted between 1974 and 1979, showed a modest reduction in workers, along with fewer hospitalisations and mental health diagnoses.
- Canada is also experimenting with a three-year universal income program. It is giving 4,000 Ontario residents living in poverty C\$17,000 a year or C\$24,000/couple. The government expects it will cost C\$50 million annually.

Iran

In 2010, the government of Iran ran a UBI trial, giving citizens transfers of 29 percent of the median income each month. Poverty and inequality were reduced, and there was no sign of large amounts of people leaving the labour market. In fact, people used it to invest in their businesses, encouraging the growth of small enterprises.

Kenya

- The largest and longest UBI experiment in the world is taking place in Kenya, where the charity GiveDirectly is making payments to more than 20,000 people spread out across 245 rural villages. As part of this randomized controlled trial, which started in 2016, recipients receive roughly 75 cents per adult per day, delivered monthly for 12 years.
- It can already be seen that cash transfers have stimulated the economy and benefited not only the recipients themselves but also people in nearby villages.