



**Is Universal Basic Income (UBI) a Solution for Poverty?**

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## **Is Universal Basic Income (UBI) a Solution for Poverty?**

More and more people claim that adopting the Universal Basic Income (UBI) could provide an immediate solution to abolish poverty, fix inequality and increase social stability in the United States. Others claim it is economically not feasible and faulty and that it could potentially discourage labor. This paper aims to demonstrate the benefits and drawbacks of UBI and why it could be a practical solution to major economic issues.

The idea of Universal Basic Income is not completely new and modern. Even in the late 1700s, one of the most famous Founding Fathers, Thomas Paine, actively supported it. UBI is a government social welfare system that grants each adult citizen a fixed amount of cash payment despite their employment status or income level. Various studies show that UBI has the potential to significantly reduce poverty and inequality. According to research by the Roosevelt Institute, a UBI of 1000 dollars per month could cut poverty rates in America by 10% (Economic Security Project, 2018). The financial cushion could bridge the wealth gap and comfort those struggling to make ends meet. Research done by the World Bank (2019) shows that UBI could be particularly useful in developing countries.

As technology evolves, more and more jobs will become victims of automation. Adapting to the ever-changing world is not an easy task for everyone. This means that millions of workers around the globe will lose their jobs, and if no actions are taken, the poverty rates could skyrocket. As a matter of fact, a study done by McKinsey Global Institute (2017) shows that by 2030 800 million jobs will be displaced by automation. UBI could act as a buffer zone, reducing stress levels and giving people time to adjust to new circumstances. The Economic Security



Project did research that shows UBI can create a more flexible market and allow workers to take fewer risks.

However, UBI should undergo an economic feasibility check. Supporting citizens and securing their futures is a noble mission, but the major drawback of this welfare system is its dependency on taxes. Critics question whether current tax rates are enough to pay every adult citizen. Experts predict that UBI can only become functional if we significantly increase current taxes, leading to major dissatisfaction, economic stagnation, or reduced economic growth.

Even though some suggest that UBI could be financed through a combination of taxes and cuts on other social programs, it is unclear what the beneficiaries of those programs think about cutting down the budget. As seen through the analysis of current literature on the topic UBI could significantly reduce the stress level of losing a job and allow people to adjust to the new world. But its economic costs are still to be calculated.

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