

## The Value of Unconditional Cash

### Combating poverty more effectively and reaching those left behind

Even before the COVID-19 pandemic, the deficiencies of the U.S. social safety net with its patchwork of modest, targeted, mean-tested, employment-conditioned programs had become apparent. The limited assistance offered leaves the US with the highest post-tax poverty rate in the developed world and with a financially fragile middle class; the targeting means young adults, non-custodial parents, and others considered “undeserving” fall through the cracks; the means-testing imposes upfront burdens on the eligible and leads to delays and incorrect rejections; the employment-conditioning punishes recipients for labor market conditions and can exacerbate economic downturns. This system could be improved with tinkering. After all, Canada, the U.K., and other countries with similarly structured welfare regimes have managed to reduce poverty with more generous benefits, less onerous upfront paperwork, and gentler phase out of means-tested benefits. But decades after the U.S. declared a War on Poverty, the ongoing stalemate has led to calls for a broader rethinking of how we structure our welfare state. And that is what U.S. guaranteed income advocates hope to accomplish.

I am the lead researcher on guaranteed income policy at the Jain Family Institute, an applied research organization based in New York City. Guaranteed income policies, as usually described, most naturally fill the role of “income support.” Income support programs like EITC, TANF, SNAP or Housing Choice Vouchers (Section 8) provide cash or quasi-cash payments to supplement employment income, smooth consumption and reduce material hardship. Unlike existing income support programs, however, guaranteed income programs are universal rather than targeted, they are not conditioned on unemployment, training or

other activities, and they utilize a “pay now, tax latter” approach rather than employing upfront means-testing.

Our safety net is built on mistrust: the fear that the “undeserving” will defraud the government; the fear that even the “deserving” will spend aid foolishly at best or self-destructively at worst. But efforts to ensure “correct” use of aid have a terrible cost, one that is paid by the working and middle classes. The features of our existing income support policies render millions ineligible for vital aid, effectively cut off support even for many who are, on paper, eligible, impose significant “administrative burdens” on recipients and mean the aid that is given may not be used optimally. There is, for example, little aid available for Able Bodied Adult Without Dependents (ABAWDs), adults under the age of 25 more generally, or for returning citizens/ex-offenders. Vital aid to children is locked behind labor market outcomes that are at least partly outside the control of potential recipients. And because aid often comes in the form of vouchers or quasi-cash, often with truly baffling use-restrictions, recipients are forced to spend aid on what politicians have determined their needs are rather than on what they know would be most helpful.

And what is the evidence that any of this is necessary? That fraud and imprudent behavior necessitate costly paternalism? Decades of research on domestic and international cash transfers pilots and programs have shown that these fears are unfounded. Numerous studies of cash transfer programs have shown that recipients do not increase their use of alcohol, drugs, or other temptation goods. Some studies instead show that the increased financial security that comes with cash assistance actually reduces their use. And unconditional aid does not cause recipients to quit their jobs. While some individuals do work less, the overall effect is modest. Those who do cut back on work also appear to devote more time to job training, education, or their kids. In fact given the high implicit marginal tax rates, “benefits cliffs,” and confusing interactions between and associated with existing income support programs, replacing these programs with guaranteed

income policy could, depending on design, make it easier for working class households to engage in employment without fear of losing out on vital aid.

In other words, fears over non-existent problems have unduly burdened millions of households. And this is not just a problem for individual households; our safety net damages the economy as well. Conditioning aid on employment means that programs like the EITC fail to act as automatic stabilizers during recessions. This can worsen economic downturns and slow the pace of recovery.

Guaranteed income policy is not a panacea. While it can better serve the role of income support than TANF, SNAP or EITC, it cannot replace important public insurance programs like Social Security, Unemployment Insurance, or Medicaid/Medicare. And it is no substitute for direct government intervention where markets simply don't work (well) such as in healthcare, child care, and education. But adopting a guaranteed income program and, importantly, treating universality, unconditionality, and unrestricted use as guiding principles in all our policies would represent an enormous improvement in our safety net, and thus in the material well being of all Americans.

## Why Pilot?

### Taking guaranteed income seriously as policy

If we know that guaranteed income policies work, that they do not generate the negative behaviors policymakers fear, and that they represent a marked improvement over the status quo, what need is there to pilot them?

First, because our safety net consists of targeted benefits, tax credits, and a variety of state and federally administered programs, we do not currently have the infrastructure in place to implement a universal cash policy. This was most apparent in the many fumbles and missteps associated with the CARES Act implementation. The federal government needed to provide universal aid but had

no simple way to do so; our safety net infrastructure was not built for that and was quickly overwhelmed. Pilots serve a vital role in developing the necessary infrastructure for a state or federal policy: what is the most efficient way to identify recipients? How can we send cash quickly? What databases need to be put into place? Can we provide public banking options at scale so recipients can access aid without recourse to for-profit third-party providers? The lessons learned during pilots can contribute to the development of the infrastructure that will serve as the foundation of a renewed safety net,

Second, knowing that unconditional cash makes people better off is not the same as knowing the best way to design a guaranteed income policy. There are numerous details about optimal policy that remain to be uncovered. What is the proper amount to give? How often should the benefit be disbursed? Should the benefit be individual or household level? And, perhaps most importantly, how should such a program be financed (and what are the administrative and infrastructural implications of that choice)? Pilot research, especially when coupled with formal cost-benefit analysis and budgetary analysis can help fill in these gaps. Doing so will be critical to drafting effective legislation and successfully implementing a large-scale policy.

Guaranteed income is currently having a moment. Around the country cities and nonprofits are experimenting with cash transfer policy. JFI and its partners recently launched the Compton Pledge, a cash transfer pilot that builds on the work done by the Stockton Economic Empowerment Demonstration team. Cities like Chicago, Newark, and Atlanta have run or are running task force meetings to explore how guaranteed income can benefit their citizens. Mayors for a Guaranteed Income are currently working to bring together policymakers and practitioners around the country. They all see the failures of the safety net and recognize the opportunity to build a better world. It is imperative that we seize that moment and undertake actions that will take the abstract idea of unconditional aid and shape it into specific, detailed policy proposals. The work that your Committee is doing is vital to that transformation.

## RECOMMENDED RESOURCES

JFI produces and is connected to leading research on welfare policy, and can be a resource for further briefings on this topic. Please reach out to [stephen.nunez@jainfamilyinstitute.org](mailto:stephen.nunez@jainfamilyinstitute.org) with any requests. Below are some additional readings related guaranteed income policy:

800 Compton residents to get guaranteed income in two-year pilot program  
<https://www.latimes.com/california/story/2020-10-18/800-compton-residents-to-get>

Administrative Burden: Policymaking by Other Means, by Herd, Pamela and Moynihan, Donald P., New York, NY: Russell Sage, 2018

Building a Helicopter: Pathways for Targeting & Distributing a US Guaranteed Income  
<https://www.jainfamilyinstitute.org/projects/parts/building-a-helicopter-pathways-for-targeting-distributing-a-us-guaranteed-income/>

The EITC Does Not Automatically Stabilize Income for All in a Recession - Center for Poverty and Inequality Research  
<https://poverty.ucdavis.edu/policy-brief/eitc-does-not-automatically-stabilize-income-all-recession>

Foundations for Social Change: New Leaf project. "Taking Bold Action on Homelessness."  
[https://static1.squarespace.com/static/5f07a92f21d34b403c788e05/t/5f751297fcfe7968a6a957a8/1601507995038/2020\\_09\\_30\\_FSC\\_Statement\\_of\\_Impact\\_w\\_Expansion.pdf](https://static1.squarespace.com/static/5f07a92f21d34b403c788e05/t/5f751297fcfe7968a6a957a8/1601507995038/2020_09_30_FSC_Statement_of_Impact_w_Expansion.pdf)

The Labor Market Impacts of Universal and Permanent Cash Transfers: Evidence from the Alaska Permanent Fund  
[https://www.nber.org/system/files/working\\_papers/w24312/w24312.pdf](https://www.nber.org/system/files/working_papers/w24312/w24312.pdf)

Gary Tan, Maya Adereth, and Sidhya Balakrishnan,” Cash and Income Studies: A Literature Review of Theory and Evidence” (JFI):

<https://phenomenalworld.org/reviews/cash-and-income-studies-a-literature-review>

WIC Policy Memorandum #2015-3, Eligibility of White Potatoes for Purchase with the Cash-Value Vouchers.

<https://www.fns.usda.gov/wic/eligibility-white-potatoes-purchase-cash-value-voucher>

## About JFI

Founded in 2015, JFI is a nonpartisan applied research organization that works on designing more equitable social and economic policy in theory and practice. JFI has three main initiatives: 1) guaranteed income; 2) higher education finance; and 3) digital ethics and governance.

For guaranteed income, our research focuses on microeconomic and macroeconomic effects; meta-analyses of cash transfer studies around the world; and, most extensively, on policy design and implementation. We partner with governments in the US and abroad to build and implement pilots and policies that will answer some of the most important remaining questions about direct cash transfers. We also work with research institutions and universities from around the world to develop best practices to improve collaboration and data-sharing.

We believe that guaranteed income is a promising income support option and aim to generate reliable evidence to support analysis of this and the broader suite of related policies. We’ve worked with partners such as SEED, ESP, the Russell Sage Foundation, and major U.S. cities including Compton, California and Newark, New Jersey.