

The CARES Act, Universal Basic Income and the Future of Social Security

The year of 2020 confronted the United States and the World with the enormous challenge of facing the Covid-19 Pandemic. The only possible action to prevent a massive overwhelm of the healthcare system was the lockdown of the economy, resulting in sudden and massive unemployment. This massive unemployment could have resulted in a massive economic collapse in the United States, but it did not happen. The reason was the enormous scale support of individuals and businesses by the Federal Government authorized by the CARES Act.

The support of businesses was very relevant because it kept many individuals employed and receiving their regular income. The focus of this piece, however, is on direct payments to individuals. Because of the CARES Act, unemployed individuals received substantial benefits that were often higher than their regular pay. Furthermore, most Americans received a \$1,200 check in April, which was boosted by an additional \$500 per dependent. This payment happened regardless of employment status. It was virtually universal! Only time will tell, but this may have been a watershed moment in economic history.

This stimulus check has been a practical application of the concept of Universal Basic Income (UBI). This idea strangely appeals to both progressives and libertarians. It also challenges the fundamental notion the people must “earn” a living. Under a UBI system, individuals above a certain age receive a basic level of income from the government independently of what they do or don’t do, just like the \$1,200 payment the CARES Act. The difference is that this is a recurring payment that every American would be entitled to receive. Paying people to do nothing may be the only feasible alternative to deal with a hyper-productive world dominated by automation where jobs are harder and harder to find. The leaders of Silicon Valley are very excited about this idea because they can see the coming massive unemployment to be unleashed by more robust artificial intelligence technologies.

The UBI concept is alarming to many Americans who believe in the fundamental principle that work is one of the core aspects of someone’s identity and self-esteem. A system that cuts a large portion of the population from being productive agents to be mere consumers feels patronizing and unfair. This view tends to be the view of most traditional conservatives and liberals. Therefore, it is expected that the roll-out of UBI in the US would prompt fierce resistance from the political establishment. But it did happen to help deal with the economic emergency of the Covid-19 pandemic!

The CARES Act opened a precedent that is only likely to gain momentum in the future years and decades. The new generations of voters and the most cutting edge technological elites seem to be on board with UBI and one of the Democratic presidential pre-candidates, [Andrew Yang](#) had UBI as his central platform. This UBI platform was an idea that did not go very far in the primaries, but it planted a seed.

Fundamentally this new system disconnects work from consumption. The high end of super-skilled workers would earn a lot more than what they can consume, but most people would not make enough. The UBI could potentially cover the gap. With a meaningful level of UBI, most

people would be okay. Of course, this would do little to affect the issue of inequality fundamentally. UBI would also create new and difficult challenges to deal with immigration.

We currently have the informational infrastructure to run this system via the IRS, as proved by the one-time payment in April. We also have a parallel and redundant system to implement this - the Social Security system. It is administratively more straightforward and cheaper to run than traditional means-tested welfare programs. Many business leaders and libertarian-leaning economists have a favorable view of UBI precisely because of its low friction.

Finally, speaking of Social Security in the context of a possible UBI implementation, it is hard to conceive of a situation where Social Security is reduced and benefits are cut. It is a lot more likely that Social Security would be enhanced and expanded. The higher benefits would be funded via additional taxation of the most fortunate and auspicious members of our society. The taxpayers will be the lucky ones who will be able to retain the privilege of meaningful, highly compensated work. This new reality may be closer than most think!