To UBI or not UBI: That is the Question

Nir Jaimovich
University of Zurich, CEPR

Itay Saporta-Eksten
Tel Aviv University, CEPR,IZA

Ofer Setty
Tel Aviv University

Yaniv Yedid-Levi
Interdisciplinary Center, Herzliya

October 2020
Motivation: why are we here?

- Discussions surrounding universal basic income (UBI) have become prevalent in recent years within policy circles and across various popular media outlets.

- The interest in this policy stems from structural changes in the labor market, where specific types of workers seem to have permanently lost their employment opportunities in the face of advances in automation and globalization.

- Despite the recent emergence of the UBI as a possible policy tool, there is an alarming gap in formal quantitative evaluation of the effects its introduction will have on the economy.

- Using state-of-the-art macroeconomic-model: quantify the impact that UBI programs, all of which must be funded with distortionary taxation, will have on the macroeconomy, as well as their distributional consequences.
UBI: Taxed with Labor

**UBI: % of Benchmark GDP**

**GDP**

**Labor Force Share**

**Aggregate Capital**

**Gini for Consumption**

**Consumption Eq. Welfare**

○ Policy Change  ● Benchmark
UBI: Taxed with Capital
UBI: Progressive Labor Taxation

![Graphs showing the effects of UBI on various economic indicators including GDP per Capita, Labor Force Share, Aggregate Capital, Gini for Consumption, and Consumption Eq. Welfare. The graphs display data for different UBI levels: UBI=0.3, UBI=0.5, UBI=0.7, and a benchmark.](image-url)
Is There a Better Way to Redistribute?

- UBI experiments suggest there are big incentives to redistribute.

- But, they induce major losses in employment, output, etc.

- Results point to the importance of searching for more efficient ways to achieve similar redistribution.