NATIONAL
ACADEMY
OF•SOCIAL
INSURANCE

Assured Income

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Introduction

As the nation's only organization dedicated to social insurance and related programs, the National Academy of Social Insurance recognizes that the United States is experiencing major economic, social, and demographic shifts. These changes have confronted families and individuals with risks that were largely unforeseen when our nation's core social insurance programs were created. Some of these include large debt burdens for a sizable portion of the U.S. population, and the transformation of the traditional worker-employer relationship. At the same time, the extent of economic inequality has reached record levels.

Consistent with its mission - to advance solutions to challenges facing the nation by increasing public understanding of how social insurance contributes to economic security – the Academy is exploring the potential for some form of assured income to contribute to the economic security of individuals, families, communities, and the nation as a whole.

This paper examines the concept of assured income from an economic security framework, without promoting it as an alternative to other approaches, or as a mechanism to subsume or replace other social assistance programs. It also lays the groundwork for a potential Academy Study Panel on Economic Security, which will analyze in more depth the capacity for assured income and related policies to address growing inequality in the United States.

The Academy's analysis examines assured income as a new form of economic security in contrast to contributory social insurance programs and means-tested social assistance programs. The latter two forms were included in the Social Security Act of 1935 and amendments. Conceptually, assured income may be viewed as a stabilizing base, while insured income partially protects wage earners against loss of wages and social assistance prevents some from falling below a defined standard of living.

The policy-related goals of this paper are to explore ways in which some level of assured income offers an achievable solution to basic economic insecurity not now addressed by either the nation's current social insurance or social assistance programs. It identifies issues of benefit types and levels, groups of potential recipients, costs of various approaches, funding, and administration.

The Social Insurance Infrastructure in the United States

The initial response to the economic challenge of the Great Depression included the creation of Social Security and the Unemployment Insurance system. A second generation of programs came into being in 1965 with the creation of the Medicare and Medicaid programs, which added opportunity for health care for elderly and low-income populations to the income supports provided through Social Security, Unemployment Insurance, and Workers' Compensation. Any examination of providing an assured income needs to take into consideration the role of the existing social insurance programs and how an assured income program might augment these programs, because of income needs and economic risks that these specific programs do not adequately address.

Many of the social insurance programs which address the risks attendant with the need for family leave, retirement, unemployment, injury, and illness rely on traditional employment relationships to determine eligibility and, in some cases, benefits. An assured income program might be a useful component of efforts to restructure existing social insurance programs to address changes in the nature of work and mitigate the way in which these changes contribute to income inequality.

The Concept of Assured Income

In 1934, President Franklin D. Roosevelt appointed a cabinet-level Committee on Economic Security to develop a comprehensive program of universal economic security. Under the leadership of Labor Secretary Frances Perkins, the Committee defined universal economic security as "the assurance of an adequate income" to every person at every stage of life. It determined that such assurance might be achieved through a constellation of programs tailored to different risks and age groups.

Fast-forward to 2019. The need for economic security continues, but the roots of insecurity are different. During the twentieth century, economic insecurity arose mostly from unemployment, illness, and old age. Today, old age insecurity has been greatly reduced, unemployment is low, and health insurance is available to about ninety percent of Americans. Yet financial insecurity remains widespread. Its primary causes are the now seemingly chronic phenomena of insufficient labor income and its instability.

The purpose of insured income is to insure against loss of income due to definable risks - unemployment, disability, illness, death, and old age. By contrast, the purpose of assured income is to supplement low and fluctuating labor income throughout life. The knowledge that assured income will always be there, in good times and bad, might help individuals and families plan and stabilize their lives better than is now possible.

How Might a Level of Assured Income Be Incorporated Into the Social Security System?

A level of assured income might be incorporated into existing programs through a variety of mechanisms. The Social Security Act and its amendments established Supplemental Security Income (SSI) as a social assistance program and Social Security as a social insurance program. Current eligibility for the former is strictly limited and means tested, while the latter requires that benefits be related to wages and contributions.

While many have concluded that SSI failed to meet its initial objectives, its history and results offer relevant insights into the significant challenges involved in delivering some level of assured income to intended recipients.

Although the basic benefit structure of Social Security's Primary Insurance Amount (PIA) is based on wages earned over a lifetime of work, the program does provide a minimum benefit, known as the Special Minimum PIA (enacted in the Social Security Amendments of 1972), for workers with very low career earnings. Another minimum benefit, the Social Security Minimum Benefit, was enacted in 1939, but stopped accepting new beneficiaries in 1982, and served a similar function as the Special Minimum PIA.

The purpose and structure of both minimum benefits might provide the basis for Social Security itself to include some form of assured income for more individuals. Policymakers will need to determine key benefit features, such as eligibility requirements and the benefit amount.

How Assured Income Might be Financed, Structured and Administered

The use of trust funds is a key feature of social insurance. Currently there are such funds for Old-Age and Survivors Insurance, Disability Insurance, Medicare Hospital Insurance, and Supplemental Medical Insurance.

An assured income program might establish a similar trust fund, with two possible differences: the new fund might be authorized to invest in securities other than Treasury bonds, and potential additional revenue sources may be considered. If the trust fund does not authorize investments in securities other than Treasury bonds, it will rely on direct distribution of revenue as social insurance funds generally do. If, however, investment is authorized, the trust fund might distribute revenue from investments, as pension funds and sovereign wealth funds do.

The Social Security Administration might integrate the management of assured income with administration of current programs, using its existing data base, computer systems, and local offices.

Two possible sources of funds for financing an assured income can readily be identified: a single, large, and heretofore untapped revenue source; or a combination of smaller sources. More in-depth examination of the concept might identify other sources.

Historically, insured income has been funded by a single source: contributions divided equally between employees and employers. Another large and heretofore untapped revenue source that might be used for assured income, however, is a national sales or value-added tax (VAT).

Combinations of other potential revenue sources that might have a more progressive impact may also be considered. These fall into two buckets: taxing unearned income and using the revenue generated by common wealth.

Next Steps

This concept paper lays the groundwork for a further in-depth assessment of the value of an assured income vehicle. A more comprehensive study would evaluate an assured income program in relation to other types of income support, such as child care credits, the Earned Income Tax Credit, Temporary Assistance to Needy Families, and Unemployment Insurance. One potential platform for such an in-depth assessment might be an Academy Study Panel on Economic Security. The Academy, through an interdisciplinary Study Panel, may seek to compare the three modalities of social insurance, social assistance, and assured income as interrelated instruments to address economic inequality.

Introduction

> "Economic security is one of the unfulfilled needs of humans. Social Security programs have been designed to aid people in their quest for economic security."
>
> --Robert J. Myers, Founding Board Member,
> National Academy of Social Insurance
> *Social Security*

> "What one needs to do under any guaranteed annual income plan is to determine the level of income that one intends to guarantee (varied, of course, by age and family composition) and then one needs to take into account what other income people have and pay them the difference so that all who receive help from the program are brought up to the guaranteed level."
>
> --Robert M. Ball, Founding Board Chair,
> National Academy of Social Insurance
> *Social Security Today and Tomorrow*

As the nation's only organization dedicated to social insurance and related programs, the National Academy of Social Insurance recognizes that the United States is experiencing major economic, social, and demographic shifts. These changes have confronted families and individuals with risks that were largely unforeseen when our nation's core social insurance programs were created.

Consistent with its mission - *to advance solutions to challenges facing the nation by increasing public understanding of how social insurance contributes to economic security* – the Academy is exploring the potential for some form of assured income to contribute to the economic security of individuals, families, communities, and the nation as a whole. The Academy has chosen the term "assured income," which was used by the 1935 Committee on Economic Security, as follows:

> The one almost all-embracing measure of security is an assured income. A program of economic security, as we vision it, must have as its primary aim the assurance of an adequate income to each human being in childhood, youth, middle age, or old age--in sickness or in health. It must provide safeguards against all of the hazards leading to destitution and dependency. A piecemeal approach is dictated by practical considerations,

> but the broad objectives should never be forgotten. Whatever measures are deemed immediately expedient should be so designed that they can be embodied in the complete program which we must have ere long.[a]

Many other terms have also been used to describe similar concepts, including "universal basic income" ("UBI"), "social dividends," "basic living stipends," "demogrants," and "guaranteed cash for life."

As defined by one of the leading proponents of this concept, "the state would provide regular cash grants, ideally sufficient to meet basic needs, as a right of citizenship or lawful residency. Understood as a fundamental right, basic income would be *unconditional,* not means-tested and not contingent on previous or current employment. It would help sever the link between work and welfare, provide income security for all who are eligible, and perhaps mitigate growing inequality. It could also enable people to provide unpaid care work or community service, start new businesses, or get an education". He adds that basic income serves "a discrete and limited purpose: making sure nobody falls through the cracks."[1]

Supporters of this concept have identified a host of problems it is intended to address or goals it seeks to achieve. These include:

- Giving substance to civil and political liberties
- Protecting against extreme vulnerability
- Cushioning against economic calamity
- Freeing people to explore risky innovations
- Mitigating income and job loss due to technology
- Buffering deepening economic inequality
- Eliminating the significant costs of administering conditional and in-kind programs
- Addressing the perceived vulnerability of conditional (means-tested) programs
- Protecting against economic and other forms of insubordination. (Cohen, p. 7)

On a macroeconomic level, some also view this concept as "an answer – perhaps the answer – to economic stagnation, a trickle up form of Keynesianism that would stimulate the economy through increased household spending."[2] Others argue that guaranteed income programs may yield increased economic stagnation due to decreases in labor supply, and possible reductions in capital services that would follow from increased government debt. (See Appendix Two for a more in-depth discussion).

[a] United States. Committee on Economic Security, p. 3. (1935). Report to the President of the Committee on Economic Security. Washington: U. S. Govt.

Recent Related Academy Activities

The hallmarks of the Academy's work are non-biased, non-partisan, evidence-based analyses of social insurance from a wide variety of perspectives. For example, in its January 2017 *Report to the New Leadership and the American People on Social Insurance and Inequality* (https://www.nasi.org/research/2017/report-new-leadership-american-people-social-insurance) – which engaged the expertise of over eighty Academy Members in government, law, advocacy, and academia - the Academy examined the current state and future direction of social insurance and related programs in the United States. The *Report* examined the crucial issues at stake in policies designed to assure greater economic security.

Included in the *Report* was a discussion of potential new directions for social insurance, taking into account changes in society in recent decades. The founders of the United States' approach to social insurance understood that basic economic security – or "Social Security," in their language - included not just insurance against the economic risks of old age, disability, death, and unemployment, but also universal, guaranteed health care and some level of income. The *Report* identified and explored new frontiers through which social insurance might better protect Americans from a host of insufficiently covered risks, as well as new risks, including greater income volatility and those risks associated with changing work arrangements and caregiving.

This Concept Paper's examination of assured income is a continuation of the Academy's recognition of the growing need for new forms of risk protection through a solid infrastructure of social insurance and complementary programs.

Its focus on this topic is also a natural outgrowth of the Academy's most recent policy conferences. The Academy's 2018 conference, *Nonstandard Work and Social Insurance* (https://www.nasi.org/discuss/2018/03/experts-discuss-risk-protections-changing-workforce-academy), reviewed risk protections for a changing employment landscape and workforce. The conference examined how alternative work arrangements are creating increased economic insecurity. One of the conference panels featured a presentation by Academy Member Peter Barnes, a co-author of this Concept Paper, on how universal social dividends funded from shared community resources might provide a reliable base of income for all Americans, including nonstandard workers.

The Academy's 2016 conference, *Disparate Income, Wealth, and Opportunity: Implications for Social Insurance* (https://www.nasi.org/discuss/2016/02/income-health-wealth-inequality-emerge-strategic-focus-acade), explored the many dimensions of inequality from a social insurance perspective. Participants and panelists shared views from a variety of political and policy perspectives on income, wealth, gender, and racial/ethnic disparities - and how social insurance and other public policies might play a greater role in mitigating such disparities in fiscally sustainable ways.

The Academy's Policy Framework

In undertaking this examination, the Academy is mindful of the controversy that the idea of "universal basic income" has generated in social policy and political circles. The Academy is aware of the concerns of many that guaranteeing some level of income unconditionally to all Americans based solely on their citizenship or residency is inconsistent with a culture that typically expects economic rewards to be tied to an individual's efforts. Notions of citizenship, dignity, deservedness, equity, fairness, interdependence, leisure, morality, self-reliance, and social justice are all relevant to a discussion of the idea. The Academy is also sensitive to serious apprehension that such a concept is offered by some as the exclusive alternative to other forms of risk protection, including many of the current programs of social assistance.

This paper examines the concept of assured income from an economic security framework, without promoting it as an alternative to other approaches, or as a mechanism to subsume or replace other social assistance programs. Among these approaches are greater reliance on tax policy, better-paying jobs, wage growth, expansions of existing programs, adequate wage subsidies, and family and caregiving leave policies to achieve the same objective.

The Academy's analysis examines assured income as a new form of economic security in contrast to *social insurance* and *social assistance*. The latter two forms were included in the Social Security Act of 1935 and amendments. While assured income may be viewed as a stabilizing base, insured income partially protects wage earners against loss of wages and social assistance prevents some from falling below a defined standard of living. One perspective comparing the latter two was offered by Academy Founding Board Member Eric Kingson and co-authors: "In contrast to welfare programs that give immediate relief to extreme financial problems, social insurance programs seek to prevent financial distress over time."[3] As Robert Ball noted when comparing the latter two: "(P)ublic assistance is not a rival to the insurance method, but a supplement to it."[4] He observed: "Social insurance can be much more than a cure for destitution after the fact. It can prevent poverty and promote economic security. He added: "Income-tested programs should be kept to a minimum by the device of adequate social insurance."[5]

Another Academy Founding Board Member, Robert Myers, defined assured income or "universal benefit systems" as follows: "(they) generally cover the entire population of a country, rather than merely the employed population, and they condition the payments (and their amounts) on demographic elements (for this reason, such programs have sometimes been termed *demogrant systems*), such as age, residence, and family status." He added: "In certain circumstances, demogrant programs may be partially financed by direct earmarked contributions, such as a percentage of each resident's gross or net taxable income, but they are distinguished from social insurance systems because there is no relationship between benefit receipt and contribution payment." [6]

Underlying any analysis of concepts like assured income are fundamental issues of adequacy and equity. One of the first attempts to define economic security in terms of adequacy was a study by the Bureau of Labor in 1907. That study explored notions such as "minimum" and "fair" standards needed for the "development and satisfaction of human attributes."[7] In contrast, Social Security's roots in the Depression led to the initiation of a social insurance infrastructure, which included a "movement away from bare subsistence and to the concept of adequacy."[8] In Robert Ball's words: "The system serves the dual function of preventing poverty for millions of people and at the same time contributes to the economic security of the average and above-average earner by paying them benefits above the poverty level."[9]

A delicate balance between the two has been critical to Social Security's political success. For some, social adequacy in social insurance takes precedence over individual equity, i.e., that "the contributor receives benefit protection directly related (or) actuarially equivalent to the amount of his or her contributions."[10] "Consistent with the social goals of providing for the general welfare, maintaining dignity, and enhancing the stability of families and society, 'social adequacy' – that benefits should meet the basic needs of the protected population – is the driving principle of social insurance."[11] "The OASDI system emphasizes social adequacy in the benefit structure more than individual equity."[12]

One crucial concern is the idea that assured income might be provided to all unconditionally, including those lacking a connection to some form of work or other obligation. As Robert M. Ball, Founding Chair of the National Academy of Social Insurance, wrote in 1947: "(I)t is this work connection, the fact that it is earned, which gives social insurance its basic character." In *The Forgotten Americans,* Isabel Sawhill wrote in 2018: "(T)here is nothing wrong, in my view, with making assistance conditional on individuals fulfilling some obligation – whether it is work, training, getting treatment, or living in a supportive but supervised environment." She concludes: "The idea is to provide a compassionate hand-up, not a handout."

There is disagreement among proponents of assured income over whether it must be tied to some form of individual obligation, and, if so, what such a required obligation might entail. For example, some point to the Alaska Permanent Fund as a model of providing unconditional income to all of its residents based on the notion of each individual's rightful share of the state's "common wealth." Beginning in 1973, all Alaskans aged 65 or over, who had been residents before statehood in 1959, were paid $100 per month regardless of need, income, or assets.[13] The program was extended in 1982 and has since paid out dividends dependent on Fund Statutory Net Income, operating expenses, and the number of eligible applicants.[14] Between 2008 and 2017 annual payments fluctuated from a low of $878 in 2012 to a high of $2,072 in 2015, averaging about $1,370 per year. [15]All payments are financed by the state's oil royalty and tax revenues.

The Academy's Overarching Theme of Inequality

Several years ago, the Academy's Board of Directors identified growing disparities in income and wealth as critical challenges facing the nation, and designated inequality the overarching theme of the Academy's policy work. The Academy puts particular emphasis on mitigating inequality in all of its reports and briefs. The Academy has also issued briefs that focus exclusively on inequality. For example, in December 2016, the Academy issued Social Security Briefs No. 48 and No. 49, *Social Security and the Racial Wealth Gap,* and *Overcoming Barriers to Retirement Security for Women: The Role of Social Security,* respectively.[16, 17]

In *Fair Shot: Rethinking Inequality and How We Earn,* Chris Hughes, Co-Chair of The Economic Security Project, whose funding has made this Concept Paper possible, wrote:

"Inequality has now reached levels not seen since 1929, the year the Great Depression began, and stands to get even worse. The same forces that have given rise to massive companies and concentrated wealth have made it more difficult for working people to benefit from the economic opportunities they expect and deserve…Something is profoundly wrong in our economy and in our country, and we have to fix it."[18]

Depending on how it is structured, guaranteeing some level of income to all Americans is likely to provide greater protection and stability to people who have fallen farthest behind in relative economic terms. Some have described the provision of a level of income at all (including early) stages of life as less costly "predistribution," instead of more costly "redistribution" later on, as well as "treating the root causes of inequality, rather than attending only to the symptoms."[19]

To the extent that assured income relies on principles of benefit progressivity, it will have a disproportionately positive impact on those individuals with lower incomes and fewer assets. To the extent that funding is progressive, it also will reduce income and wealth inequality. It might also help remedy income volatility.

Policy-Related Goals

The policy-related goals of this paper are to explore ways in which providing some level of assured income to all individuals regardless of their age is an achievable solution to basic economic insecurity not now addressed by either the nation's current social insurance or social assistance programs. This paper identifies issues of benefit types and levels, groups of potential recipients, costs of various approaches, funding, and administration. In offering this analysis, the Academy is also mindful of the words of its founder, Robert M. Ball, to "not expect everything to be accomplished by a single, all-encompassing new 'solution.' I believe we can greatly improve the present situation, but only by a variety of approaches."[20]

The paper also seeks to lay the groundwork for a further in-depth assessment of the value of an assured income vehicle in relation to other types of income support, such as child care credits, the Earned Income Tax Credit, Temporary Assistance to Needy Families, and Unemployment Insurance. One potential platform for such an in-depth assessment might be an Academy Study Panel on Economic Security, which is described in the concluding section of this paper.

The idea of assured income is in the policy and political air. Guaranteed income in its purest form means individuals receive cash without any conditions. This idea, in its purest form, contrasts with means-tested social assistance benefits payable only to those who meet the eligibility test. It also contrasts with social insurance, which conditions benefit payments on work history and contributions. The Academy, through an interdisciplinary Study Panel, may seek to compare these three modalities as interrelated instruments to address growing economic inequality.

The Concept of Assured Income

> "The one almost all-embracing measure of security is an assured income."
>
> — *Committee on Economic Security (1935)*

Purpose and goals

In 1934, President Franklin D. Roosevelt appointed a cabinet-level Committee to develop a comprehensive program of universal economic security. Under the leadership of Labor Secretary Frances Perkins, the Committee defined universal economic security as "the assurance of an adequate income" to every person at every stage of life. It determined that such assurance might be achieved through a constellation of programs tailored to different risks and age groups. The Committee's report began with this analysis:

> There is insecurity in every stage of life….When earnings cease, dependency is not far off for a large percentage of our people. In 1929, at the peak of the stock market boom, the average per capita income of all salaried employees was only $1,475. Many people lived in straitened circumstances; a considerable number lived in chronic want.

The Committee concluded:

> A program of economic security, as we vision it, must have as its primary aim the assurance of an adequate income to each human being in childhood, youth, middle age, or old age — in sickness or in health. A piecemeal approach is dictated by practical considerations, but the broad objectives should never be forgotten. Whatever measures are deemed immediately expedient should be so designed that they can be embodied in the complete program which we must have ere long.

Two "immediately expedient" measures proposed by the Committee and quickly adopted by Congress were pensions for persons over 65 and unemployment compensation. Both of these policies involved definable risks that might be estimated mathematically and insured against with compulsory contributions. Both were funded with contributions withheld automatically from paychecks and matched by employers. The contributions flowed into trust funds that then paid benefits.

Fast-forward to 2019. The need for economic security continues, but the roots of insecurity are different. During the twentieth century, economic insecurity arose mostly from unemployment, illness, and old age. Today, old age insecurity has been greatly reduced, unemployment is low, and health insurance is available to about ninety percent of Americans.[21] Yet financial insecurity remains widespread. Its primary causes are the now seemingly chronic phenomena of *insufficient labor income* and its *instability.*

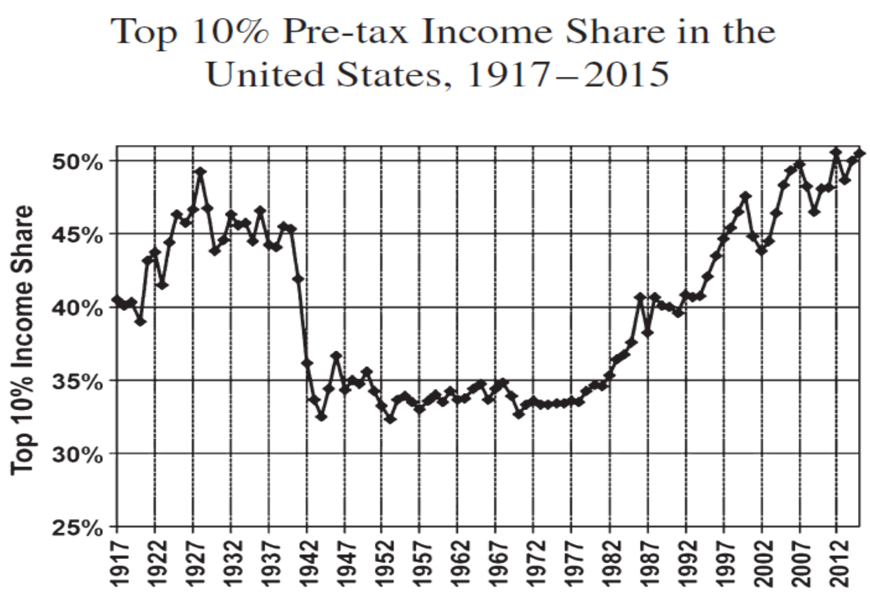
As former Labor Secretary Robert Reich has noted, America's middle class has become the "anxious class."

> Two-thirds of Americans are living paycheck to paycheck. Most could lose their jobs at any time. Many are part of a burgeoning "on-demand" workforce – employed as needed, paid whatever they can get whenever they can get it. Yet if they don't keep up with rent or mortgage payments, or can't pay for groceries or utilities, they'll lose their footing.[22]

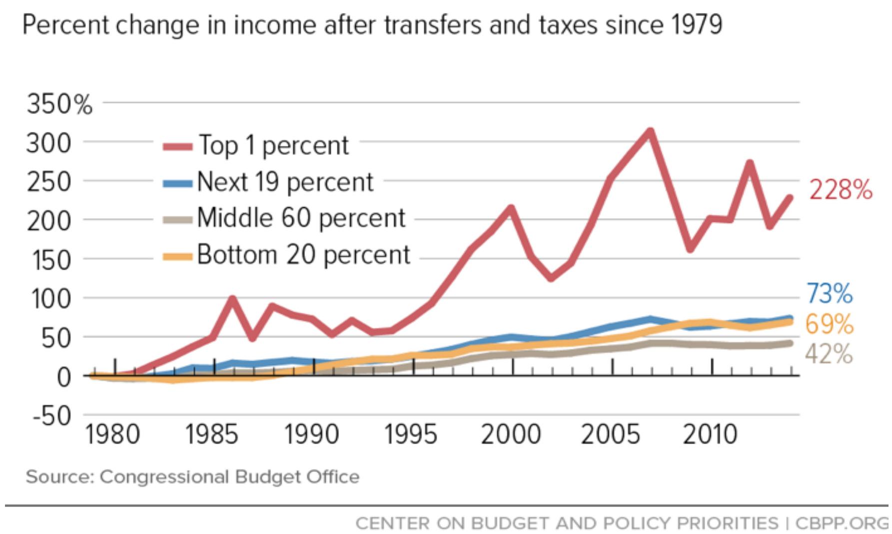
Many statistics reflect this reality. Nearly half of America's workers earn less than $15 an hour.[23] In a recent Federal Reserve survey, forty percent of respondents said the largest emergency expense they could handle using cash or savings was $400 — barely enough to fix a car or see a dentist. The same survey found that over one-in-five adults are not able fully to pay their current month's bills, and over one-in-four adults skipped necessary medical care due to their inability to afford the out-of-pocket cost. Furthermore, nearly forty percent of adults had less than $40,000 in annual family income, and one-fourth of adults have no retirement savings or pension.[24]

The following charts summarize what has happened in the U.S. since 1980: a massive upward transfer of income and a corresponding downward shift in labor's share of income.

AS INCOME CONCENTRATES AT THE TOP….



"*Note:* Series based on pre-tax cash market income including realized capital gains and excluding government transfers."
Saez, E. (2016). Income And Wealth Inequality: Evidence And Policy Implications. *Contemporary Economic Policy, 35*(1), 7-25. doi:10.1111/coep.12210



Income Gains at the Top Dwarf Those of Low- and Middle-Income Households. (2017, October 11). Retrieved January 10, 2019, from https://www.cbpp.org/income-gains-at-the-top-dwarf-those-of-low-and-middle-income-households

…LABOR'S SHARE DECLINES

Labor income insufficiency not only affects pocketbooks; it also affects health. Since 2006, the American Psychological Association has surveyed sources of stress among Americans and found that money and work are among the leading causes.[25, 26] Another survey of 1,000 Americans by Bankrate.com found money and work to be the second and third highest causes of lost sleep among Americans, only behind relationships. [27] Similarly, numerous medical studies have shown that chronic stress contributes to an almost endless medley of maladies, from headaches and insomnia to anger, depression, obesity, addiction, diabetes, stroke and heart attack.[28] In simple terms, more stress yields poorer health and less happiness.

Insufficient labor income has multiple causes. Among the causes are: globalization, which pits American workers against lower-paid foreign workers; automation, which replaces human labor with machines; concentration of market power, which holds down wages and raises prices; financialization, which extracts rent and shifts capital from productive to speculative activity; and the decline of labor unions, which has weakened workers' bargaining power. Barring major trend reversals, none of these factors is likely to change in the foreseeable future. If anything, the advent of robots and artificial intelligence, along with the shift from long- to short-term employment, is likely to depress labor income further. Additionally, recent legal rulings have reduced the ability of employees to hold employers accountable for inappropriate or unlawful labor practices.

The current and prospective labor market reflects these trends. America's largest occupations, according to the U.S. Labor Department, are retail salespersons, food preparers, cashiers, office clerks, and customer service reps. Among the top ten occupations, only three — registered nurses, secretaries and administrative assistants, and general and operations managers — have a median wage above $16.50 an hour. The same three occupations are the only jobs inside the top ten with median annual wages exceeding $33,000.[29]

Largest U.S. Occupations, May 2017

Occupational Title	Total Workers	Hourly Median Wage	Annual Median Wage
Retail Salespersons	4,442,090	$11.16	$23,210
Combined Food Preparation and Serving Workers, Including Fast Food	3,576,220	$9.70	$20,180
Cashiers	3,564,920	$10.11	$21,030
Office Clerks, General	2,967,620	$15.14	$31,500
Registered Nurses	2,906,840	$33.65	$70,000
Customer Service Representatives	2,767,790	$15.81	$32,890
Laborers and Freight, Stock, and Material Movers, Hand	2,711,320	$13.00	$27,040
Waiters and Waitresses	2,584,220	$10.01	$20,820
Secretaries and Administrative Assistants, Except Legal, Medical, and Executive	2,254,820	$17.11	$35,590
General and Operations Managers	2,212,200	$48.27	$100,410

Data from Bureau of Labor Statistics Occupational Employment Statistics. Sorted by "detailed" occupation group (as opposed to major, minor, or broad). Released March 2018, responses from May 2017. https://www.bls.gov/oes/tables.htm

The data suggest that jobs alone are not likely to sustain a large and secure middle class in the future.

The ultimate goal of the Committee on Economic Security was an assured and adequate income for every person at every stage of life. The questions this paper poses are:

- First, what are the gaps in wage and social insurance that prevent attainment of this goal?
- Second, might the existing social insurance infrastructure be used to supply some, if not all, of those pieces?

Before addressing these questions, it is helpful to distinguish between *insured* and *assured* income. They are similar but not identical. Both are forms of social security — that is, security provided by society, rather than by individuals fending for themselves. Both distribute income monthly to eligible recipients. And both can be thought of as universal birthrights. The differences lie in their purposes and sources of funding.

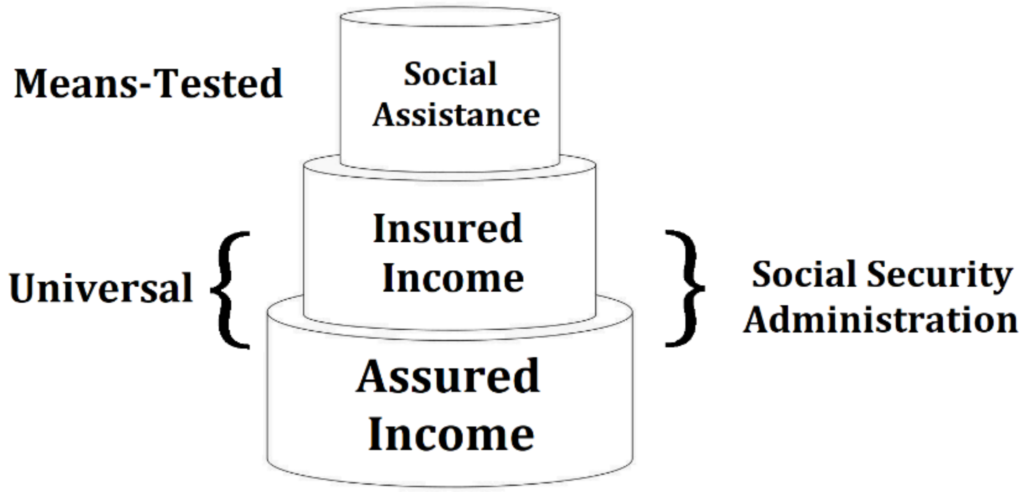
The purpose of insured income is to insure against loss of income due to definable risks, such as unemployment, disability, illness, death, and old age. By contrast, the purpose of assured income is to supplement low and fluctuating labor income throughout life. The knowledge that assured income will always be available, in good times and bad, helps individuals and families plan and stabilize their lives more effectively than is now possible. It reduces stress, boosts health, and improves parenting[30, 31, 32].

The other difference between assured and insured income lies in funding mechanisms. Insured income is funded through universal contributions, withheld from paychecks (though not typically from dividends, capital gains, or inheritances) and matched by employers. While this funding method works well for insurable risks, it does not work well for insecurity caused by insufficient labor income. Insufficient labor income requires income streams unrelated to labor, yet consistent with such principles as universality, constancy, and transparency.

If proven to be an effective policy tool, assured income has the potential to serve as one of three distinct pieces of a complete system of lifetime economic security:

- assured income as a steady base
- insured income for when insurable losses occur
- variable transfers based on need

This three-layered system might replace some existing means-tested programs, but funding of new programs is not predicated on savings from such replacement. The approach explored here involves three types of non-labor income, each with its own dedicated revenue streams, which might — when added to labor income — increase economic security for broad sectors of the U.S. population.



The Social Security Administration (SSA) manages insured income programs for retirement, survivors (widows, widowers and children), and disability, all funded as described previously. In other words, this program fills the "insured income" layer of the economic security cake. This agency also administers the Supplemental Security Income (SSI) program — a means-tested program designed to help extremely poor aged, blind and disabled people, and which this paper examines in more detail. Since they require means-testing, need-based transfers do not fit readily into the social insurance infrastructure. They fit more easily into the federal income tax infrastructure, which includes income reporting. Programs such as the refundable Earned Income Tax Credit (EITC), for example, might be adapted to deliver need-based transfers on a monthly basis. So might a negative income tax, as proposed by Milton Friedman in the 1960s.

On the other hand, the social insurance infrastructure may be well suited to deliver assured income. As previously noted, assured income has many of the same characteristics as insured income: universality; regularity; and transparency. In addition, the SSA already has in its data base the names — and in many cases the addresses and bank accounts — of everyone who might be eligible for assured income, as well as a history of distributing benefits. The trustees of the Social Security system also are responsible as fiduciaries for overseeing large trust funds with dedicated revenue streams.

Benefit levels

Consideration of an assured income program gives rise to the signal question of what the benefit level(s) might be. One version of assured income that has been widely discussed is *universal basic income,* or UBI. While there is no official definition of UBI, the consensus is that the benefit should be enough for a person to live on at a minimal level.

The primary purpose of assured income, however, is to provide a secure lifetime foundation upon which working people can build and rely. It is not meant to replace labor income, but rather to supplement and undergird it. When necessary, it may be augmented with insured income and need-based transfers.

With 325 million Americans, a program of assured income might quickly become extremely expensive. A modest universal base, topped off by need-based supplements, rather than a large universal benefit that is the same for everyone, might be more feasible. In a complete system, universality and means-testing might complement each other cost-effectively.

Most major successful economic innovations start small and then grow over time. The evolution of insured income followed this path. Social Security began with a 2 percent payroll tax and an initial benefit of about $30 a month.

Potential beneficiaries

A second question that arises with assured income is whether to pay the same benefit to all, or to vary the benefit by age.

Assured income recipients might be divided into three age brackets: children (0 to 17); adults (18 to the first receipt of Social Security benefits); and older individuals. For purposes of illustrating the concept, we have considered the following ranges of monthly assured benefits:

Children: $100 - $200

Working age adults: $200 - $400

Older individuals: $100 - $200

U.S. Population by Age (2017)

(Approx. total: 326 million)

Age range	**Percent**	**Number**
65+	15.6%	51 million
18-64	61.8%	201 million
0-17	22.6%	74 million

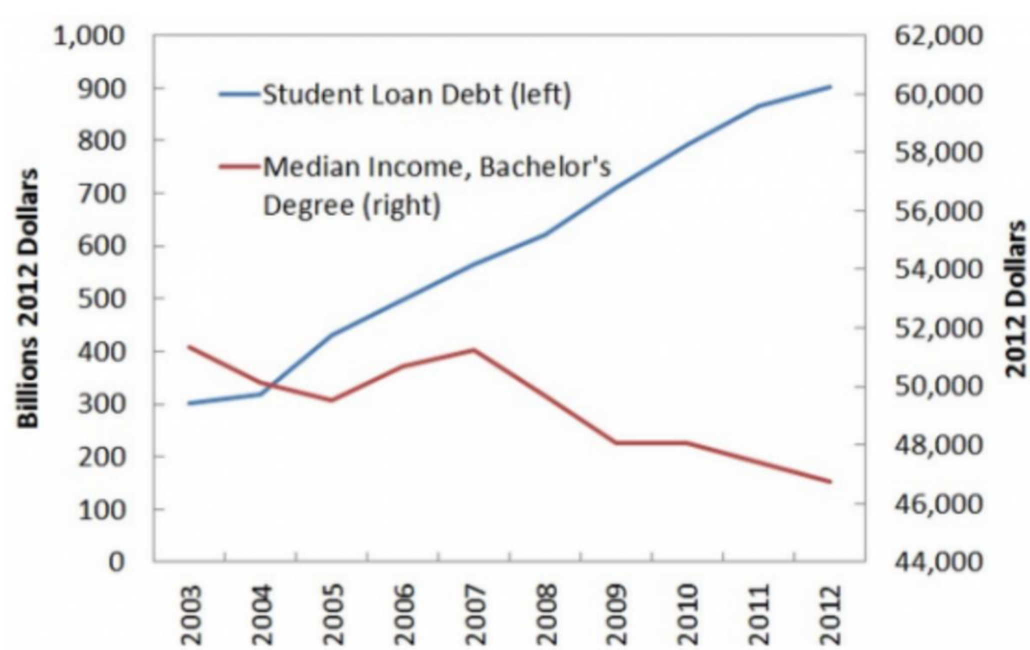
Data from U.S. Census Bureau *Current Population Survey*, analyzed by ChildStats.gov.
https://www.childstats.gov/americaschildren/tables/pop1.asp
https://www.childstats.gov/americaschildren/tables/pop2.asp

Two possible ways exist for approaching children's benefits: a 'baby bond' model, in which benefits are saved, invested and re-leased in a lump sum when the child turns 18 or 21; and a cash distribution model, in which benefits are paid monthly to the child's custodial parents and used to assist in child-raising. These approaches are not mutually exclusive. This paper focuses on the cash distribution model because it is consistent with assured income and the Social Security system.

With regard to older individuals, nearly 90 percent of Americans over 65 already receive insured income under Social Security. For this reason, older individuals might receive benefits at half the level of working-age adults. Significantly, assured income from non-labor sources might be a way to augment income to older individuals, the disabled, and dependents in the future, if payroll contributions to the OASDI trust fund become insufficient. Also, as discussed in Appendix I, beneficiaries of these insured programs today experience income insufficiency.

The situation of two age cohorts illustrate how assured income payments might mitigate income insufficiency. Millennials—the generation born between 1982 and 2002, of whom there are about 80 million—have come of age at a time when the costs of college education have soared, while the incomes of college graduates have not increased proportionately. In real dollars, tuition has more than doubled at private nonprofit four-year universities, and more than tripled at public four-year universities since 1988-1989[33], while real earnings for graduates with a Bachelor's degree has increased a mere 5.9% since 1960[34]. Older workers—adults between 55 and 65, of whom there are about 40 million—especially older male workers[35], have had the comparable misfortune of losing[36] high-paying manufacturing jobs[37]. Given that manufacturing skills do not seemingly translate to non-manufacturing industries, many of these individuals likely took pay cuts to continue working.

Total Student Loan Debt vs. Median Income, Bachelor's Degree



Murphy, S. (2014, January 18). Student Loan debt vs Median Income (B.A). Retrieved from https://granitegrok.com/blog/2014/01/data-point-student-loan-debt-vs-median-income-b-a

Examples of assured income in the U.S.

The Alaska Permanent Fund dividend and the Eastern Band of Cherokees casino dividend are the two examples of functioning assured income programs in the United States. The table below summarizes their main features.

	ALASKA	CHEROKEES
# of recipients	660,000	16,000
Benefit amount	$1,000 - $2,000	$4,000 - $6,000
Frequency	Annually	Twice a year
Duration	1982-present	1997-present

Alaska Permanent Fund: https://pfd.alaska.gov/Division-Info/Annual-Reports
Eastern Band of Cherokees: Various sources— https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3049729/pdf/nihms196542.pdf

In Alaska, the source of dividends is a sovereign wealth fund capitalized with revenue from oil extraction within the state. The fund invests in a portfolio of assets and uses income from those investments to pay equal dividends to all state residents, including children. In the case of the Eastern Band of Cherokees equal dividends from casino profits are paid to all adult tribal members.

In both cases, the benefits both to individuals and the larger communities have been significant. Among the Cherokees, children whose families received dividends had improved educational outcomes, with better attendance and more years of education completed. Specifically, "an additional $4,000 per year for the poorest households increases educational attainment by one year at age 21 and reduces having ever committed a minor crime by 22% at ages 16-17." Upon reaching adulthood, the children were also significantly less likely to experience alcohol or cannabis dependence.[38]

In Alaska, 79 percent of residents in a recent survey reported that the dividends are "an important source of income for people in my community", up from 48 percent in 1984. Furthermore, 85 percent of respondents stated that the dividends help Alaska's economy, and only 16 percent believe the dividends harm work incentives. This view about the impact on work is supported by a 2018 study by labor economists Damon Jones and Ioana Marinescu which found that Alaska's dividends have had no noticeable effect on labor participation.[39] As the conclusion of one paper should not justify policy action, the labor-market impacts of assured income type programs warrant further investigation.

How Might a Level of Assured Income Be Incorporated into Social Security?

Introduction

This section explores various ways in which a level of assured income might be incorporated into programs established by the Social Security Act and its amendments. It recognizes the initial incongruity of the concept of assured income with either Supplemental Security Income as a social assistance program or Social Security as a social insurance program. As noted below, current eligibility for the former is strictly limited and means tested, while the latter requires that benefits be related to wages and contributions. On the face of it, neither program would seem to be a suitable fit to incorporate some form of assured income.

An examination of the history and evolution of both programs, however, might offer some insights into the potential for assured income as a policy approach to provide a financial base or floor to beneficiaries. Embedding some or greater levels of assured income into both programs might be viewed as a way to increase benefits for those who do not meet current eligibility rules or fit into current beneficiary categories. Alternatively, these two programs might be viewed as vehicles to provide some form of assured income to all citizens or residents of the U.S. regardless of their characteristics.

An early vision of Social Security by Arthur Altmeyer, the first Social Security Commissioner, described as "the most important individual responsible for the creation, implementation, and development" of the program[40], was that, once Social Security became a "comprehensive contributory social insurance system covering all these economic hazards to which people are exposed," public assistance programs would "wither away."[41]

Section Outline

- ***Supplemental Security Income: History and Results***
  - *History*
    - *Program Launch*
    - *Early Problems and Challenges*
  - *Assessment of Results and Relevance to Assured Income*
    - *Means-Testing*
    - *Role of the Social Security Administration*
    - *SSI Then and Today*
- ***Social Security's Minimum Benefit: 1939-1981***
- ***Social Security's Special-Minimum Benefit: 1973-Present***
- ***Conclusion***

Supplemental Security Income: History and Results

Key Questions of Relevance to Assured Income:

- ***What were SSI's initial goals? How do they compare to an assured income's goals?***
- ***Was SSI effective in achieving its goals?***

History

Enacted into law in October 1972 (Public Law 92-603) during the administration of President Richard M. Nixon and put into operation on January 1, 1974, Supplemental Security Income (SSI) was an attempt to provide a minimum level of income to Social Security recipients and others below which they would not fall, and thus ensure that they would not live in poverty. One of its major elements was the provision of "the same basic benefit everywhere in the United States." [42, 43]

As an amendment to the Social Security Act of 1935, it was viewed by many as a continuation of the vision articulated by President Franklin D. Roosevelt in 1938:

> "The enactment of the Social Security Act marked a great advance in affording more equitable and effective protection to the people of this country against widespread and growing economic hazards. The successful operation of the Act is the best proof that it was soundly conceived. However, it would be unfortunate if we assumed that it was complete and final. Rather, we should be constantly seeking to perfect and strengthen it in the light of our accumulating experience and growing appreciation of social needs." [44]

The report of the Senate Finance Committee, which accompanied the legislation creating SSI, stated that its goal was "to provide a positive assurance that the Nation's aged, blind, and disabled would no longer have to subsist on below-poverty-level incomes." [45]

SSI combined the previous separate programs of Old Age Assistance, Aid to the Blind, and Aid to the Permanently and Totally Disabled into one program for the Aged, Blind, and Disabled. Its definition of disability and its rules for certification were the same as Social Security's Disability Insurance (DI) benefit. "The difference is that DI is a social insurance program that provides benefits only to workers who have paid into the program's trust fund and to the dependents of those workers. SSI, on the other hand, is a source of cash support for individuals who live in poverty." [46]

SSI was viewed at the time as "the conservative alternative" to another Nixon Administration social welfare initiative, the Family Assistance Plan (FAP), which had been promoted in 1969.[47] The Nixon Administration also proposed a negative income tax as another way to provide an income guarantee to every American family with children, and eventually abolish poverty. In the Presidential campaign of 1972, the Democratic candidate, George McGovern, proposed a guaranteed annual income for every American family in the form of a $1,000 annual demogrant. By 1975, some within the Nixon Administration also wanted to "eliminate Food Stamps, AFDC (Aid to Families with Dependent Children), and SSI and replace them with cash grants based on income." [48]

One of the architects of the Nixon Administration's welfare reform proposals wrote: "From the earliest discussions it had always been assumed that any welfare reform proposal would increase benefit levels and establish national minimum standards…This was not only a matter of equity but of politics. The recipients of aid in these categories represented an important constituency of the Social Security program. These were 'deserving poor,' and they were voters."[49] "The delineation of this crucial distinction – who is deserving and who is not – is a decidedly political enterprise, one that reveals a great deal about the ideas that animate American antipoverty efforts." [50]

Its early proponents viewed SSI as "one milestone on a continuum of contemporary public assistance legislation," including the Social Security Act of 1935, the addition of Survivor benefits in 1939, extending coverage to the self-employed and adding Disability Insurance in 1950, and the Medicare and Medicaid legislation of 1965. "In each instance, public assistance was supposed to 'wither away,' …as universal social insurance coverage was achieved." (DiPentima citing Steiner)[51, 52] SSI was "targeted to those of the adult population 'who were clearly unemployable,' thus demonstrating the 'lasting strength of America's work ethic." (DiPentima citing Trattner)[53, 54]

To some, SSI "ushered in a new way of thinking about welfare. By setting a nationally uniform income floor, SSI made available for the first time a minimum level of assistance to people in need regardless of their place of residence or family circumstance." [55]

Others observed: "As social insurance becomes more effective, the residual means-tested assistance supplement can be quite limited, but it seems inevitable that such a program will have a continuing function to perform for some people…The only practical way to be sure to meet the full need of all people is through a last-resort, income-tested program which guarantees a minimum level of living after taking into account other sources of income." [56]

Program Launch

Although it was essentially a public assistance program, SSI had many of the trappings of a social insurance benefit, including its very name (connoting a supplement to Social Security) and its administration by the Social Security Administration (SSA) via its field offices throughout the U.S. It was deliberately designed to lessen the stigma associated with welfare programs. "Those aged, blind, or disabled people who qualified received U.S. government checks every month and were free of much of the oversight and supervision that social workers exercised over other welfare recipients." [57] Its "association with social insurance gave SSI political leverage." "SSI looked like only one in a long line of incremental adjustments that Congress had made to Social Security." [58]

It also capitalized on Social Security's reputation and track record of "appear(ing) to operate more efficiently than other social welfare programs and to engender far less political controversy."[59] Relying on SSA, instead of state welfare offices, to administer SSI was crucial to making the new program appeal to potential beneficiaries. SSA had a successful track record of over 35 years administering Social Security's Old Age, Survivor, and Disability Insurance benefits and a stellar reputation for competence, efficiency, and treating applicants with dignity and respect. SSA also had "an untarnished reputation for scrupulously interpreting and applying the law consistent with legislative intent."[60] It also emphasized "mechanized operations and, in particular, the computer as a tool for collecting data, determining benefits, and sending out checks to the right people in the right amounts."[61] It had "the largest civilian computer operation anywhere." [62]Administering SSI was also viewed by some as "a step toward making SSA the country's national income maintenance agency." [63]

SSA's Commissioner at the inception of SSI was Robert M. Ball, who also spearheaded the establishment of the National Academy of Social Insurance in 1987. Beginning in 1962, Ball served as SSA's Commissioner under Presidents John F. Kennedy, Lyndon B. Johnson, and Nixon, until his forced resignation in 1973. Although he was initially reluctant to have SSA administer SSI, he believed that the "long-range result of a Federalized (welfare) program administered by SSA would give an impetus to still further improvements in contributory social insurance."[64] Ball's "departure at a critical time – he had wanted to stay on through the implementation of SSI – hurt the agency." [65] His last priority as Commissioner, however, was "letting people on the Social Security rolls with low benefits know about the new program." At that time, seven million Social Security beneficiaries were receiving benefits of less than $150 a month for individuals and less than $215 for couples (or $875 and $1,253 in 2018 dollars, respectively). [66]

To plan for SSI, SSA established in March 1971 the Intercomponent Committee on Administrative Planning for a Federal Assistance Payments Program (ICAP).[67] Within a period of fourteen months, SSA "converted the cash public assistance programs for the aged, blind, and disabled of the 50 states into a single, Federal program." "Implementation of the SSI program was a major policy and operational task, described as one of this country's largest civilian undertakings."[68] Commissioner Ball also established the Adult Assistance Planning Task Force, "the earliest predecessor of what would ultimately be the Bureau of Supplemental Security Income" in January 1973. [69]

Despite its intention of "making the federal government the primary provider of cash welfare benefits, SSI nonetheless varied widely among the states."[70] Variations in eligibility were largely due to different implementation approaches, as the amounts of state supplements themselves were comparatively small.

Early Problems and Challenges

Within the first few days of SSI's launch, serious problems emerged. SSA's computer system was "running only sporadically." Many individuals reported "facing significant problems in receiving their correct amounts, or, in fact, any checks at all." [71]

One of the fundamental problems of implementation was that "the type of information that had to be obtained from an SSI applicant, and processed and maintained, was significantly different than that for SSA social insurance programs…In fact, SSA's emphasis on the earned-right, wage-related basis of its social insurance program was the antithesis of the SSI program." [72]

In addition, the media portrayed SSI negatively from the very start. For example, the *New York Times* "painted a picture of elderly and disabled people subject to callous treatment at the hands of federal bureaucrats."[73] Its editorial page noted that the program had turned applicants into "human shuttlecocks." At the same time, however, it described SSI as "a brave experiment in guaranteeing a basic minimum income."[74] The *Washington Post* used a headline that read "The SSI Fiasco." [75]

SSA's employees also "reacted adversely to their SSI experiences…SSI not only proved to be an unpleasant program to work with, but it also caused the service given to the traditional Social Security clients to decline."[76] "(T)he brunt of the recipients' contacts and frustrations fell on their only link to the program – the local Social Security field offices."[77] "It all seemed to confirm the conventional SSA wisdom that programs for poor people made poor programs." [78] To make matters worse, SSA reported in 1975 that it had overpaid SSI recipients over $400 million in its first year and a half of operations. [79]

In 1977, the Administration of President Jimmy Carter proposed to simplify a range of programs by consolidating SSI, AFDC, and Food Stamps into a single program. "The idea that animated the administration was to separate the "employables", people expected to work, from the unemployables, people excused from the labor force. The former were to receive the guarantee of a job and the latter group was to get a guaranteed annual income." [80]

Assessment of Results and Relevance to Assured Income

Although many have concluded that SSI failed to meet its initial objectives, SSI's departures from key social insurance principles offer relevant insights into the significant challenges involved in delivering some level of assured income to intended recipients.

- SSI requires a strict means test to determine eligibility for benefits. The SSI means test is quite extensive and intrusive, including documenting "countable" income, assets, in-kind support and maintenance, and living arrangements. This rigorous assessment, among other factors, resulted in less program uptake than anticipated, particularly among the elderly. Even though this outcome may be preferred in terms of short-term cost of the program, the long-run societal costs may be higher than if benefit eligibility were less stringent (insofar as, for example, potential beneficiaries who do not enroll end up in costly emergencies that require state intervention, though this cost-benefit tradeoff warrants further investigation). If society is better off with less stringent eligibility requirements or even compulsory benefits for some easily defined group, then a guaranteed benefit structure is preferred to the SSI system.
- SSI's "old age" and other categories of recipients (including disabled children) provide benefit amounts that are unrelated to contributions or wages. While separating benefits from contributions might sound simpler than contribution-related benefits in theory, in practice, due to the large variation in benefits dependent on one's assets, income, living-situation, and other factors, there were significant problems in issuing correct benefit checks. It is worth noting that these issues largely took place in the context of very early computer systems and might, in part, be mitigated by modern technology.
- SSI benefit amounts are not the same throughout the country, due to optional state supplementations. In addition to the increased complexity in benefit formulas, this fact raises the larger question of how benefits might vary depending on one's cost of living, which varies substantially in different parts of the country and even within many states. Whether an equal benefit for all (in a particular age group, possibly) or a benefit linked to local cost-of-living would be more effective in terms of cost-benefit is of note.
- SSI funding comes from general revenues, not payroll taxes earmarked for its sole use. Insofar as programs funded by general revenues are less reliable than tax-earmarked funded programs due to alterations in fund allocations year to year, and to the extent that positive behavioral impacts from income boosts are the result of certainty that they will be there in the future, the latter is preferred. This feature, among other potential costs and benefits of financing structure must be investigated.

Means-Testing

Of particular relevance to the question of whether SSI might be a model to deliver assured income is how SSA has administered the program's complex means tests. SSI's means tests not only determine benefit eligibility, but also benefit amounts.

The law establishing SSI defined two types of income: earned and unearned. The former was defined as wages or net income from self-employment. The unearned category encompassed every other kind of income, whether in cash or in-kind. The law also specified certain types and amounts of income, called "disregards," which are deducted from a person's earned and unearned income to determine the amount of "countable" income. Such income is then applied against the person's maximum available SSI benefit amount. The law also provided for other specific exclusions. [81]

The SSI law also required that, if an eligible person is living in another person's household and is not contributing to his or her fair share of household expenses, then his or her SSI benefit is reduced by one-third, instead of determining the value of room and board as income. The SSI law further limited the amount of resources a person may have to be eligible for benefits. At the inception of the program, the resource limit was $1,500. It has since been increased to $2,000 for an individual and $3,000 for a couple but has not been adjusted for some time. Resources include savings, investments, and other possessions. As with income, the law provided for specific exclusions, such as the person's home regardless of its value. [82]

Although the SSI means test is broad and intrusive, SSA uses the approach of "development tolerances" to provide its field offices with some flexibility when assessing the value of an applicant's home as an asset. For example, "(c)ouples with a home valued at $30,000 or more, with no mortgage to pay, would be singled out for further investigation." [83] Furthermore, "a recipient did not have to undergo the sort of intensive interaction with caseworkers that characterized other welfare programs." [84]

SSI's means test also differed significantly from the tests used by the public assistance programs it replaced. "Benefit amounts would depend upon income, not upon 'budgeted needs' or expenditures…Under the state operated programs, a person's individual financial needs were first determined and then benefits were geared to meet those needs. Subjectivity was necessarily involved. Under SSI, detailed questioning as to how a person spends his money was to be avoided." [85]

To the extent that SSI was a departure from the poor-law philosophy of the programs it replaced, it bore more of a resemblance to an assured income type of program. "(T)he right of the recipient to spend his benefit without restriction has seldom been questioned in the case of insurance, but it is a continual struggle in public assistance…(D)iscretionary payments designed to enforce a code of conduct on the recipient different from that required of the rest of the community are not a problem in insurance." [86]

SSA also applied the SSI means test liberally with respect to ongoing eligibility of recipients. Although the law required an annual re-determination of eligibility, SSA relied "on the assumption that all factors remained the same in the absence of information to the contrary from the recipient or elsewhere." Recipients were simply instructed to "notify SSA of any changes in their situation." [87]

Today, SSA conducts reviews of non-medical eligibility factors ("non-medical redeterminations") and medical criteria ("continuing disability reviews"). SSA uses statistical models to select cases for these reviews that have a higher likelihood of having a change in circumstances affecting their eligibility. Some reviews are initiated when a recipient notifies SSA of a change that might affect eligibility, but most reviews are scheduled by SSA.

If a means test were applied to provide some form of assured income, a new program launch might be delayed until all relevant financial information were input into the SSA data system. Alternatively, this means test might simply use taxable income and/or taxable assets, as such a system would require little to no further interviews of beneficiaries, and perhaps no massive data input effort.

Another simpler alternative might be a sworn declaration by an applicant that her or his income and assets were below a specified level. In other words, the application itself might be based on presumptive need, although at its outset, SSI "eligibility was not to be determined solely on the declaration of the applicant, but would be verified from independent sources."[88] Relying on such a declaration to determine initial eligibility for an assured income benefit might require establishing a "claw-back" indirect means test later in the process, based perhaps on an individual's federal income tax returns. Such an indirect means test, which affects the value of the benefit but not eligibility to receive it, has precedent in the federal taxation of some recipients' Social Security benefits. Of course, the political feasibility of relying on such a self-declaration of eligibility is questionable.

Relying on any form of a means test (even if less mean-spirited), however, may be unable to overcome the fundamental difference between a social insurance and a social assistance platform. "(T)he means test divides the community into two groups: those who have and those who have not. The best way to develop a program for low-income people that is well-administered and respectful of human dignity is to include low-income people in exactly the same program that serves the rest of the population – not simply an income-tested program administered by an agency that serves the general population."[89] In short, "…it is not possible for a means-tested program, with its ceiling on income, to promote a standard of real security." [90]

Role of the Social Security Administration (SSA)

In addition to the means test issue, the role of SSA as the administrator of a new program of assured income may need to be assessed. While other implementation issues might arise, SSA might have the experience, infrastructure, and manpower to adjust quickly. In addition, "tying the administration of income-determined payments to systems that include people who are not poor" has merit. "Administration by an agency that deals with a cross section of the population, not only the poor, does help remove some of the negative feelings about welfare." [91] As noted by one organization that has identified Social Security as "an infrastructure for delivering basic income:" "(T)he program already has mechanisms for identifying all eligible workers (the Social Security number), keeping track of and collecting revenue from employment (a payroll tax shared by employers and workers), a way of accounting for the revenue collected (the Social Security Trust Funds), and a way of disbursing monthly revenue to recipients (direct deposit and checks)." [92]

SSI Then and Today

The original estimate of SSI beneficiaries at the start of the program was 6 million, including 3 million expected to be converted from state public assistance rolls. Only 3,560,000 SSI checks were actually issued in January 1974. [93] "(S)everal million others were expected to become eligible under the new, more liberal Federal eligibility criteria."[94] The average SSI monthly payment to aged beneficiaries was just under $75.[95] In 1981, 27% of SSI beneficiaries were black and and two-thirds were women.[96] At the start of the 21st century, children under age five were the fastest-growing group of SSI recipients. [97]

In November 2018, SSI payments were made to just over 8.1 million recipients. The average monthly benefit was roughly $552. This average monthly payment includes state supplementation payments for those states that have a supplement administered by SSA. (There are 39 states that self-administer supplements, which are not included in this average. The federal-only average, which does not include state supplements, is $536.) [98]

More than half of all older individuals who receive SSI payments also receive Social Security benefits. Many of these recipients have "earned low wages, had irregular wages, or spent time as unpaid caregivers."[99] Of older SSI recipients, 65% are women. "Women are disproportionately reliant on SSI because they are more likely to have spent time out of the workforce caring for their families, or to have worked in low-wage or part-time jobs, or in jobs where they did not receive Social Security credits." [100]

SSI provides monthly cash up to a maximum amount known as the Federal Benefit Rate (FBR). In 2018, the maximum FBR for an eligible individual is $750 a month, which is only 74% of the official federal poverty level. This maximum grant amount is adjusted annually based on the federal Cost-of-Living Adjustment (COLA). The actual SSI benefit paid to recipients depends on a number of factors: whether they are single or married; their living arrangement; and what other income they have. It also depends on the state in which they live, as some states provide a supplement to SSI benefits, which increases the maximum benefit level potentially available to eligible recipients in those states. In most states, anyone receiving SSI is automatically eligible for Medicaid. [101] According to one in-depth analysis of SSI: "The program's identity as a welfare program had overshadowed its pedigree as an offshoot of Social Security." [102]

Despite its shortcomings, SSI does raise the issue of whether and how Social Security itself might serve as a vehicle for a more expansive approach to providing income. "Policymakers realized that they could expand the American welfare state by portraying new programs as incremental expansions of Social Security." [103]

Robert Ball offered the following rationale for greater reliance on social insurance: "Everyone has a stake in his earned social insurance benefits. A program which divides the community into two groups on the basis of income and possessions tends to carry with it feelings of self-doubt and a lessening of the sense of worth for the one group, and a feeling of condescension on the part of the other…One reason why public assistance is so hard to administer in a way which preserves the self-respect of the recipient is that only the poor are entitled to the payments – and the poor are little honored."[104] He added: "Attitudes toward payments based on a test of need are different from attitudes toward money paid as an earned right because the latter is a reward for economic services and the former rests on an element of personal helplessness." [105]

Social Security's Minimum Benefit: 1939-1981

Although the basic benefit structure of Social Security's Primary Insurance Amount (PIA) is based on wages earned over a lifetime of work, the program added a regular-minimum benefit in 1939 for workers with long careers and low annual covered earnings, and for workers with shorter careers who had higher annual covered earnings[106]. A modified version of the benefit was introduced in 1972 and is now known as the Special Minimum PIA. [107]

The minimum Social Security benefit was initially set at a level too low to "keep the recipient out of poverty if he had no other income."[108] The initial benefit was $10 per month, equivalent to $182 per month in December 2018 using the Consumer Price Index for All Urban Consumers.[109] During the 1950s and 1960s, the minimum benefit was periodically increased.

Some opposed increasing the minimum benefit amount, because "at any given contribution level, if higher benefits are paid to those who just qualify for the minimum, it means lower benefits than would otherwise be possible for those contributing regularly."[110] Instead, they point to SSI, or other social assistance programs, as the more appropriate anti-poverty vehicle: "If income from all sources is inadequate, it is the function of SSI, which is based on a test of need, to pay enough to bring retired and disabled people up to a minimum level of living."[111] Maintaining the distinctive roles of social insurance and social assistance was emphasized by policymakers. "In the past, disproportionate increases in the overall general minimum benefit of Social Security have resulted from the idea that contributory social insurance should do the whole job of abolishing poverty among the aged, whereas this is a job more appropriately done by a combination of contributory social insurance and an income-tested program." [112]

As a result of the 1977 Amendments to the Social Security Act, the original minimum benefit was phased out. It was "frozen at the December 1978 dollar amount (just over $122 a month) for new beneficiaries, but [continued] to increase in line with the cost of living after a person becomes eligible for benefits."[113] Legislation enacted in 1981 eliminated this minimum benefit for all new beneficiaries. [114]

Some have proposed reinstituting a minimum Social Security benefit that is high enough to assure a sufficient retirement income. [115] For example, one organization has proposed that Social Security itself be "expanded to accommodate progressive basic income ("PBI") that insures workers and their dependents against the risk of losing their jobs to automation." PBI benefits "should be distributed on a progressive scale – corresponding to the worker's estimated pre-job loss income levels – in an effort to ensure economic security for vulnerable households." This proposed PBI would "not take the place of Social Security's existing benefits for retirees, the disabled, or the survivors of workers who have died." [116]

Social Security's Special-Minimum PIA Benefit: 1973-Present

In addition to the original Social Security Minimum Benefit, Congress created the Special Minimum PIA in 1972, "designed for workers who have long coverage under the program, but who have earned low wages." [100] Due to the aforementioned legislation enacted in 1981 which terminated the original minimum-benefit, the Special Minimum PIA is the unique minimum benefit program with any impact on today's retirees. A key design difference between the Special Minimum PIA and standard Social Security is how benefits are calculated. Whereas the former's benefit amount is based strictly on the number of years worked, the latter's is linked to each worker's lifetime earnings.[117] In effect, the Special Minimum PIA represents an alternative Primary Insurance Amount for eligible beneficiaries. [118] "This provision has the purpose of providing reasonably adequate benefits for persons with low earnings but a long period of covered work."[119] In 1985, this special- minimum benefit paid up to just under $370 a month. The annual monthly benefit for an eligible worker retiring in 2019 with an 11-year work history is just under $503. The full annual benefit is about $10,500 at 30 years of work history. [120] Unlike the original minimum benefit, the special-minimum benefit calculation excluded people who had low Social Security covered earnings for a short period of time. Its eligibility requirement was at least 11 years of covered earnings at or above a specified amount (e.g., $14,805 for 2019).

In the 1950s, "there was strong interest in 'blanketing-in' all people 65 and over and paying them a flat amount regardless of earnings in covered employment or contributions." This proposal was similar to a proposed "double-decker" plan "which would pay a flat amount from general revenues to all who attain age 65 and then, in addition, pay a wage-related, contributory benefit to all who are eligible."[121] That plan would have separated Social Security into two parts: a flat universal benefit paid from general revenues and "a wage-related contributory benefit built on top." [122] Proponents argued that "the real advantages of a double-decker are to finance the weighted part of the benefit out of the more progressive general revenues of the Federal Government instead of the flat-rate Social Security contributions, and to adhere much more closely to principles of strict equity for that part of the benefit financed by direct earmarked contributions." [123] Others proposed a modification of this plan, which would have provided "a universal payment…to all the elderly paid from general revenues without a test of need, plus a contributory system paying a single percentage of average earnings, plus a needs-tested SSI program…for those whose combined pension and contributory benefit would be insufficient." [124]

The special-minimum benefit itself has diminished over time, because it was indexed to the Consumer Price Index, while the regular Social Security benefit Primary Insurance Amount was based on increases in wages. Historically, wages have grown faster than prices. As a result, only .063% of current Social Security beneficiaries receive this benefit, and the SSA estimates that "the provision will have no effect on workers turning 62 in 2019 or later". [125]

Proposals have been made to restore the benefit. Some would lower the level of earnings needed to earn coverage years. Some would offer credits (e.g., for caregiving, during periods of unemployment or poor health) toward the number of years required for eligibility. Others would benchmark the benefit amount to the federal poverty level.

The Academy previously identified two proposals to enhance the special-minimum benefit. One would update the benefit to exceed poverty at Social Security's full benefit age for a 30-year worker. Under this proposal, the benefit would be increased to 125 percent of the federal poverty threshold for those who worked at least 30 years under Social Security and claimed benefits at full-benefit age. Initial benefits for each age cohort would then keep up with wage growth, and benefits after entitlement would be adjusted automatically to keep up with the cost of living. The Academy also examined another proposal that would allow childcare credits to count as coverage years in which a parent had a young child. [126]

The most recent study of Social Security's minimum and special-minimum benefits concluded: "A broad consensus exists for reforming Social Security's minimum benefit. Reformers have suggested various ways to ensure that a new minimum benefit would keep at least full-time, full-career workers above the traditional poverty level. The main difference in the proposals revolves around who should be eligible for a minimum benefit." [127]

A 2016 report by the Commission on Retirement Security and Personal Savings recommended establishing a new basic minimum benefit within Social Security to reduce poverty among beneficiaries. Starting in 2020, a modest additional amount would supplement standard Social Security payments for low-income beneficiaries above the full retirement age. The specific amount for each individual would be scaled so that individuals with the lowest Social Security benefits would receive the largest add-on payments. The proposed new basic minimum benefit "would effectively replace SSI for all eligible OASI beneficiaries above the full retirement age, because SSI benefits are replaced by OASI benefits dollar-for-dollar." [128]

The purpose and structure of both minimum benefits might provide the basis for Social Security itself to include some form of assured income for more individuals. Further study is needed to determine key benefit features, such as eligibility requirements and the benefit amount. A critical question will be "whether a work history is required to qualify for it and, if so, what type of work history." [129]

Conclusion

Examining both Social Security and SSI and their potential relationship to the concept of assured income raises fundamental issues of social welfare policy. "Rather than a universal welfare state that aids all (or most) citizens as a matter of right, the United States is stuck with a residual welfare state, one that does little to redistribute resources equitably among rich and poor and that provides only the bare minimum (if that) to citizens who fall through the cracks of the market-driven economy." [130] Assured income payments offer the opportunity to address these gaps in the social insurance and social assistance infrastructure.

How Assured Income Might be Financed, Structured and Administered

For thorough discussions of an assured income's feasibility and efficiency to take place, it is necessary to consider a potential program's financing, structure, and administration. The following section touches on assured income's cost, its being structured through a trust fund model, its administration via the Social Security Administration, and its possible revenue sources in order to facilitate future deliberations and research on the potential of an assured income program to strengthen economic security.

Cost

The range of benefits explored here might cost between $630 billion and $1.26 trillion annually, as shown in the table below. The net cost might also be reduced if assured income were subject to federal income taxation, with the proceeds credited to the program, as is the case with the income taxation of Social Security benefits.

Costs of Assured Income

	# Recipients	Low Benefit	High Benefit
Adult Benefit	201 million	$200/month	$400/month
Annual Cost		*$482.4 billion*	*$964.8 billion*
Child Benefit	74 million	$100/month	$200/month
Annual Cost		*$88.8 billion*	*$177.6 billlion*
Older Individual Benefit	51 million	$100/month	$200/month
Annual Cost		*$61.2 billion*	*$122.4 billion*
Totals	326 million	$632.4 billion	$1.265 trillion

By comparison, the cost of Social Security in 2017 was $952.5 billion. [131] This expenditure covered benefits averaging:

- $1,404 a month for 42.4 million retired workers
- $732 and $675 a month for 3.1 million dependent spouses and children, respectively
- $1,197 a month for 8.7 million disabled workers
- $335 and $366 a month for 1.7 million spouses and children of disabled workers, respectively
- Benefits for 6.0 million survivors of deceased workers[132]

Use of trust funds

The use of trust funds is a key feature of social insurance. Such trust funds currently exist for Old-Age and Survivors Insurance (OASI), Disability Insurance (DI), Medicare (HI), and Supplemental Medical Insurance (SMI). The trust funds receive dedicated streams of revenue used only to pay benefits and for administration. Excess cash may only be invested in special obligation U.S. Treasury bonds, and income, expenses, and future projections must be publicly reported every year. Significantly, the revenue streams for these trust funds are established by law and do not require annual appropriations.

An assured income program might establish a similar trust fund, with two possible differences: the new fund might be authorized to invest in securities other than Treasury bonds, and potential additional revenue sources may be considered. If the trust fund does not authorize investments in securities other than Treasury bonds, it will rely on direct distribution of revenue as social insurance funds generally do. If, however, investment is authorized, the trust fund might distribute revenue from investments, as pension funds and sovereign wealth funds do. Reliance on revenue from investments is likely to involve higher administrative costs, higher risk, and deferral of benefits until the fund is sufficiently capitalized. [133]

The Social Security Administration

The Social Security Administration might integrate the management of assured income with that of insured income, using its existing data base, computer systems, and local offices. Because the number of recipients would be five times higher than at present, all new recipients might be required to accept electronic funds transfers.

The development of a user-friendly web site and mobile app to enable maximum communication with beneficiaries might also limit implementation problems. Among other things, such communication would facilitate registration, changes of address, and financial education. Such a system might also let recipients allocate some or all of their benefit to tax-deferred savings accounts and/or charitable organizations.

Revenue sources

Two possible sources of funds for financing an assured income can readily be identified: a single, large, and heretofore untapped revenue source; or a combination of smaller sources. More in-depth examination of the concept might identify other sources.

Value-Added Tax

Historically, insured income has been funded by a single source: contributions divided equally between employees and employers. Another large and heretofore untapped revenue source that might be used for assured income, however, is a national sales or value-added tax (VAT).

A value-added tax is collected at each stage of production and distribution. Like a sales tax, a VAT amounts to a tax on consumption. Over 130 countries world-wide use value added taxes, but the U.S. does not. In the EU, where the average VAT rate is around 21 percent, governments receive over 16 percent of revenues from VATs compared to about a 28 percent from social insurance taxes.[134]

Among the advantages of VATs are efficient collection and that they are difficult to avoid or evade. Their chief disadvantage is that they are regressive. Because low-income people often spend a majority of their income on consumption, any consumption tax necessarily hits them disproportionately. Some countries reduce this regressivity by exempting food, health care, housing and education from the VAT, or by placing a higher VAT on identified "luxury goods". [135]

VAT advocates include William Gale[136] and Henry Aaron[137] of the Brookings Institute. Eric Toder and Joseph Rosenberg of the Tax Policy Center proposed in 2010 to offset the regressivity of a VAT by linking it to per capita rebates. [138]

Updating Toder and Rosenberg's calculations to 2018 and rebating 100 percent of VAT revenue, a VAT of 10 percent would yield about $900 billion in revenue, enough to pay $250 a month to every adult (including seniors) and $150 a month per child. [139] A family of two adults and one child spending $3,000 a month on taxed items would then pay VAT of $300 a month and receive assured income totaling $650, for a net gain of $350 a month. A single person paying $1,500 a month on taxed items would pay VAT of $150 and receive $250 a month in assured income for a gain of $100.

Combinations of other potential revenue sources that might have a more progressive impact may also be considered. These fall into two buckets: unearned income and common wealth.

Unearned income

The IRS defines *earned income* as income from wages and salaries and *unearned income* as income from dividends, interest, rent, royalties and inheritances. [140] Under current tax code, earned income is taxed at higher rates than unearned income. In addition, Social Security is funded entirely by taxes on earned income, not by taxes on unearned income.

One potential revenue source for assured income might be a return to earlier levels of taxes on unearned income. On January 20, 1960, when Dwight Eisenhower departed the White House, inheritances over $10 million were taxed at 77 percent and dividends over $200,000 at 91 percent.[141] Today those rates are 40 and 37 percent, respectively.

For example, a 12.4 percent flat tax on unearned income, comparable to the FICA tax on earned income, might raise about $265 billion per year. [142] Since FICA taxes on labor income are earmarked for insured income, a similar levy on unearned income might be earmarked for assured income. This $265 billion could contribute $110 per adult, or almost $70 per citizen, per month to an assured income.

Similarly, a 50 percent intergenerational transfer fee on inheritances over $10 million might raise another substantial amount to be dedicated to a universal children's benefit. Every American child, of every race and gender, would be a trust fund baby, at least to a degree. It is worth noting that the amount of inherited wealth in the U.S. is likely to increase in coming years as a result of wealth concentration at the top of the income and wealth distribution.[143]

Common Wealth

Thomas Paine is often cited as the intellectual grandfather of Social Security because of a proposal he made in 1797 to pay every person over 55 the equivalent of about $1,000 a month for the rest of their lives.[144] To fund these annuities, Paine proposed not a tax on labor, but an inheritance tax on land. He made a clear distinction between income earned through labor and wealth "which comes to us from the Creator of the universe — such as the earth, air, water." The former rightly belongs to the laborer, while the latter is the "legitimate birthright" of every man and woman. In Paine's day, the idea of common wealth was not a radical one. In England, common lands were everywhere (though they were steadily being enclosed). In New England, most towns were built around common pastures. Massachusetts, Pennsylvania, and Virginia called themselves *commonwealths.*

The late Nobel economist Herbert Simon calculated that roughly *ninety percent* of the wealth Americans enjoy arises from social capital inherited from previous generations.[145] He arrived at his estimate by comparing incomes in highly developed economies with incomes in earlier stages of development. The huge differences are due not to economic activity today, but to the large differences in institutions, infrastructure, and know-how accumulated over centuries. Simon called this shared inheritance our *patrimony.*

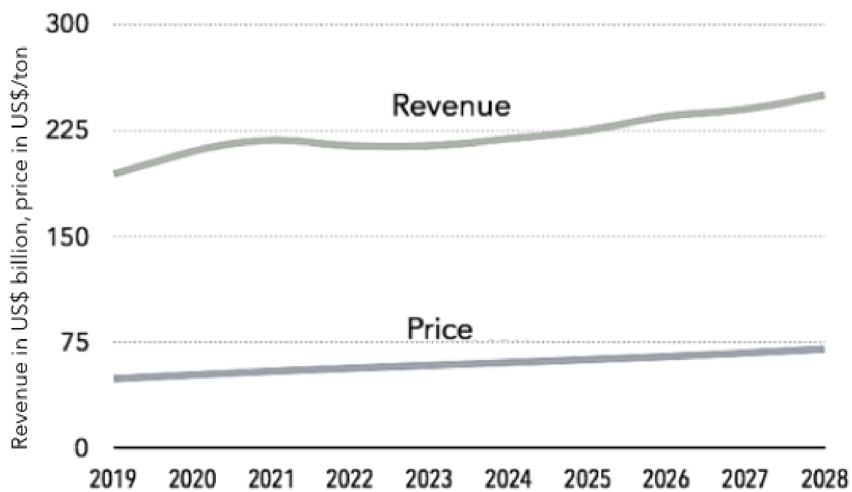
Not included in Simon's patrimony, however, is the wealth to which Paine alluded: inheritance from nature. Another economist, Robert Costanza, found that this wealth, on a global level, holds value "in the range of US$16-54 trillion per year, with an average of US$33 trillion per year" as of May 1997.[146]

Consideration should be given to whether modern ways exist to achieve what Paine sought to do two centuries ago — monetize some portion of our shared patrimony and distribute the proceeds equally to all. In the past decade, more than a dozen bills have been introduced in Congress to put a cap, fee, or tax on carbon dioxide emissions. The simplest was introduced in 2009 by Senator Chris van Hollen of Maryland, and has been reintroduced several times since.[147, 148] This proposal would require the first sellers of fossil fuels to purchase emission permits from the Secretary of the Treasury, who in turn would distribute the proceeds equally to every American with a valid Social Security account. Former Republican Treasury Secretaries James Baker and George Schultz recently made a similar proposal.[149] The Canadian government adopted a version in October of 2018.[150]

A 2017 study by the Treasury Department's Office of Tax Analysis estimated the effects of a hypothetical carbon tax that starts at $49 a ton in 2019 and increases to $70 per ton in 2028. [151] Over that period, projected revenue rises from $194 billion to $250 billion; we use $220 billion as an average. Applying the revenue generated by such a previously unmonetized asset to pay an assured income would contribute payments of $91 a month to the 201 million adults in the United States. Divided equally among all Americans, it would contribute $56 a month.

Projected Revenues from Carbon Fees

(2019-2028)



Data from Table 2: Horowitz, J., Cronin, J., Hawkins, H., Konda, L., & Yuskavage, A. (2017, January). Methodology for Analyzing a Carbon Tax (Working paper No. 115), p. 11 Retrieved https://www.treasury.gov/resource-center/tax-policy/tax-analysis/Documents/WP-115.pdf

Gifts of nature are not the only items of common wealth that might be monetized. One element of shared social capital is the nation's financial infrastructure. Everyone benefits from this infrastructure, but commercial and investment banks benefit disproportionately. Similarly, everyone benefits from the internet, but a few extremely profitable companies benefit disproportionately.

These imbalances might be mitigated, at least in part, by imposing small transaction fees on securities and derivative trades made in publicly regulated markets. Estimates vary regarding what such fees might raise. A study by the Congressional Budget Office projected revenues of around $100 billion a year.[152] The Economic Policy Institute estimated $100 to $400 billion a year.[153] Dedicated fully to an assured income, $100 billion a year would yield $42 a month if dedicated to adults, and $26 a month if divided equally among all.

History provides another example for funding assured income. To pay Union soldiers during the civil war, the U.S. Treasury printed about $150 million worth of debt-free notes popularly known as *greenbacks*.[154] As Milton Friedman, Ben Bernanke, Adair Turner, and Stephanie Kelton, among others, have argued, - for varied and differing reasons - the Treasury and/or the Fed might do much the same today, distributing new money to everyone.[155, 156, 157, 158] Friedman coined the term "helicopter money" as a metaphor for this possibility. The big worry surrounding government money creation is that, as in Germany after World War I, a government might print too much and trigger runaway inflation.* But this fate may be avoided, Friedman argued, if the quantity of money created is controlled by an independent board, such as the Federal Reserve, based on macroeconomic considerations.

Friedman never directly stated how much money should be created, but in a 1968 paper titled “The Optimum Quantity of Money,” he hypothesized a yearly “helicopter drop” of 10 percent of previously circulating money. [159] If half that rate were applied to the money in circulation (what economists call M1) at the end of 2017 ($3.6 trillion), the result would be $180 billion, and this number would rise about 5 percent a year thereafter.[160] If the $180 billion were divided equally among all Americans, each would receive $554 a year or $46 a month. It is crucial to note that if new-printed money were being injected into the economy, as is described, the value of $554 would be substantially less due to the accompanying price inflation. Whether the negative inflationary effects would outweigh the positive effects from increased consumer spending demands further investigation if this avenue is considered.

This brief exploration does not exhaust the possibilities for income derived from common wealth. For example, ways to charge companies that disproportionately benefit from the Internet, publicly subsidized research, intellectual property protection, and the electromagnetic spectrum are some other policy options.

The chart below provides a simple summary of this discussion. These numbers are for a single year and would vary from year to year in a generally upward direction, although carbon fees would eventually decline when emissions are significantly reduced. Money-printing mechanisms are excluded to ensure that the presented dollar values align with their current purchasing power.

Potential Assured Income from Common Wealth

Per capita and per adult distribution

	Total Yearly Revenue	Annual per capita	Monthly per capita	Annual per adult	Monthly per adult
Carbon Fees	$220 billion	$674	$56	$1,095	$91
Transaction Fees	$100 billion	$306	$26	$498	$41
Total	**$320 billion**	**$980**	**$82**	**$1,593**	**$132**

* The main reason Germany issued so much money after World War I was that it faced mountainous war reparations.

Funding options

The preceding suggests several options. A modest assured income might be funded from a single large source such as a VAT, a combination of revenues from unearned income and common wealth, or some combination of all. The income might be the same for all eligible recipients, or it may vary based on age, with working-age adults getting the largest share. The result would be a national assured income system comparable (on a per capita basis) to Alaska's Permanent Fund. The following tables depict some of these options.

1/ Potential Assured Income from a 10% VAT

Monthly, segmented by age

Adult	Child	Elderly
$250	$150	$250

2/ Potential Assured Income from Unearned Income and Common Wealth Combined

Monthly, per capita

Unearned Income	$68
Common Wealth	$82
Total	**$150**

3/ Potential Assured Income From VAT, Unearned Income and Common Wealth Combined

Monthly, Per capita and Adult-only Benefit

	Per capita Benefit	Adult-only Benefit
VAT	$230	$373
Unearned Income	$68	$110
Common Wealth	$82	$132
Total	**$380**	**$615**

Next Steps

This concept paper lays the groundwork for a further in-depth assessment of the value of an assured income vehicle in relation to other current and potentially expanded types of income support, such as child care credits, the Earned Income Tax Credit, Temporary Assistance to Needy Families, and Unemployment Insurance. One potential platform for such an in-depth assessment might be an Academy Study Panel on Economic Security. The Academy, through an interdisciplinary Study Panel, may seek to compare the four modalities of social insurance, social assistance, tax policy, and assured income as interrelated instruments to address economic inequality.

The Academy Study Panel is a well-established approach to convening experts with the goal of advancing understanding of complex social insurance challenges and developing policy options for addressing economic vulnerabilities. The Study Panel will be charged with conducting research and issuing findings based on its analysis of the technical and program design considerations involved with various approaches to economic security. An Economic Security Study Panel will build on the Academy's well-established practice and track record of relying on this platform to produce expert, non-partisan reports related to social insurance. Such a Study Panel will be comprised of 20 – 25 members selected for their recognized professional expertise on social and economic policy, and with due consideration for a balance of relevant disciplines and ideological perspectives, including representation of the various stakeholders who might be affected by any of the policy options examined. As with all Academy Study Panels, while most serving on the Study Panel will be Members of the Academy, some non-Members with significant expertise in assured income, economic security, and inequality will also be recruited. The Study Panel's final report will be a consensus document and will neither take positions nor make recommendations on the policy options examined.

❧

Appendix I. The Social Insurance Infrastructure in the United States

Introduction

In his State of the Union Address in January 1943, President Franklin Delano Roosevelt reminded the nation that along "with the opportunity for employment" young men and women "want assurance against the evils of all major economic hazards—assurance that will extend from the cradle to the grave." He pledged that "this great Government can and must provide this assurance." [161] Roosevelt added to this expansive vision of the role of government in addressing economic insecurity the next year in his 1944 address to Congress, where he outlined "a second Bill of Rights under which a new basis of security and prosperity can be established for all regardless of station, race, or creed." Among these rights, Roosevelt identified a right to a useful and remunerative job, a right to earn enough to provide adequate food, clothing and recreation, the right to a decent home, the right to adequate medical care and the opportunity to achieve and enjoy good health, the right to adequate protection from the economic fears of old age, sickness, accident, and unemployment, and the right to a good education. "All these rights," he stated, "spell security." [162] Roosevelt sought to educate the public about the direct connection between economic security and democracy—"true individual freedom cannot exist without economic security and independence." "People who are hungry and out of a job are the stuff of which dictatorships are made". More recently, political scientists Steven Levitsky and Daniel Ziblatt note the potential for universal social insurance programs like Social Security and Medicare to address income inequality and inspire confidence in the nation's democratic institutions.[163]

The initial response to the economic challenge of the Great Depression included the creation of Social Security and the unemployment compensation system. A second generation of programs came into being in 1965 with the creation of the Medicare and Medicaid programs to add opportunity for health care for elderly and low-income populations to the income supports provided through Social Security, unemployment insurance, and workers' compensation.

This Section of the report will describe the existing social insurance programs from the perspective of how each addresses income security and adequacy for recipients of benefits. Any thorough examination of providing an assured income must take into consideration the role of the existing social insurance programs, and therefore how an assured income program might augment these programs due to the income needs and economic risks these specific programs do not address. The account does not consider that some states have embarked upon unique programs and does not review the status of programs providing other kinds of support such as health insurance or targeted assistance for items such as food (SNAP). Furthermore, the account does not consider the impacts of other income supplements, such as the Earned Income Tax Credit and the Child and Dependent Care Tax Credit.

Social Security Retirement Benefits

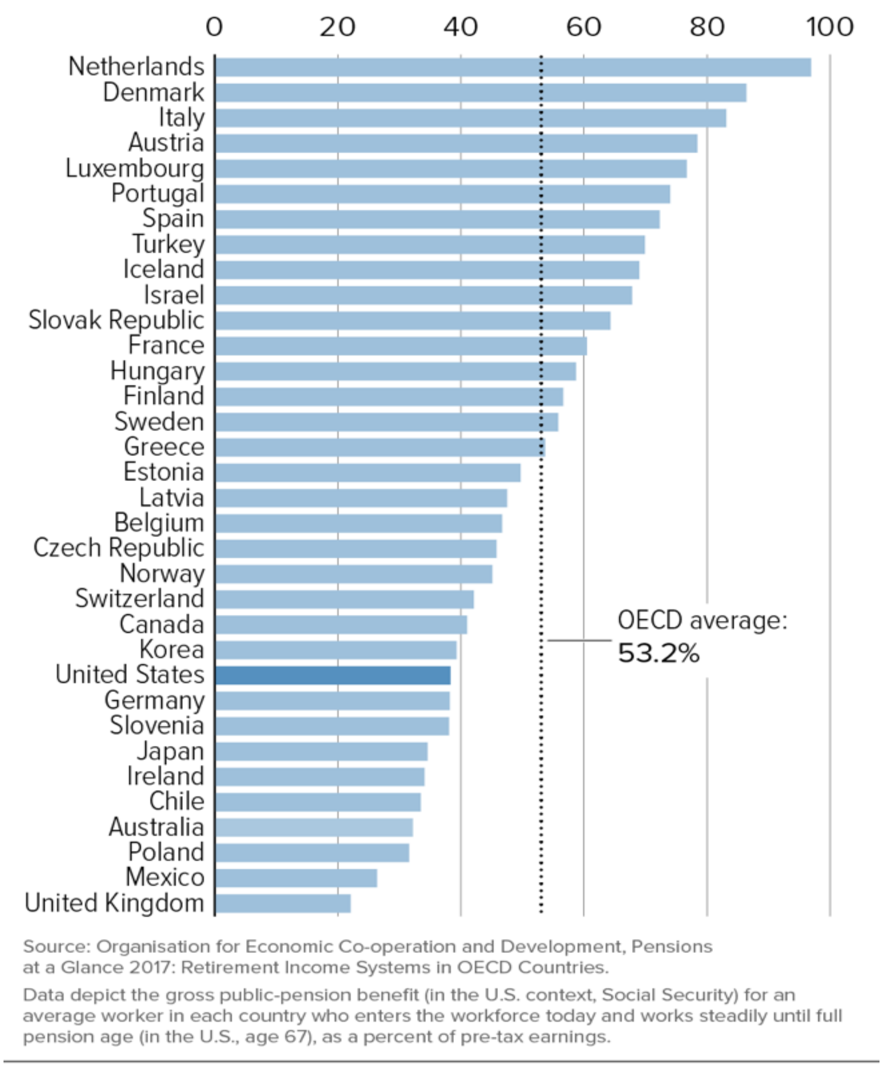
As the Academy noted in its *Report to the New Leadership and the American People* in 2017, "Social Security is the leading source of income for most retired workers and their surviving spouses." [164] Created in 1935, Social Security paid its first benefits in 1940 to 222, 000 beneficiaries. [165] In 2018, the Social Security Administration expects that 63 million individuals received retirement benefits totaling one trillion dollars. The average monthly benefit for retirees is $1,413, or $17,000 annually, and payments increase annually based on the percentage increase in the Consumer Price Index of Urban Wage Earners and Clerical Workers. [166] This resulted in a 2.8% increase in monthly benefits in 2019.[167] Comparing the average 2018 retirement benefit to the federal income poverty level presented on the chart below is instructive.

	Federal Income Poverty Level 2018	
# People in Household	**48 States & DC**	**Alaska**
One	$12,140	$15,180
Two	$16,460	$20,580
Three	$20,780	$25,980
Four	$25,100	$31,380

2018 HHS Poverty Guidelines (Publication). (n.d.). Retrieved https://www.acf.hhs.gov/sites/default/files/ocs/2018_hhs_poverty_guidelines.pdf

While higher than the poverty level income amounts, Social Security benefits are low compared to benefits available in other developed countries, as illustrated on the next chart. On average, Social Security benefits replace less than 40% of worker pre-retirement earnings while the wage replacement average for Organization of Economic Co-operation and Development countries is 53.2%. Many nations have a higher replacement rate for Social Security benefits.

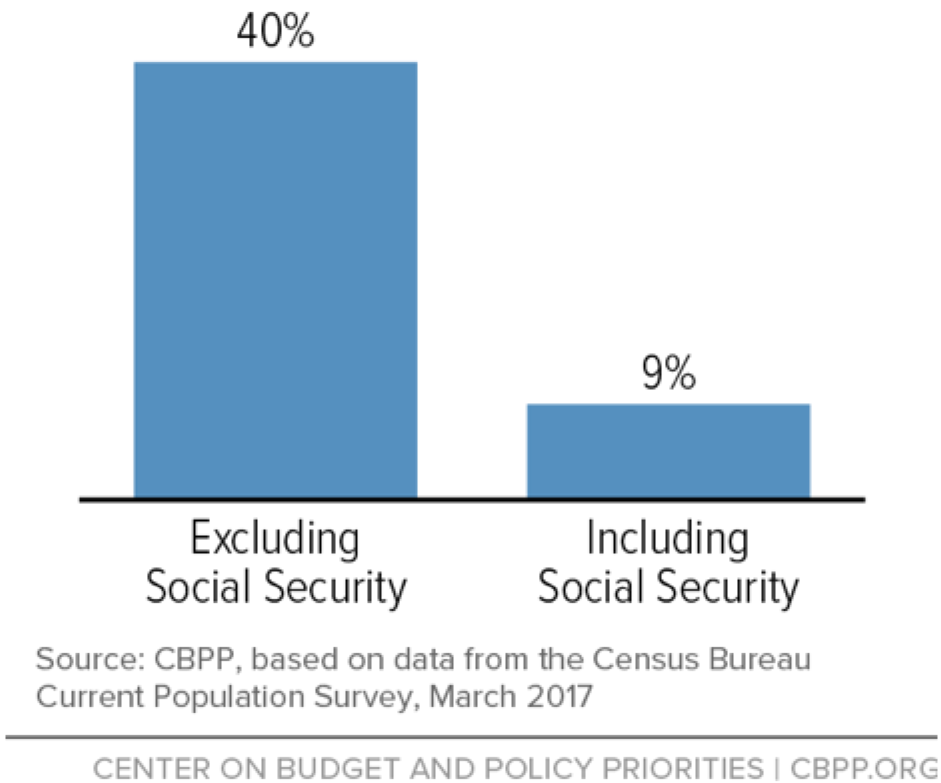
Social Security Benefits for Average Worker as a Percentage of Earnings



Policy Basics: Top Ten Facts about Social Security (Publication). (2018, August 14). Retrieved https://www.cbpp.org/research/social-security/policy-basics-top-ten-facts-about-social-security

Although the Social Security benefit is not especially generous, the level of benefits does make a difference in significantly reducing poverty among the elderly.

Percentage of Seniors in Poverty, 2016

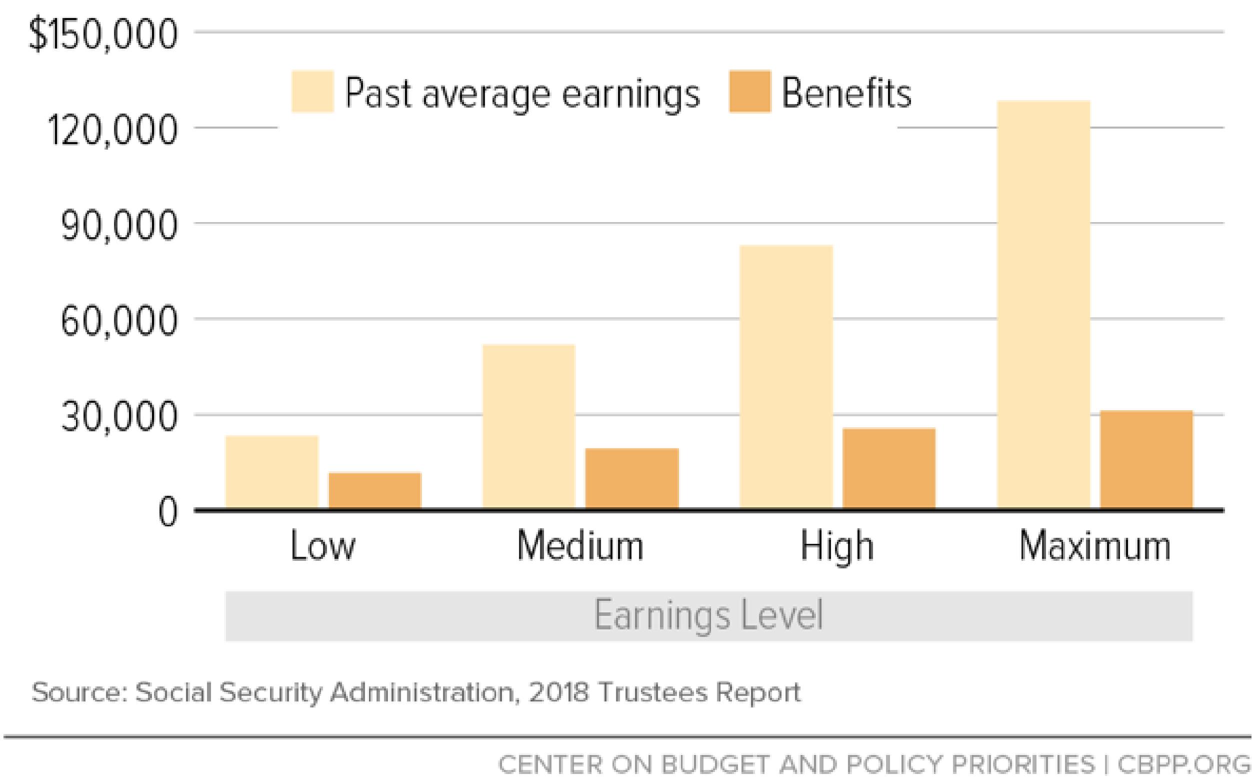


Policy Basics: Top Ten Facts about Social Security (Publication). (2018, August 14). Retrieved https://www.cbpp.org/research/social-security/policy-basics-top-ten-facts-about-social-security

A July 2017 study by Adam Bee and Joshua Mitchell which linked administrative data to the Current Population Survey (CPS), however, found the elderly (65+) poverty rate in 2012 to be 6.9%, 2.2 percentage points lower than the estimate using only the CPS. Their study also found the elderly median income to be 30% higher than the estimate made using only the CPS ($33,800 vs. $44,400). [168] Even still, Social Security's large anti-poverty impact on the elderly is certain.

Another feature of the Social Security retirement benefit is that benefits are progressive—that is the benefit replaces a higher percentage of income for lower income workers.

Annual Benefits and Earnings for Worker Retiring at age 65 in 2018



Policy Basics: Top Ten Facts about Social Security (Publication). (2018, August 14). Retrieved https://www.cbpp.org/research/social-security/policy-basics-top-ten-facts-about-social-security

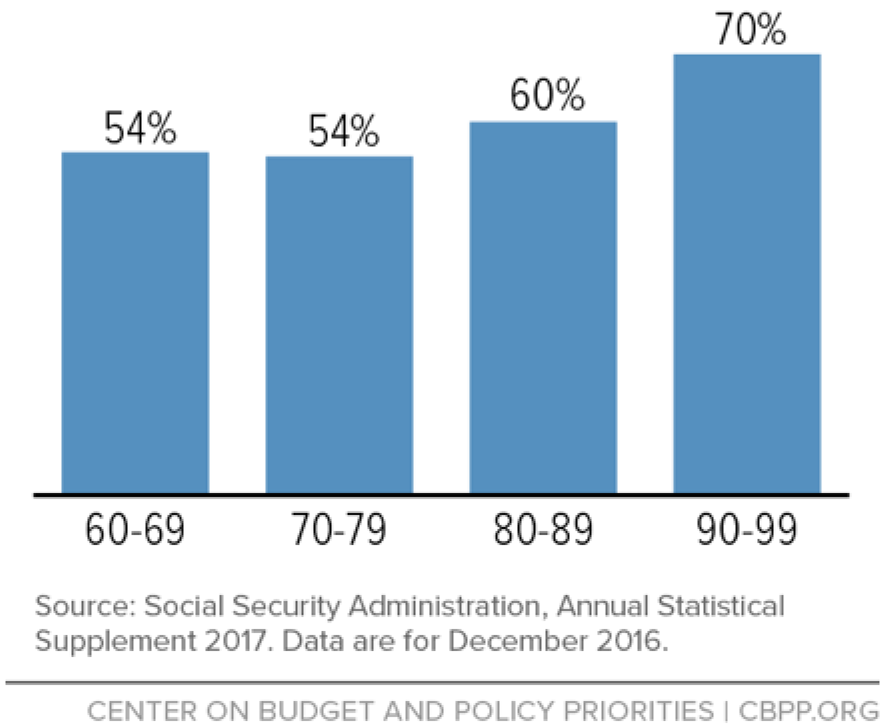
As the Academy *Report to the New Leadership* noted, however, this progressivity in benefits is offset by other factors. The tax paid by employees and employers to fund the Social Security system is regressive because it is a flat rate on the first $128,400 of income in 2018.[b] Income based on interest and investment dividends is not taxed. In addition, people with low socio-economic status have shorter life expectancies at 65 than people with higher socio-economic status, and therefore receive fewer years of benefits.[169]

The Center for Budget and Policy Priorities has noted that Social Security is particularly useful for women because they "tend to earn less than men, take more time out of the paid workforce, live longer, accumulate less savings, and receive smaller pensions." More than half of Social Security beneficiaries in their 60s are women and represent 7 out of 10 beneficiaries in their 90s. Women are 96% of Social Security survivor beneficiaries.[c, 170]

[b] The cap is $132,900 in 2019.

[c] On the other hand, lower earners are more likely to become disabled or to die prematurely, so are more likely to benefit from Social Security's disability and survivor protections for family members. See, *infra*, discussion of disability and survivor benefits.

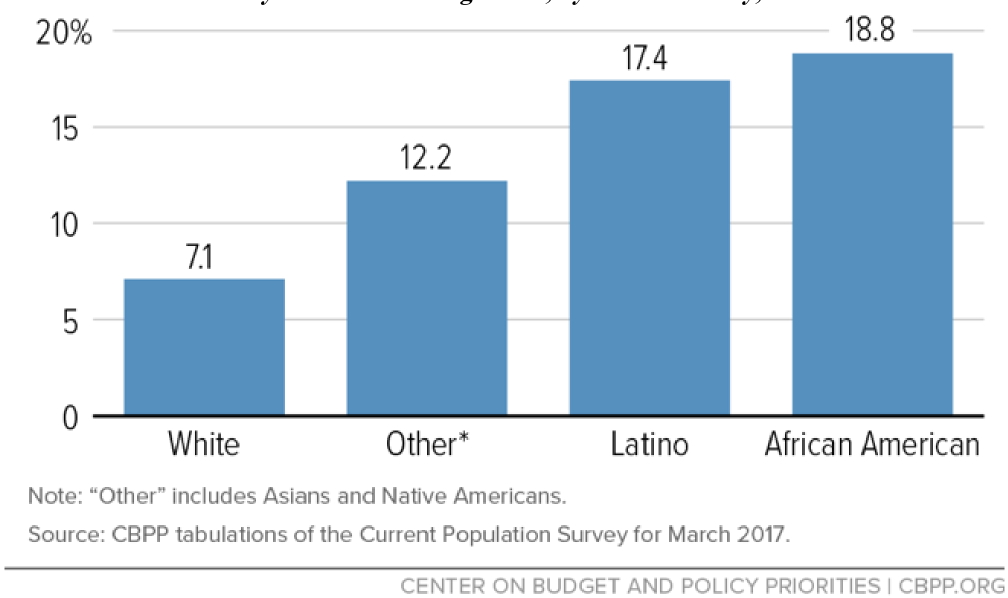
Percent of Female Social Security Beneficiaries by Age Group



Policy Basics: Top Ten Facts about Social Security (Publication). (2018, August 14). Retrieved https://www.cbpp.org/research/social-security/policy-basics-top-ten-facts-about-social-security

Women compromise just one group of workers with low-earnings and limited opportunity to save and earn pensions who especially benefit from Social Security income. African-Americans and Latinos face higher poverty rates in retirement and during their working years. Because African-American and Latino workers also have, on average, higher disability rates and lower lifetime earnings that whites, they benefit from the Social Security Disability Insurance program.

Poverty Rate for those Aged 65+, by Race/Ethnicity, 2016



Policy Basics: Top Ten Facts about Social Security (Publication). (2018, August 14). Retrieved https://www.cbpp.org/research/social-security/policy-basics-top-ten-facts-about-social-security

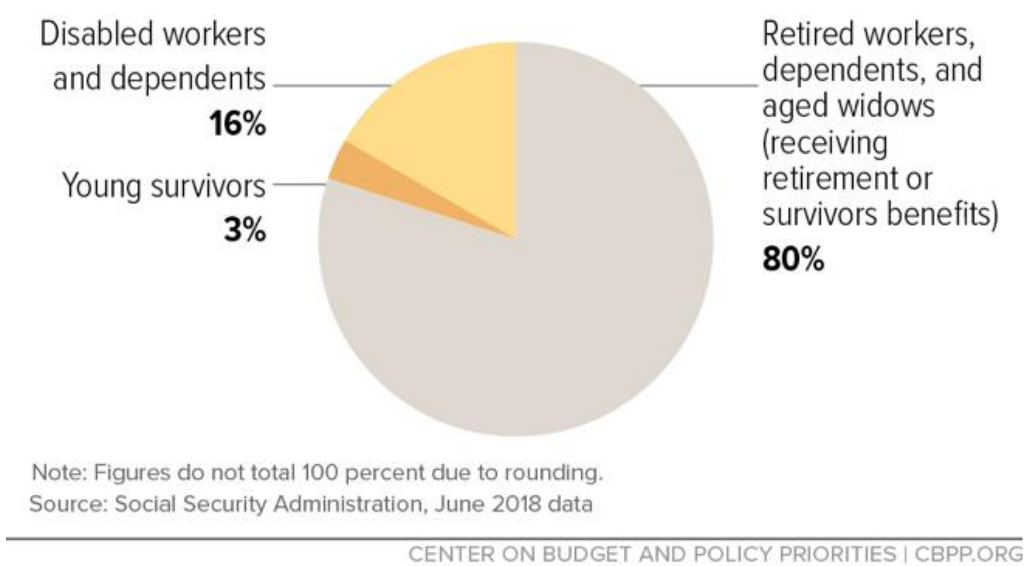
Social Security Spousal and Survivors' Benefits

The families of workers also benefit from Social Security programs. A person married for at least 10 years is eligible for spousal benefits if the person's retirement benefit would equal less than half of the spouse's retirement benefit. In this circumstance, the person receives an amount equal to half the spouse's benefit. A divorced person may claim the spousal benefit if the marriage lasted at least 10 years and the person has not remarried. A surviving spouse may collect the deceased spouse's full retirement benefit at age 60, and if the survivor is caring for children under age 16, the spouse may collect the benefits immediately. Survivors with disabilities may collect survivor benefits beginning at age 50.

Social Security Disability

The Academy *Report to the New Leadership* describes the Social Security Disability insurance program (SSDI) in some detail. Disability insurance provides protection against the loss of earnings due to a serious medical impairment that results in a significant work incapacity. Only people unable to work at all are eligible and they must suffer from a condition expected to last at least one year or to result in death within a year. Impairments must be of such severity that workers are unable to engage in any substantial gainful work that exists in the national economy considering their age, education, and work experience.[171] The next chart shows the representation of disabled workers and their dependents receiving Disability Benefits as a percentage of the total Social Security beneficiary population.

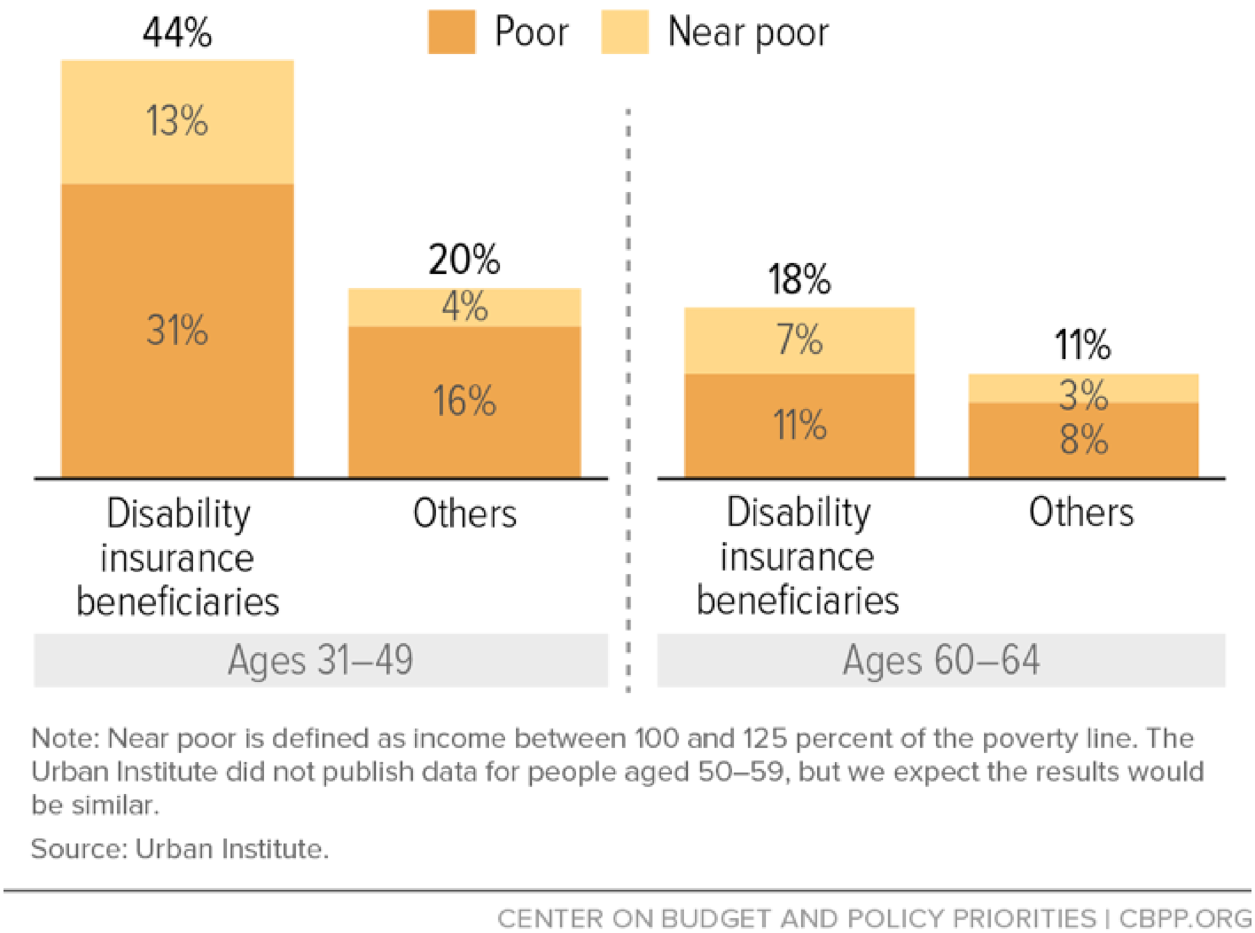
Social Security Beneficiaries by Category



Policy Basics: Top Ten Facts about Social Security (Publication). (2018, August 14). Retrieved https://www.cbpp.org/research/social-security/policy-basics-top-ten-facts-about-social-security

In October 2018, the total number of disabled workers receiving SSDI benefits was 8,574,000. Spouses receiving benefits numbered 120,000, and 1,508,000 children of disabled workers received benefits.[172] The estimated average Social Security disability benefit amount for a disabled worker receiving Social Security Disability Insurance (SSDI) in January 2019 is $1,234 per month, but a beneficiary can receive either less than this amount or up to $2,861. Benefits replace between 50% and 55% of the worker's wages before becoming disabled; nevertheless, about one in five elderly beneficiaries are poor or near poor, and over two in five beneficiaries aged 31-49 are poor or near poor.[173]

Percent of Poor and Near-poor SSDI Beneficiaries



Policy Basics: Social Security Disability Insurance. (2018, July 30). Retrieved from https://www.cbpp.org/research/retirement-security/policy-basics-social-security-disability-insurance

Workers' Compensation

The major goals of workers' compensation are to replace some portion of earnings for workers who suffer injuries or illnesses caused by work while maintaining an incentive to return to work, and to provide "appropriate and sufficient treatment to promote an optimal recovery and return to work".[174] Unlike the other social insurance programs described here, workers' compensation programs are funded by employers and are operated by the states. Every state, the District of Columbia, and the U.S. territories all have workers' compensation programs.[175] These programs provide funding for medical care, rehabilitation, and cash benefits, and also pay benefits to families of workers who die as a result of work-related injuries or illnesses.[176] Unlike SSDI, however, the worker does not need to be totally and permanently disabled to be eligible for benefits.[177]

In 2016, more than 138 million U.S. jobs were covered by workers' compensation, with covered payroll estimated to be $7.4 trillion.[178] The Academy's annual report estimated that in 2016, coverage extended to 97.4% of all non-federal jobs covered by unemployment insurance and 86.5 % of all jobs in the United States.[179] Separate programs exist for federal civilian employees, long shore and harbor workers, and certain high-risk workers such as coal miners with black-lung disease.[180] While paying 100% percent of injury-related medical costs for injured workers, payment for lost wages on average replace approximately two-thirds of a worker's pre-injury gross wage bounded by state-based minimums and maximums. Lost-wage compensation may be subject to waiting periods or retroactive payment, but such compensation is exempt from taxes.[181]

This description makes clear that workers' compensation programs focus on wage replacement, but do not typically address nonwage compensation—such as benefits, losses not related to work, loss of future earnings capacity, and noneconomic losses. For this reason, in its 2004 report examining adequacy of earnings replacement in Workers' Compensation Programs, the Academy Study Panel noted that wage replacement alone may no longer be an adequate measure for all the losses an injured worker may experience.[182]

Unemployment Insurance

Unemployment insurance is a joint federal-state system to provide partial wage replacement to workers who lose their jobs through no fault of their own, and who are able to work, available to work, and actively seeking work. Workers become eligible for benefits if "they have earned enough money while they were employed to demonstrate strong attachment to the labor force" as defined by state law.[183] The programs also connect workers who lose their jobs with reemployment services.[184]

Most states provide benefits for up to 26 weeks, with the possibility for extended weeks of eligibility. In periods of nationwide economic downturn, Congress often extends the duration of eligibility for unemployment benefits. In such cases extended benefits are funded from general revenues. [185] Another extended benefits program created in 1970 authorizes an automatic increase in the number of weeks of eligibility for benefits by 13 or 20 weeks above a state's usual maximum if a state meets certain unemployment rate thresholds.[186]

Employer contributions fund the state unemployment trust funds. Some employers, like nonprofits or government agencies, reimburse the state's trust fund for benefits paid. According to the *Report to the New Leadership and the American People*, 140 million jobs nationwide are covered by unemployment insurance. Workers receive benefits "based on their past wages, up to a maximum weekly benefit" established in the relevant state. The average weekly benefit across the nation as of 2016 was roughly $300, which replaced about half of a worker's former wage up to the maximum benefit.[187]

The Academy's 2017 report surveying the status of all social insurance programs noted the gaps workers experience with the current eligibility criteria for unemployment compensation. First, emergency benefits are sometimes ineffective in supporting workers due to timing lags and to poor targeting for areas in greatest need.[188] Second, the current eligibility criteria do not account for changes in the labor force and the nature of work. The report listed changes such as the increase in multiple wage-earner households, the increase in part-time work, the continuing increase in older worker participation, increased participation by women in the workforce, the growth of low-wage service industries, the increase in the use of foreign and alien labor, and the increase in workers who are not involved in traditional employer-employee relationships.[189] The report recognized that changing base periods for qualifying earnings would address the situations of newer entrants into the labor market, as well as reentrants such as women and older workers. Extending eligibility for part-time workers was also noted as an area where eligibility criteria could be modified to address the needs of these workers.[190]

Conclusion

As this discussion illustrates, the current social insurance programs do not provide adequate income for many individuals to live with disability, unemployment, or in retirement. While the subject of how these programs might be reformed to provide more sustainable supports and to address new economic risks is beyond the scope of this paper, *adding* an assured income component to this infrastructure might provide a flexible resource to enhance economic security for all Americans.

Appendix Two: Potential Impacts Warranting Further Investigation

This description of potential impacts is by no means exhaustive. Its main purpose is to serve as a starting point for further research into potential impacts in an effort to project an assured income's effects.

Potential Positives

The chief potential macroeconomic impact of assured income is the boost it might provide to consumer purchasing power. Whatever its source, assured income is typically quickly spent by lower income and middle class households. This phenomenon is no surprise considering that forty percent of respondents to a recent Federal Reserve survey stated the largest emergency expense they could handle using cash or savings was $400.[191] Any new income thereby serves as a bottom-up stimulus, at least in the immediate future.

This stimulus effect would be especially true in the worst-off communities, some of which continue to be in recession despite a growing macroeconomy. In Baltimore city, for example, as of 2015 multiple heavily populated zip codes experienced unemployment rates exceeding 12%. In one zip code (21215), 15.8% of the 26,149 citizens in the labor force were unemployed according to data from the 2016 American Community Survey.[192] For reference, the peak national unemployment rate following the Great Recession was 10.0%.[193] Whereas much contemporary development of poorer urban communities results in gentrification—thus pushing out long-time residents who can no longer afford prices—an assured income might provide a similar local economic boost without displacing large subsets of the population.

One study carried out by the Roosevelt Institute attempted to model the macroeconomic effects of a universal basic income to estimate such a program's impacts. These researchers examined "three versions of unconditional cash transfers: $1,000 a month to all adults, $500 a month to all adults, and a $250 a month child allowance". The study modeled the effects using two different financing plans: deficit spending, or fully funded through increased taxes. In all cases when the program was funded by deficit spending the economy grew faster after 8 years than it would have otherwise. Taking distributional effects into account, the same was true for tax-based funding. For an "assured income" of $500, which most closely approximates that which is discussed in this paper, real GDP grew by an extra 6.50% when funded by deficit spending (6.79% with distributional effects), and 0% when fully tax-funded (1.65% with distributional effects).[194]

An assured income might also yield savings from crime reduction based on the assumption that much criminal activity, especially in areas with higher levels of poverty and surrounding communities, is the result of financial stress, or even financial desperation. Savings may also take place in health costs, as fewer doctor's visits will be postponed (to the extent that delaying visits is a result of insufficient funds), reducing high cost health emergencies in the long-run.

Assured income might also allow for increased investment in human capital, and more efficient allocation of the nation's labor resources due to more flexibility for labor market participants insofar as extra income will allow workers on the margin of participating in training and educational programs to partake, and insofar as an assured income will allow individuals to seek the "right" job, rather than taking the first job they can find in order to pay the monthly bills. This opportunity has the potential to increase the nation's long-run economic output by increasing the productivity and contributions of workforce participants.

Ecologically, to the extent that assured income is funded by pollution fees, it creates a virtuous feedback loop between a healthier planet and economic security. In the long run, however, as fossil fuels are phased out of use, the pollution fees will no longer be a significant source of assured income.

Finally, as a result of any number of the previously mentioned effects, assured income might lead to decreases in stress and corresponding improvements in health, family, and personal well-being—happiness. Assured income payments might also diminish social unrest to the extent that social unrest is linked to feelings of economic instability. And assured income payments might also, as one national political leader put it, make us "feel more connected to our country and to one another—part of something bigger than ourselves."[195]

Potential Negatives

Insofar as an assured income would lower the opportunity cost of removing oneself from the labor force, an assured income could reduce the size of the labor force. The higher the assured income, the higher number of people that would opt-out of the labor force, choosing leisure over labor. To the extent that having a larger labor force keeps wages and prices lower, an assured income might yield price increases independent of any inflation that may take place.

A study carried out by the Penn Wharton Budget Model attempted to capture these impacts. The authors are critical of the Roosevelt Institute study insofar as that model does "not reduce household labor supply [with the advent of UBI transfers]." Furthermore, the Penn Wharton authors argue that in Roosevelt Institute's model "an increase in government debt does not reduce GDP by reducing capital services," and that "a reduction in capital services is the central channel for how government debt impacts GDP in most dynamic models". Using the $500 per month to all adults scenario outlined in the previous section, the authors estimate that the plan "would increase federal debt by over 63.5 percent by 2027 and by 81.1 percent by 2032. GDP falls by 6.1 percent by 2027 and by 9.3 percent by 2032. The smaller tax base also sharply reduces Social Security revenue, by 7.1 percent by 2027 and by 10.4 percent by 2032". [196] A review of the merits and shortcomings of both the Roosevelt Institute and Penn Wharton models, and the use of other models in forecasting efforts, would both be instructive in evaluating potential impacts.

A second negative is that an assured income might reduce pressure on employers to be as generous in provision of benefits because they would be aware of employees receiving an alternate income stream. Employers may, therefore, pass on more healthcare costs to employees, for example, if not compelled to maintain some standard level of healthcare by the government. Generally speaking, an assured income might lessen the duty of employers to compensate their employees adequately.

A final negative, as is the case with any large government program, is the substantial cost of instituting an assured income. As is noted in "How Assured Income Might be Financed, Structured and Administered", cost is wholly dependent on the size of the benefit, and the portion of the population which receives the benefit. On the lower end, an assured income to all 201 million adults in the U.S. of $200 per month would cost $482.4 billion. An additional $100 per month to all children and elderly individuals would yield a total cost of $632.4 billion (assuming negligible administrative costs). On the higher end, an adult benefit of $400 per month would cost $964.8 billion, with an additional $200 per month to all children and elderly individuals summing to about $1.265 trillion. Cost cannot be overlooked as a potential deterrent to an assured income's feasibility.

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