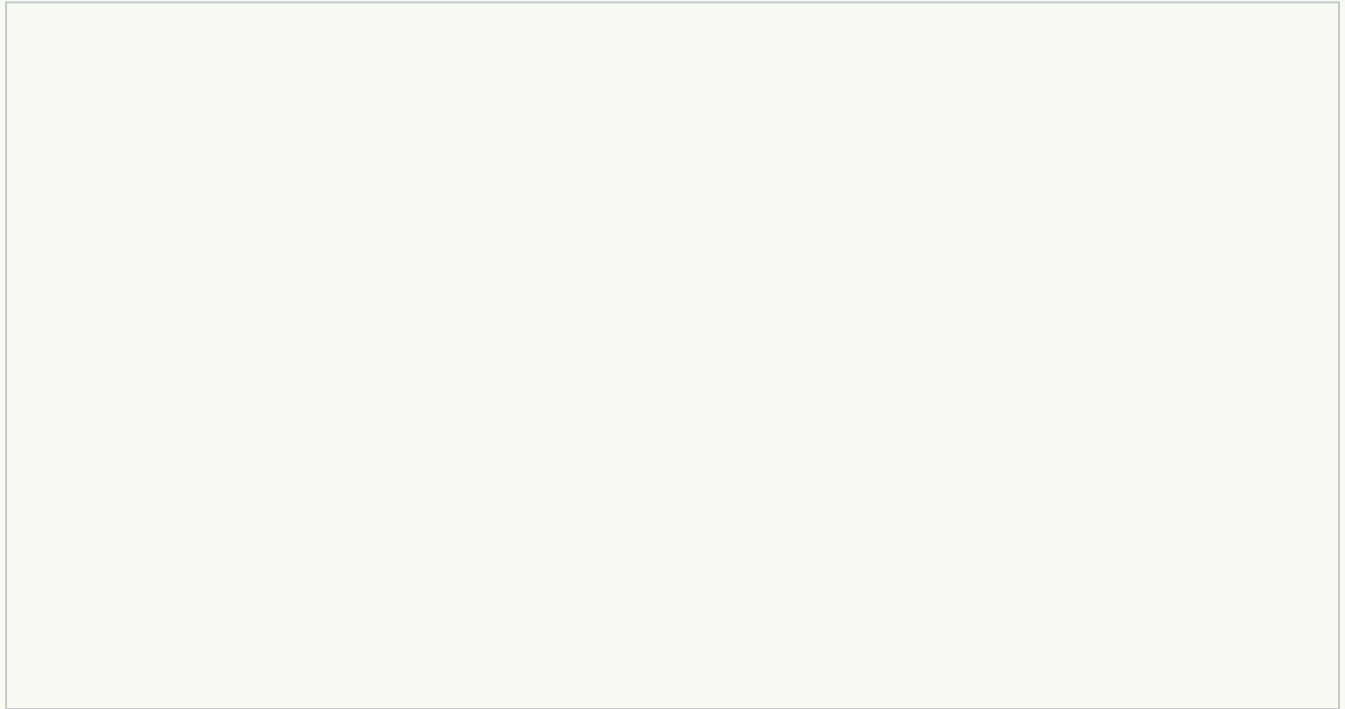


The Cost of Basic Income: Back-of-the-Envelope Calculations

Karl Widerquist 

Published/Copyright: December 7, 2017



Published by



DE GRUYTER

Become an author with De Gruyter Brill

[Submit Manuscript](#) →

[Author Information](#) →

[Explore this Subject](#) →



From the journal
Basic Income Studies
Volume 12 Issue 2

Abstract

This article shows how the cost of Universal Basic Income (UBI) is often misunderstood and greatly exaggerated. It then presents simple, “back-of-the-envelope” estimates of the net cost of a UBI set at about the official poverty line: \$12,000 per adult and \$6,000 per child with a 50 % “marginal tax rate.” These back-of-the-envelope calculations present a greatly simplified UBI scheme meant not as a practical proposal but as a method to obtain a ballpark estimate of the cost of UBI in isolation. Even with simplifying assumptions, these figures are several times more accurate than many common but exaggerated estimates. Key findings of this study include the following. The net cost — the real cost — of this UBI scheme is \$539 billion per year: about one-sixth its often-mentioned but not-very-meaningful gross cost of about \$3.415 trillion. The net cost of this UBI scheme is less than 25 % of the cost of current U.S. entitlement spending, less than 15 % of overall federal spending, and about 2.95 % of Gross Domestic Product (GDP). The average net beneficiary is a family of about two people making about \$27,000 per year in market income. The family’s net benefit from the UBI would be nearly \$9,000, raising their income to almost \$36,000.

Keywords: [basic income](#); [universal basic income](#); [transfer payments](#); [cost estimate](#); [public policy](#); [redistribution](#)

References

Bergmann, B. R. (2004). A swedish-style welfare state or basic income: Which should have priority?. *Politics and Society*, 32(1), 107–118.

[10.1177/0032329203261101](https://doi.org/10.1177/0032329203261101) (<https://doi.org/10.1177/0032329203261101>)

Congressional Budget Office. *The distribution of household income and federal taxes, 2013*. Washington, DC: Congressional Budget Office 2016.

Dinan, K. A. (2009). *Budgeting for basic needs: A struggle for working families*. New York, NY: National Center for Children in Poverty, Columbia University.

Forget, E. L. (2011). The town with no poverty: The health effects of a Canadian guaranteed annual income field experiment. *Canadian Public Policy*, 37(3), 283–305.

[10.3138/cpp.37.3.283](https://doi.org/10.3138/cpp.37.3.283) (<https://doi.org/10.3138/cpp.37.3.283>)

Greenstein, R. (2017). Universal basic income may sound attractive but, if it occurred, would likelier increase poverty than reduce it. *Policy Futures*, 1–5.

Pereira, R. (2017). The cost of universal basic income: public savings and programme redundancy exceed cost. In R. Pereira (Ed.), *Financing basic income* (pp. 9–45). New York, NY: Palgrave Macmillan.

[10.1007/978-3-319-54268-3_2](https://doi.org/10.1007/978-3-319-54268-3_2) (https://doi.org/10.1007/978-3-319-54268-3_2)

Proctor, B. D., Semega, J. L., & Kollar, M. A. (2016). Report number: P60–256: Income and poverty in the United States: 2015. In U.S. Census Bureau (Ed.). Washington, DC: U.S. Census Bureau.

Social Security Administration. *Monthly statistical snapshot, December 2015*. Washington, DC: Social Security Administration 2016.

Social Security Administration. (2017). *The Social Security Administration*. Washington, DC: Social Security Administrative Expenses.

Tcherneva, P. (2017). At issue: Should the United States adopt a Universal Basic Income?. *Congressional Quarterly Researcher*, 27(31), 741.

Tcherneva, P. R. (2006). Chartalism and the tax-driven approach to money. In P. Arestis & M. C. Sawyer (Ed.), *A handbook of alternative monetary economics* (pp. 69–86). Cheltenham, UK: Edward Elgar Publishing.

U.S. Census Bureau. Table 540. Government transfer payments to individuals by type: 1990 to 2009. *Excel*. Washington, DC: The Census Bureau 2011.

U.S. Census Bureau. Hinc-01. Selected characteristics of households, by total money income in 2015. *Excel*. Washington, DC: U.S. Census Bureau 2016a.

U.S. Census Bureau. *Poverty thresholds for 2015 by size of family and number of related children under 18 years*. Washington, DC: U.S. Census Bureau 2016b.

U.S. Census Bureau. Table Hinc-06. income distribution to \$250,000 or more for households: 2015. *Excel*. Washington, DC: U.S. Census Bureau 2016c.

U.S. Census Bureau. (2016). Quick facts.

Wilkinson, R. G., & Pickett, K. (2009). *The spirit level: Why more equal societies almost always do better*. London: Allen Lane.

Wray, L. R. (1998). *Understanding modern money: The key to full employment and price stability*. Cheltenham, UK: Edward Elgar.

Supplemental Material

The online version of this article offers supplementary material (<https://doi.org/10.1515/bis-2017-0016> (<https://doi.org/10.1515/bis-2017-0016>)).

Published Online: 2017-12-7

© 2017 Walter de Gruyter GmbH, Berlin/Boston



Article



Supplementary Material



Articles in the same Issue



<https://doi.org/10.1515/bis-2017-0016>

Keywords for this article

basic income; universal basic income; transfer payments; cost estimate; public policy; redistribution

Sign up now to receive a 20% welcome discount

Subscribe to our newsletter

[Institutional Access](#)

[How does access work?](#)

 De Gruyter Brill



[Our privacy policy](#)

[Our cookie policy](#)

[Accessibility](#)

[General terms and conditions](#)

[Legal Notice](#)

Have an idea on how to improve our website?

Please write us.

© 2025 De Gruyter Brill