

***Upgrading the Economy:  
Industrial Policy and  
Taiwan's Semiconductor  
Industry***

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# Upgrading the Economy: Industrial Policy and Taiwan's Semiconductor Industry

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# *Universal Basic Income is 21st Century Policy*

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## **Overview:**

- The idea itself of means-tested safety nets is deeply flawed
- We need new ideas in the 21st century
- The best idea is a fully universal basic income

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# An overview of means-testing

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### Why do we means-test?

**Assumption:** There are two kinds of people, the deserving and the undeserving. Those who do not deserve it, should not get it.

**Results:** The creation of tests and test-givers, along with the removal of that which is deserved when it is no longer deserved, and thus the introduction of bureaucracy, high marginal tax rates, Type II errors, and stigmatization.

### Type II Errors

Any test will result in false positives and false negatives.

**False positive** - Giving aid to those not in need - Wasteful at worst  
**False negative** - Not giving aid to those in need - Fatal at worst

### Clawbacks

Because all means-tested benefits are clawed back as need is determined to be lowered, earning additional income is actively disincentivized. Additionally, the process itself, with all its tests, isolates people from performing valuable self-organized work.

### Bureaucracy

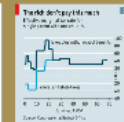
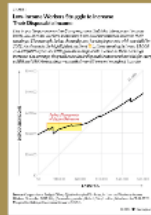
We have **over 200** separate programs in the US designed to help the poor.

These programs all have barriers to entry (and paid gatekeepers).

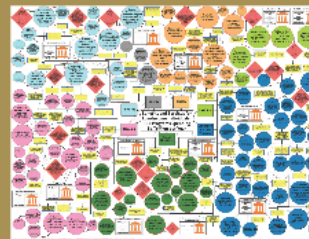
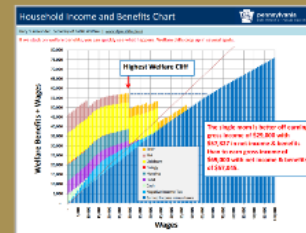
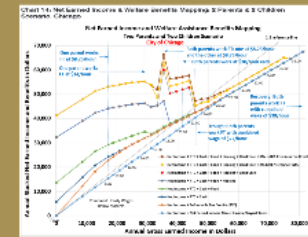
These programs all interact with each other to create "welfare cliffs."

### Stigmatization

Programs designed to aid the poor are stigmatized by those who do not receive them. This leads to public vilification, isolation, and loss of social status. Some states have programs, like the National Stigmatization and Elimination of Welfare Stigma Program.



If you are a single parent with even one child, it does not pay to work part-time, or temporarily, or for low wages. No one is taxed more for working than those receiving benefits.



# Old problems growing steadily worse

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Productivity dropped from wages crossed 1972

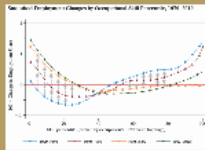


Surging power has been falling since the late 1960s

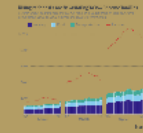


Small text block describing the data in the graph above.

Four decades of labor market transformation



Falling wages have increased rising costs of basic needs

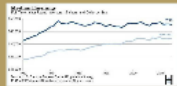


With all of this happening for decades, where are we now and what's just around the corner?

We are increasingly segregated by income with the top 20% winning and bottom 80% losing



Men are now earning less than in 1972



Those under 24 have seen 6% growth after 20 years. Something special is going on with those over 62

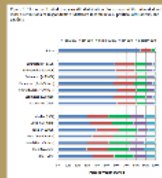


Incomes by race remain segregated and where they once all race, they now fall



# Extreme Inequality

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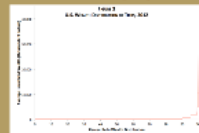
The income beliefs in the table below would be ideal for those nations 10% of the world's rich continue to have 10% of the world's income.

They actually have about 50% of the world's income but they themselves believe to have 10%.

They also believe the government should have at least 10% of the world's income but they have effectively 0%.

**Extreme inequality is only one urgent problem. There are more right around the corner...**

This is what extreme inequality looks like



### Effect of this much inequality on economic growth

OECD's had inequality remained as it was in 1990, US GDP would be \$1 trillion higher today, and would be even higher if we'd reduced inequality.

'The impact of inequality on growth stems from the gap between the bottom 10% with the rest of society, not just the poorest 10%. Anti-poverty programs will not be enough.'

### Extreme insecurity

The Federal Reserve surveyed 50,000 people in 2014 and found that 47% would not be able to handle an unexpected expense of just \$400 without borrowing money or selling something.

More than 45 million needing food assistance since 2011.

IME: If we were to reduce the incomes of the top 20% and increase the incomes of the bottom 60%, GDP would grow. Why?



**Multiplier effect:**  
 \$1 to the top adds 39 cents to GDP  
 \$1 to the bottom adds \$1.22

### Unequal Democracy

Citizens with an annual household income greater than \$100,000 are 80% likely to vote, while those with an income of \$5,000 or less are only 35% likely to vote. (Nonprofit Vote, 2012)

'When the preferences of economic elites and the stands of organized interest groups are controlled for, the preferences of the average American appear to have only a small effect on public policy.' (Glass and Page, 2014)

# Future Problems

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All routine jobs have seen no growth since 1990



What happens if routine jobs also stop growing?

Self-driving vehicles are on the way, including trucks



9.5 million drivers  
(842,000 '17-49)  
5.2 million related  
7 million dependent

Artificial Intelligence (AI) has arrived

- Deep learning algorithms trained by Big Data
- Defeated 18-time world champion Go player
- Exceeded total master level chess skill ratings 15 to 70 hours
- Learned to play basketball, recognizing only yards and points
- Can name a plate photograph
- Can outperform humans in IQ tests (< Master degree)
- Even passed a virtual Turing test!

Is there possibly one thing we can change that would actually have an effect on all of this?

YES

Challenges Ahead

- Is it even possible to create jobs faster than technology disrupts them?
- What happens to the unemployed? Education? Is it even possible to retrain everyone to be employed?
- If full-time careers are a thing of the past, replaced by job after job year by year and even gig after gig day by day, how do we design humane and just ways around that?
- How do we increase incomes for humans if demand for the labor of most humans continues to drop?



Employers Past



Employers Now

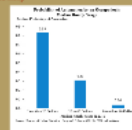
The rise of alternative employment

From 2005 to 2015, all jobs increased by 9 million

From 2005 to 2015, alternative work arrangements increased by 9 million

In other words, ALL employment growth since 2005 has been in alternative employment like temp jobs, contract work, and gig work—the "Gig Economy"

From the 2018 Economic Report of the President to Congress: If you make under \$20K there's an 82% chance your job will be automated away



# Universal Basic Income

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### Basic Income

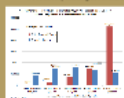
No matter what, every individual gets the same amount as everyone else as an equal income floor not above the poverty line.

In the U.S. this would be at least \$10,000 per year, and by definition it could eliminate poverty, but that is only one effect.

It's enough for anyone to reduce work which is both its greatest strength and the cause of its weakness.

### Can we find a universal basic income?

You're already looking about how it's done.



### What happens if everyone gets \$1,000/mo?

Will we require the TANF and SNAP to be larger and more expensive?

What are the effects on the social insurance system when we add another \$1,000 per month to everyone's income?

How much more would we have to pay for the TANF and SNAP to cover the additional \$1,000 per month?

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### What happens when work is no longer required to live?

Increased work for everyone means higher wages and higher tax rates on workers.

When the required wage becomes so high, working is no longer worth the effort.

Less for working people to work so that we can live.

Less for working people to work so that we can live.

Less for working people to work so that we can live.

### Is it all positive? Any negative effects observed?

#### Keynote Address

- More freedom to work or not work
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### The Entrepreneur Effect

In the cities where people have money, will entrepreneurs be spurred on?

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### A NEW New Deal Coalition

In a time when we can do nothing but to increase the size of the government, let us see what can be done to support those across the country who are poor and struggling together in the same crisis.

It is not the only change we need, but it is the change that will have the widest scope of impact.

### What kind of support is there for UBI?

- Economic Policy Institute, Peterson Institute
- William E. Shafer, University of Chicago
- Center for Budget and Programs Prioritization
- Robert R. Poole, Heritage Foundation
- Alan Krueger, University of Michigan
- Erik Olin Wright, University of California
- David Colander, University of California
- Alan Krueger, University of Michigan
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### Where might the world see UBI first?

- Universal Basic Income (UBI) in the UK
- The first to be implemented in the world is in the UK
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### Rare cross-partisan support

**Support from the Right:** The more we know about the program, the more we support it.

**Support from the Left:** The more we know about the program, the more we support it.

### What else happens when work is no longer required?

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### Effects observed so far

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### Is there evidence for any of this?

#### Positive Effects

- The American Income Maintenance Experiments
- Canada's Minimum Income Guarantee
- Universal Basic Income pilots in Namibia and India
- Studies of cash transfer programs all over the world
- GiveDirectly's work in Uganda and Kenya
- Studies of basic income near monthly lottery winners
- Alaska's annual Permanent Fund Dividend
- The Great Smoky Mountains Study of Youth

### Emergent Effects Cont.

- Reduced crime
- Increased health outcomes
- Reduced demand to live in high cost of living areas
- Startup incubator
- Countless more...

### Emergent Effects cont.

- Citizenship effects
- Move time to engage in political activism
- Greater ability to vote on election days
- Move time to volunteer locally
- Move time for parenting and other care work
- Less need for patents and copyrights



Means-tested targeted assistance no longer makes any sense in the 21st century, if it ever did at all. UBI is unconditional.

The benefits of technology have been concentrating wealth at the top to the point inequality is so extreme it's now pulling down GDP. This must be corrected by lifting the incomes of the bottom 40-60%. UBI would accomplish this.

The decline of bargaining power is a key factor and can be corrected by providing everyone the power to decline work entirely. UBI is the only way to accomplish this.

UBI simply works. It is inevitable to adopt, and the sooner it is adopted as the next step forward, the sooner we'll finally take another giant leap for mankind.

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