



DEPARTMENT OF GENERAL STUDIES

FINAL EXAMINATION

Student ID (in Figures) : [Grid of 14 empty boxes]

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Course Code & Name : ENG1023 English for Foundation Studies 3
Semester & Year : May – August 2020
Lecturer/Examiner : Nur Harizah Mohd Faiz
Duration : 2 Hours

INSTRUCTONS TO CANDIDATES

- 1. This question paper consists of 2 parts:
PART A (40 marks) : Grammar & Vocabulary – There are TWO (2) sections in this part. Answer both sections. Write your answers in the answer booklet.
PART B (60 marks) : Writing – There are TWO (2) sections in this part. Read the instructions carefully and write your answers in the answer booklet.
2. Candidates are not allowed to bring any unauthorised materials except writing equipment into the Examination Hall. Electronic dictionaries are strictly prohibited.
3. This question paper must be submitted along with all used and/or unused rough papers and/or graph paper (if any). Candidates are NOT allowed to take any examination materials out of the examination hall.
4. Only ballpoint pens are allowed to be used in answering the questions, with the exception of multiple choice questions, where 2B pencils are to be used.

WARNING: The University Examination Board (UEB) of BERJAYA University College regards cheating as a most serious offence and will not hesitate to mete out the appropriate punitive actions according to the severity of the offence committed, and in accordance with the clauses stipulated in the Students' Handbook, up to and including expulsion from BERJAYA University College.

Total Number of pages = 11 (Including the cover page)

**PART A : GRAMMAR & VOCABULARY (40 marks)**

**INSTRUCTION(S) :** There are **TWO (2)** sections in this part. Answer both sections. Write your answers in the answer booklet.

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**SECTION 1 : 20 marks**

**Instructions :** Fill in the blanks by choosing the most appropriate words in from the box. Write your answers in the answer booklet.

graduates	national	diploma	professional	academic	responsible
attendance	degree	aim	skills	nursery	institutions
senior	transition	grade	class	secondary	vocational
		colleges	career		

Unlike most countries, the United States does not have a (1)\_\_\_\_\_ system. Instead, each state is (2)\_\_\_\_\_ for organizing its own system of education, but most systems have a lot in common. School (3)\_\_\_\_\_ is compulsory in every state, but the age up to which pupils must attend school varies. Most students do not leave school before 15, in some states 18.

Early childhood education is generally designed for children 5 years of age or younger. Its chief (4)\_\_\_\_\_ is to develop habits, attitudes and (5)\_\_\_\_\_ that prepare pupils for school. In the U.S., more than half of all children from age 3 through age 6 attend some kind of early childhood education, mostly (6)\_\_\_\_\_ schools and kindergartens. Kindergartens (5-6) offer more advanced activities than nursery schools.

In elementary education Children generally attend elementary school from age 6 or 7 to about 11 or 12. Although in most schools pupils of the same age group meet in the same (7)\_\_\_\_\_, some communities have ungraded schools, where pupils from different age groups are in one (8)\_\_\_\_\_. Teachers have the same pupils all day long.

Since the 1960s there has been an increased emphasis on the intermediate or middle grades. Most school systems today offer special programmes for the middle grades as intermediate education. These middle school or junior high school programmes are designed to help students make the (9)\_\_\_\_\_ from elementary schools to (10)\_\_\_\_\_ schools. Pupils attend classes with different teachers for each subject.

Secondary education in the United States is the responsibility of (11)\_\_\_\_\_ high schools. It is designed to help students become responsible members of the community and prepare them for a job or for later studies. High school (12)\_\_\_\_\_ receive a (13)\_\_\_\_\_ to show that they have completed secondary education. Many schools have four year high schools with grades 9 – 12. They offer both general and (14)\_\_\_\_\_ courses of study. Students who want to get a job immediately choose vocational courses whereas others, who want to go on to a college or university, take (15)\_\_\_\_\_ courses.

Higher education is education beyond high school. More than half of all high school graduates in the United States get some kind of advanced schooling. Most of these (16)\_\_\_\_\_ are privately owned and operated. Many of the publicly owned institutions are state universities.

These schools include (17)\_\_\_\_\_, technical institutes, universities and professional schools. Community colleges, or junior colleges, sometimes offer a two year programmes in both general and (18)\_\_\_\_\_ education. Afterwards students get an associate's (19)\_\_\_\_\_ – a certificate that shows a student has undergone specialized training. Colleges and universities provide a wide section of studies that lead to a bachelor's degree. After a few further years of study you can attain a master's or doctor's degree. Most universities have special (20)\_\_\_\_\_ schools that provide training in business, law, medicine and so on.

**Adapted from:** [https://www.english-grammar.at/online\\_exercises/general-vocabulary/](https://www.english-grammar.at/online_exercises/general-vocabulary/)

**SECTION 2 : 20 marks**

**Instructions** : Write a sentence using each of the words given below. You may change the form of the verbs.

1. ambition  
ambitious
2. decide  
decision
3. economy  
economical
4. protect  
protective
5. specific  
specify

**END OF PART A**

**PART B** : **WRITING (60 marks)**

**INSTRUCTION(S)** : There are **TWO (2)** sections in this part. Read the instructions carefully and write your answers in the answer booklet.

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The following two sections are based on the accompanying **THREE (3)** articles.

**SECTION 1** : **10 marks**

**Instructions** : Provide the full referencing following the BERJAYA University College Harvard Referencing Style for each of the following **THREE (3)** articles.

**SECTION 2** : **50 marks**

This section requires you to integrate a variety of sources into a coherent, well-written essay. Refer to the sources to support your position; avoid mere paraphrase or summary. Your argument should be central; the sources should support this argument. Remember to include at least **ONE (1)** citation from **EACH** article.

*Several political discussions are related to the universal basic income debate, including the debates regarding automation, artificial intelligence (AI), and the future of work. A key issue in these debates is whether automation and AI will significantly reduce the number of available jobs and whether a universal basic income could help alleviate such problems.*

**Instructions** : Read the following articles (including any introductory information) carefully. Then, in an essay that synthesises all **THREE (3)** sources for support, take a position that defends, challenges, or qualifies the claim that **universal basic income is needed to alleviate problems regarding unemployment**.

## **ARTICLE 1**

Reed, H & Lansley, S 2016, *Universal Basic Income: An idea whose time has come?* London: Compass.

### **The case for a universal basic income**

A UBI would pay a tax-free, unconditional and non-contributory basic weekly income to every individual as of right, irrespective of how much they earned or their work status. It would aim to replace at least part of the existing social security system and would involve a profound revolution in the way income support is organised.

The principle of a universal basic income (UBI) has a long pedigree. It has been promoted over time by a diversity of British, American and European thinkers as diverse as Tom Paine, Bertrand Russell, Friedrich von Hayek, Martin Luther King Jr, Paul Samuelson, JK Galbraith and Milton Friedman. Significantly, and unusually for such a radical change, a UBI has gained support across the political spectrum, from right and left, from pro-marketeters as well as social democratic interventionists, though for very different reasons.

The left has seen such a scheme as a way of securing a robust income floor and of tackling poverty and but also as a means of promoting equal citizenship and encouraging a more equal distribution of income. For them (and us), it is a recognition that all citizens have the right to some minimal claim on national income. It is a profoundly democratic and egalitarian concept that promotes both security and genuinely effective freedom. The right, on the other hand, has favoured a basic income as a way of minimising state action in other areas, of offering both a minimum income and freedom of choice about how to spend that income.

A significant strength of a UBI is that, by providing a guaranteed minimum income, it would relieve a number of the flaws in the present social security system arising from the growth of state-imposed restrictions on benefits and its heavy reliance on means testing. A UBI would constitute a significant extension of the universal model of social security, creating a much more robust safety net, and reducing reliance on means testing and the growing problems of low take-up, the poverty trap and the stigma associated with it.

Many people in need fall through the net because of the growing complexity of rules over entitlement, while the much tougher system of sanctions introduced by the coalition government in 2013 has led to close to one million recipients being denied benefits altogether, from a minimum of four weeks up to three years. In a large number of cases, this has resulted in individuals and families running out of money entirely, leading to severe hardship and sometimes destitution for those with no other source of income.

Another key strength of a basic income is that it would provide more freedom and choice. By providing basic security, it would give people more time and more bargaining power in the labour market. With a growing debate about how to balance work–life commitments in a much more insecure work environment, a UBI would offer people greater flexibility between work, leisure and education, and over the type and length of employment, while providing greater opportunity for child care, caring and other community responsibilities. Some might choose to work less or take longer breaks between jobs. Others would be incentivised to start businesses. Some might drop out of work entirely to care or retrain, while others might devote more time to leisure, personal care or community support and less to paid work.

The opening up of greater choice would be especially beneficial to women. A UBI treats women as an individual, not as part of a household, giving them the potential for greater economic independence. Importantly, a UBI would both acknowledge and provide financial support for the mass of unpaid work, disproportionately undertaken by women, in childcare, care for the elderly and voluntary help in the wider community. It would also increase personal autonomy, enabling people, for example, to escape more easily from abusive relationships.

It offers an alternative tool for tackling poverty, a growing problem, which has become increasingly concentrated among the workforce since the early 1980s. Traditionally, the solution to working-age poverty has been through a mix of decently paid employment and state income support. But income support is being weakened while secure work is becoming less available. One of the great strengths of a basic income is that it separates survival from employment and production. Tackling poverty would become less dependent on the 'work guarantee'.

Significantly, a UBI would provide a more robust system of support in today's much more fragile economic climate. It would be a very effective tool for tackling growing economic risk, and especially the rise of technological unemployment. Indeed, one of the most compelling arguments for a UBI comes from the acceleration in automation, with the arrival of smart robots, 3D printing, algorithms, big data and driverless cars. The 20th century model of social security is not well fitted to the 21st.

The likely impact of today's technological advance is, as in previous periods of rapid change, hotly debated. Robert Gordon in *The Rise and Fall of American Growth*, for example, accepts that we are on the cusp of a software and IT revolution, but argues that the effect will be much weaker than widely predicted. Others, such as Andy Haldane of the Bank of England, have warned that very large numbers of jobs could be at risk. Although the full scale of the impact is inevitably uncertain, the weight of opinion is that technological and digital change will weaken the job prospects of large sections of the population at almost every level, from manual work through to the professions, as complex decisions are made better and faster by machines. It will certainly bring much disruption and upheaval for individuals and society, and is already doing so.

Some of those at the forefront of these warnings – the futurologists and technologists – have been among the strongest advocates of a UBI. In his 1995 book *The End of Work*, the American analyst Jeremy Rifkin concluded that the most effective way to at least partially protect those who would become displaced by machinery would be through a guaranteed income. Silicon Valley is full of fans of the principle of UBI, though with mixed motives. Martin Ford, for example, a Silicon Valley entrepreneur and author of *The Rise of the Robots*, argues that the most effective solution to the disruptive impact of automation, a process that will affect a wide range of occupations, is 'some form of basic income guarantee'.

Despite the inevitable disruption, the productivity gains likely to stem from automation could also offer potentially huge new social and economic opportunities. In 1931, in *The Economic Possibilities for Our Grandchildren*, JM Keynes predicted that by 2030 the growth of productivity would have created a society sufficiently rich that most people would choose more leisure and less work. The big social issue would be how to use abundant free time. In the event, Keynes was right about technological progress, but wrong about leisure. Keynes had not reckoned with the growth of turbo-consumption and the seemingly endless creation of new wants into new needs and the produce consume cycle that must go with it. Neither could he foresee the rise in inequality despite the rise in GDP.

But the new technological revolution opens up one possible route to the vision set out by Keynes, provided the fruits of the gains of the fourth industrial revolution could be harnessed to spread

opportunities and choice. But such potential wider benefits can only be realised if the inevitable disruption is minimised, any productivity gains are more equally shared and the losers compensated. If the winners enrich themselves and ignore the wider fall-out, then today's already gaping inequality and opportunity gap will simply widen further. The task for progressive policy over the next decade and beyond will be to manage this process and introduce a way of redistributing the benefits to all.

A UBI is one powerful tool for ensuring the gains are fairly distributed and not colonised by capital, while making an important contribution to realising the new potential for choice offered by the new technology, while ensuring that any losses are minimised. Indeed, these risks greatly reinforce the case for a UBI. Later we argue that one way of ensuring that technological progress is used for the common good is by a twin approach, in which a UBI scheme is funded, at least in part, by a newly created and dedicated social wealth fund. Such funds are collectively held financial funds, fully owned by the public and used for the benefit of society as a whole

Finally, there is an ecological argument for a UBI. The planet cannot sustain the current rates of consumption and growth. Could a shift to less work, underpinned by the security of a UBI, encourage us to find fulfilment in other ways than life as turbo-consumers, buying things we didn't know we needed, with money we don't have to impress people we don't know? Would the freedom and security offered by a UBI allow us to explore better ways to be fully human, without destroying the only planet we have? We don't yet know. But we need to find out, and fast.

## **ARTICLE 2**

### **Dimensions of basic income**

*De Wispelaere, J. and Stirton, L., 2004. The many faces of universal basic income. The Political Quarterly, 75(3), pp.266-274.*

#### ***Universality***

Universality refers to the extent of the population that is covered by a given policy. Typically, universal policies are open to all, while more selective measures single out a subset of the population as beneficiaries. One category of subjects often excluded from even the most universal schemes is non-citizens (however defined), while more selective measures discriminate even further to select eligible individuals or groups from the broader population. Selectiveness immediately invokes debate regarding the principles and mechanisms employed to decide on eligibility. In practice this implies building in some level of conditionality, discussed further below. The distinction between universal and selective measures, however, is often overstated on ideological grounds. To begin with, the label 'universalist' is misleading in cases where policies are universal in some respects but selective in others. Most policies in contemporary welfare regimes appear to fit this mixed-bag category. In addition, a strict divide between universal and selective measures is easily blurred in practice. Circumstances typically introduce selective effects in an otherwise universal policy; conversely, selective measures may well combine to mimic the effects of a universal policy.

Basic income advocates often favour an incremental approach to instituting a full basic income. One way in which this could be done is to have basic income type policies in a specific domain – child benefit, basic pension or sabbatical accounts – which are then gradually expanded or 'universalised' over time. Here too we must be wary about attaching too much importance to the label and ignoring what happens on the ground. In what follows we review various ways in which universal basic income schemes can be



more or less universal, as well as other salient dimensions in which concrete proposals can be differentiated

### **Conditionality**

Conditionality implies the extent of conditions built into a policy that may restrict a person's eligibility for a service. Most welfare policies come with different types of conditions attached that recipients need to satisfy to gain or maintain eligibility. Basic income is of course distinctive precisely in that it is purportedly unconditional or, failing that, at the very least only employs conditions that do not violate the programme's inclusiveness. An example of a conditionality requirement that ostensibly does not affect inclusiveness is Tony Atkinson's well-known proposal for a participation income.

To understand better the dimension of conditionality a number of distinctions need to be kept in mind. Conditionality refers in the first instance to formal criteria of eligibility that either imply a set of characteristics necessary to acquire eligibility status or, alternatively, impose certain behavioural constraints to retain eligibility (ex ante and ex post conditionality, respectively). In addition to these two main types we can discern hidden or implied forms of conditionality: a universal basic income can become more conditional because of the interplay with external contingencies, which may result in the policy effectively treating recipients differently within a formally uniform framework. Suppose we institute a fully unconditional basic income at a variable level related to a macroeconomic performance indicator such as GDP or employment rates. The level of the grant decreases when more people opt out of formal employment or if productivity decreases below a certain threshold indicator, which serves as a 'soft incentive' to pushing people back into work. While such a scheme does not have any formal conditions attached to it, it nevertheless institutes a set of incentives to contribute towards maintaining a certain level of production or employment.

Next, conditions can be strict or weak depending on whether they are 'set in stone' or there is a significant measure of bureaucratic discretion in assessing when a claimant has satisfied a requirement. Bureaucratic discretion invites a measure of arbitrariness, and may induce welfare administrators to engage in behaviour that violates professional standards. Interestingly, welfare workers often oppose discretion and prefer a system that rigorously outlines their duties precisely because they want to minimise the risk of unprofessional conduct. In addition, bureaucratic discretion may boost administrative error, particularly when rules change rapidly and become increasingly more complex. At the same time, basic income research should be aware of the literature in public administration and administrative law that points to the limits of administration 'by rule and rote' and of the appropriate uses of discretion.

Finally, conditions can also be narrow or broad depending on whether they result in more or less exclusive policies – that is, policies that capture a larger subset of the population. The Earned Income Tax Credit, for instance, only applies to those in work, whereas a participation income is meant to encompass a broader range of activities, and hence a broader range of target beneficiaries. This of course raises the precarious problem of who ends up making the decision to value certain social activities by including them in the participation requirement. This is not a moot point: conditions are often introduced within a universal basic income for political reasons, because decision makers believe there will not be sufficient political support for unconditional measures – although occasionally economic grounds are also put forward as arguments in favour of some conditionality. On the other hand, increased target efficiency associated with improved take-up rates is often cited as the strength of unconditional measures. In practice, the choice of a basic income scheme and its level of conditionality will depend in large part on which constraint we believe to be the stronger.

### ***Uniformity***

Uniformity is the extent to which all those who are eligible receive a similar level of benefit. Universal basic income schemes can deviate from this strict interpretation in at least two ways. First, we may decide to allocate different levels of transfer to different types of recipients, thus imposing a form of ex ante conditionality within the scheme. A familiar example is the use of age to differentiate the allocation of grants to children, adults of working age and pensioners. By making good strategic use of a distinction that is already embedded in existing welfare systems, basic income proponents make a better chance of bringing basic income in via the back door. Even noted opponents of unconditional basic income, such as Gøsta Esping-Andersen, favour universal child benefits and basic pensions, effectively endorsing a basic income ideal for a subset of the population. Differentiating uniformity provides a handy tool for policy design and advocacy.

Contingencies also affect the uniformity of basic income. Imagine, for instance, a universal scheme that is formally uniform but with the value to its recipients fluctuating in line with a set of external circumstances, such as the regional variation in cost of living. It is a matter of some discussion whether a basic income should remain uniform, as argued by Philippe Van Parijs, or instead regional price differences should provide a legitimate departure from the uniformity rule. Of course, policy-makers may well decide to use the differential value of the grant to actively influence certain behavioural traits: like taxes, grants may end up serving multiple purposes that need to be balanced. In principle, then, both uniformity and differentiation are consistent with most forms of basic income. Of course, one should keep in mind that at the margin a heavily differentiated scheme may no longer satisfy the key requirement of universality, blurring the line between 'differentiation' and 'selectivity'.

### ***Frequency/Duration***

Until recently, the dimensions of frequency and duration were somewhat neglected within universal basic income schemes. But at the end of the 1990s, a real cleavage emerged between universal basic income proposals that provide a regular income stream, as in unconditional basic income or participation income, and schemes where beneficiaries receive a one-off payment, constituting a capital stock as in stakeholder or capital grant proposals. With respect to income streams, a further relevant distinction should be made with respect to the timing of regular instalments. It does make a difference whether a recipient receives the grant on a weekly, monthly or even yearly basis. Shorter intervals often draw support from those who emphasise basic security, whereas advocates of equal opportunity, suspicious of any form of paternalism, typically favour longer intervals. Of course, timing may simply be determined by the surrounding administrative time frame: until recently, wages were commonly paid in weekly instalments in the UK or Ireland as compared to the majority of European countries that employed a monthly pay system. Having basic income 'piggy-back' on whatever system is in operation at any given time often makes good administrative sense.

While the distinction between streams and stocks informs much of the current debate, the distinction is prone to over-statement. Under the right circumstances income streams can be converted into stocks and vice versa, though it remains unclear whether such conditions are currently present in even the most advanced welfare regimes. In addition, many of the basic capital approaches seem to have some in-built mechanisms of ensuring that the entire grant is not wasted on so-called 'stakeblowing' activities. Once we take this expansion into account, the distinction between income and capital grant schemes diminishes.

A final consideration concerns the duration aspect of basic income. Putting a time-limit upon receipt of assistance is a measure common to most selective income support policies, but could conceivably be

used to render universal basic income socially and politically acceptable. A recent proposal by Stuart White argues in favour of introducing a temporary basic income scheme to combat exploitation and free-riding. Limiting the receipt of basic income to, say, a total of five years may deflect free-riding by recipients who would otherwise take advantage of the scheme, or at the very least render its overall effect less socially damaging. In addition to these normative considerations, a time-limited basic income policy may also reflect practical considerations, such as fitting neatly with other policies that make up the institutional background of that particular welfare regime (such as child benefit or universal pension provisions).

### **ARTICLE 3**

## **Universal Basic Income in the United States and Advanced Countries**

*Annual Review of Economics 2019 11: 929-958. Downloaded from [www.annualreviews.org](http://www.annualreviews.org). Access provided by University of California - Berkeley on 08/28/19*

**Hilary Hoynes and Jesse Rothstein**

### **INTRODUCTION**

Universal basic income (UBI) proposals are getting a lot of attention in high-income countries. A wide range of proponents, from Charles Murray, a political scientist and scholar at the American Enterprise Institute, to Andy Stern, former president of the Service Employees International Union, have backed the idea. We count six recent, high-profile trade books—including those by Murray and Stern—arguing for various forms of UBI as solutions to the problems faced by first-world economies (Murray 2016, Stern 2016, Van Parijs & Vanderborght 2017, Hughes 2018, Lowrey 2018, Yang 2018). Using a metric of mentions in New York Times articles, “universal basic income” appears 30 times in 2017 and nearly as many in the first six months of 2018. The term never appeared before 2014; even the more expansive search term of “basic income” averaged only two uses per year from 1945 to 2014.

Attention may be running ahead of actual policy development: There is little agreement on a definition of what exactly a UBI is. Moreover, basic questions remain unresolved concerning the specific problems the program is meant to solve, how the program relates and compares to other existing transfer programs, and the key research questions that need to be answered.

Our article attempts to fill this gap. We comprehensively examine the potential role of UBIs in advanced countries. We take three features to define a UBI:

1. It provides a sufficiently generous cash benefit to live on, without other earnings.
2. It does not phase out or phases out only slowly as earnings rise.
3. It is available to a large proportion of the population, rather than being targeted to a particular subset (e.g., single mothers).

### **DEFINE THE PROBLEM: WHAT PROBLEM IS THE UBI TRYING TO SOLVE?**

One motivation commonly offered for adopting a UBI is that the labor market is not delivering, or is not expected to deliver, adequate growth of wages and earnings for the lower portion of the income distribution. This is sometimes presented as the “robots are coming” argument: We can expect, the story goes, that robots will gradually take over a large share of the jobs currently done by people, leaving severe job shortages and declining wages in the jobs that remain. In principle, the robots should increase productivity and thus dramatically increase global real incomes (Acemoglu & Restrepo 2018). The concern, however, is that an increasing share of income will go to a small elite (e.g., the owners of the robot patents), leaving everyone else impoverished. Thus, in the automated world, the primary economic problem will be figuring out income (re)distribution schemes that enable the vast group of displaced

workers to maintain their quality of life and subsistence (and also perhaps engage in education, training, and other activities to promote re-entry into the workforce).

### **WHAT IS A UBI?**

A number of different transfers, with quite different characteristics, have been described as UBIs. There are two important terms to define: “universal” and “basic income.”

We begin with the second. Generally, a “basic income” is large enough to meet a family’s basic needs all on its own, without earnings or other sources of income. This is often operationalized as providing assistance to ensure family income is at or above the poverty level. Some also interpret “basic” to indicate a base that might be supplemented by other income, implying that the transfer is not reduced as earnings rise, at least over some range.

The first term, “universal,” is more ambiguous. In our reading, universal refers to a program that is

- available to everyone, without targeting based on family structure, presence of children, age, or disability status;
- provided to those without earned income, and even without any effort to find work; and
- provided to those with relatively high earned income, not only those in deep poverty.

An idealized UBI might have all three of these universality features, but many proposals do not.

A fully implemented program with these universal and basic income elements would be extremely expensive. A universal payment of \$12,000 per year to each US resident over age 18 would cost roughly \$3 trillion per year. This is about 75% of current total federal expenditures, including all on- and off-budget items, in 2017. (If those over 65 were excluded, the cost would fall by about one-fifth.) Thus, implementing this UBI without cuts to other programs would require nearly doubling federal tax revenues; even eliminating all existing transfer programs or government aids, which is about half of federal expenditures, would make only a dent in the cost. To bring this cost down, most UBI proposals and pilots in the developed world fail to meet the conditions of the established program in some way, either by reducing the payment below a subsistence level or by limiting eligibility based on income or other family characteristics.

### **ONGOING UBI PILOTS AND THE RESEARCH AGENDA GOING FORWARD**

The renewed interest in UBIs in recent years has led to an explosion of policy developments and research efforts. In particular, there are several ongoing pilots and experimental studies, and others in the planning stage, that will test programs billed as UBIs. However, they will shed little or no light on any long-term effects, such as those operating through human capital accumulation, or on the psychological and political effects of universality.

There is a good deal of evidence from a range of settings that substitution effects on short-run labor supply are moderate and income effects are small. There is also clear evidence that additional family resources improve children’s outcomes, including health and school achievement. Longer-run effects on the other hand, are much harder to study using randomized and natural experiments. We do know that more resources in childhood have long-run effects on child development and health. However, do more resources in adolescence and early adulthood lead to greater human capital investment, translating into increased labor supply later? Does greater income in periods of joblessness lead to training or other investments that improve outcomes in the longer run? Does financial stability affect willingness to take risks or long-term planning? We know little about these.

A crucial part of the design of any UBI policy is the need to finance it. As we have emphasised, funding a program that is both universal and provides a basic income will require raising enormous new revenues. The financing mechanism is, therefore, likely to have quite important effects on its own, in terms of both the labor supply impacts of new taxes and the political economy aspects of this change. The existing labor supply literature provides useful evidence for understanding the labor supply effects. The political economy effects, however, are harder to predict. A crucial question is whether the (perceived) benefits of universality can be maintained in the presence of substantial new taxes levied on a small share of the population.

## **CONCLUSION**

Interest in UBI is on the rise in the United States and other advanced countries. Decades of wage stagnation and concerns about automation, robots, and job destruction, as well as discontent with the current social safety net, provide the foundation for interest in this area. Support for UBIs has led to several pilot programs and policy proposals in the United States, Canada, Finland, and Switzerland. Despite all of this, there is a lack of clarity on what makes a UBI, what problem it is meant to solve, whether the social safety net can provide or is providing these benefits, and what (if anything) can be learned from the pilot programs that we do not already know from the decades of existing research on individual and household responses to the social safety net, and on wages and income opportunities more broadly.

A pure UBI (providing a set benefit to all regardless of income, age, etc.) funded to meet basic needs for a household without earnings would be extremely expensive, about twice the cost of all existing transfers in the United States. Funding it would require substantial new revenue. The source of the new funds is a first-order issue and will have substantial impacts on the distributional effects of the policy and its ability to target those most in need of assistance. In particular, replacing existing antipoverty programs with a UBI would be highly regressive, unless substantial additional funds were put in.

**END OF EXAM PAPER**