

# “From Virus to Vitamin” Newsletter

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**Universal basic income -  
an idea  
boosted by the pandemic?**



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## QUESTION UNDER DISCUSSION

**"The coronavirus crisis and the restrictions on economic activity have threatened the livelihoods of many of the poorest families on the planet. To respond to this global crisis, some governments around the world consider how to expand their social safety net as many - especially women - in household or informal economy are left without any support. In this context, the idea of "universal basic income" has resurfaced in many places. Where does this debate stand today in your region? Has it been affected by the pandemic?"**

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## EDITORIAL

### Universal basic income - an idea boosted by the pandemic?

The idea of a universal basic income (UBI) was, until recently, a utopian proposal relegated to academic discussions. But the experience of the pandemic has led to a marked increase in discussion of UBI as a potential tool of public policy, to the point where several basic income programmes are now running around the world. Advocates see in UBI an instrument to build more resilient societies in the face of pandemics, income inequality and automation, while critics argue that governments should strengthen existing social programmes instead.

On 15 June 2020, Spain offered monthly payments of €1,015 (1'145 \$) to the poorest families. Germany implemented a small-scale pilot programme, testing such a system in a three-year study, with monthly payments of \$1,430 (€1,200) to 120 Germans. In the UK, a motion to introduce a UBI has been signed by 100 parliamentarians from across the political spectrum. In the US, the government paid \$1200 to all adults earning less than \$99 000 annually. Thus, it seems that the crisis has shifted the UBI debate, at least in some European countries and in the US.

However, in South and Central America, the debate on the desirability of UBI “could not take off given the very severe fiscal constraints in most countries”, despite the Bolsa Família (Family Allowance) experiment of President Lula. This indicates that this debate is in part country-specific and that the implementation of UBI may “require several national experiments which are likely to influence

corresponding variations in policy design.”

Indeed, UBI is not a programme “one size fits all” and many schemes may be imagined along the following alternatives: 1). Per household (how to define?) or per person (adults only)? 2). To all or only to the bottom of revenue/wealth pyramid? 3). Temporary or permanent? 4). What will be the effect of such a policy on willingness to be present on the labour market? 5). Gender inequality? 6). How would household adapt to it in terms of time devoted to education, elderly care etc. and would these adaptations affect the demand of some public/private services; 7). Relation to other social security measures 8). How to finance it – specific tax on the top of the revenue/wealth pyramid, Tobin tax or alike...?

Build on experiences, compare them, collect evidence is the first step to build an opinion of the feasibility and consequences (also collateral) of UBI. Thus, it could be a long time before governments and the wider population adhere to it, unless this very moment of crisis can serve as a catalyst for socio-economic change, contributing to make UBI part of the legacy of the pandemic.

**[Virgile Perret](#) & [Paul H. Dembinski](#)**

“... ensure that everyone has a floor on which to build his life ...”

World GDP in 2020 reached 90 trillion dollars. To bring this number down to earth, it means that what we presently produce is equivalent to 3800 dollars a month per four-member family, amply sufficient for everyone on earth to live a dignified and comfortable life. **A modest reduction in inequality and a flat redistribution to adults is sufficient to ensure that everyone has a floor on which to build his life.** Huge financial resources lay idle in the world, growing not through productive investment, but financial rent. Taxing them might make these resources useful, stimulating demand and production at the bottom, while drastically reducing poverty. Those who do not need the support might just be taxed back for the amount.



[Ladislau Dowbor](#)

“... a certain confusion reigns here around the notion ...”

**In France, the debate concerning a “universal basic income” remains confined to academic spheres and to a few militant groups.** The issue was, however, put in the political agenda by the socialist candidate in the last presidential elections (spring 2017), that is to say before the outbreak of Covid-19. This candidate achieved a very poor score. **The crisis itself does not seem to have brought the problem to the fore.** It is true that a certain confusion reigns here around the notion: is it a real universal basic income, a negative tax, aid to citizens without resources, or a subsidy to all the residents? **The imagination is lost; which does not help the political inscription of this notion, nor the serene economic discussion.**



[Étienne Perrot](#)

“... with the Covid crisis, the idea is resurfacing ...”

**In June 2016 a proposal to introduce a universal basic income was rejected by three-quarters of Swiss voters and all Cantons.** With the Covid crisis, the idea is resurfacing, but to gain traction it will need to address two issues. The first is **how to finance it**, especially if UBI should be enough to live on, without having adverse incentives for work and the tax base. The second is **why provide support to everyone instead of those in need.** Even with the pandemic the vast majority of the population has kept their income, and thus do not need support.



[Cédric Tille](#)

**“... dissatisfaction with existing social-security systems ...”**

**Dissatisfaction with existing social-security systems has recently led to greater attention to the Universal Basic Income (UBI).** Perhaps the best known experiment is that carried out on a limited sample of recipients in Finland. In the recent municipal elections in the UK, almost 300 candidates of the Green Party were declared supporters of the UBI. Supporters stress the automaticity and universality of the UBI, which are believed to contribute to wellbeing and the ease with which beneficiaries are able to handle other problems of their lives. Critics stress the undesirability of the delinking of financial benefits from particular welfare services owing to its likely impact on popular support for these services. **This is a debate that requires several national experiments which are likely to influence corresponding variations in policy design, including other solutions such as negative income taxes or simply strengthened social security.**



[Andrew Cornford](#)

**“... the proposal could draw away people from the labour force ...”**

**During the pandemic, the Spanish left coalition government accelerated a plan called Ingreso Mínimo Vital, expected to hand out between €462 and €1015 per month according to the conditions of each household unit.** This in part replaces or adds up to existing regional schemes. Until March 2021, 210.000 beneficiaries had their submission approved, of a total of 1.3 million requests. The Unions and a few NGOs – some of them very efficient in relieving newly emergent poverty – denounce slowness and administrative maze in the process. Spanish unemployed still number 3.6 million (15.99%) plus about 750.000 in furlough schemes. **The proposal, if successful, could draw away people from the labour force, whereas we need public-private policies aiming to the contrary!**



[Domingo Sugranyes](#)



**“... these measures would provide tangible help that women need right now ...”**

For myriad women in economies of every size, along with trailing income, unpaid care and internal work burden has exploded. While all are facing unprecedented challenges, women continue bearing the brunt of economic and social fallout of COVID-19. **Pandemic-induced poverty flow will also widen gender poverty gap that means more women will be pushed into extreme poverty than men, thereby revealing women’s precarious economic security.** Introducing direct income support to women would mean giving cash directly to women who are poor or lack income that can be a lifeline for those struggling to afford day-to-day necessities during the pandemic. **Further, these measures would provide tangible help that women need right now.**



[Archana Sinha](#)

**“... in Central America, it has not even been considered ...”**

In Mexico the discussion went to Congress as a proposal in June 2020 and is unapproved with a cost 1% of GDP. **In Central America, it has not even been considered as it is too onerous for the limited public finances of those countries. In Brazil, Chile, Colombia and Argentina, among other countries in the region, there is public discussion on the desirability of UBI promoted by ECLA and UNDP and has not taken off given the very severe fiscal constraints in most countries.** UBI would not reduce inequalities as people who do not need it would get it and families with many adults in one household would get a bigger share than those with children.



[Oscar Ugarteche](#)

**“... at the center of the most dynamic debates ...”**

The pandemic triggered a socioeconomic downturn - already sharpened by the 2008 debt crisis - that raised the economic uncertainty and widened inequalities. Fundamental rights and basic life parameters are at risk, especially for the poorest of the poor. Scholars, experts and citizens feel that it's surely the time to voice up their support for a series of socioeconomic initiatives, the universal basic income being at the center of the most dynamic debates. The southern Mediterranean countries and Greece prioritized the pandemic effects and kept aside for a short period of time the “austerity measures”. **However, Greece is expected to turn back to the “economic stability narrative” as described during the debt crisis, a fact that disempowers a possible engagement to the UBI debate. If this becomes - as it should - an international matter, weaker economies will follow.**



[Christos Tsironis](#)

“... popularizing the idea of universal basic income (UBI) in the U.S ...”

**Thanks Andrew Yang for popularizing the idea of universal basic income (UBI) in the U.S. Yang ran in the 2020 Democratic presidential primaries, offering the “Freedom Dividend”, a UBI of US \$1,000 a month to every American adult, as a solution to the eventual replacement of (nearly all) humans with automation.** He scarcely answered how his UBI was to be funded, a significant, but not insurmountable, problem for UBI’s proponents. UBI skeptics were somewhat silenced when the former and current Administrations sent out modest checks to those who lost jobs in the pandemic, in a series of massive economic rescue packages. Maybe the rescue plans are a nascent solution to UBI funding: higher taxes, deficit spending, and pump priming.



[Kara Tan Bhala](#)

“... Italy introduced 2 years ago the *Reddito di cittadinanza* ...”

**Italy introduced 2 years ago the *Reddito di cittadinanza*, with 1.2 millions Italians receiving this first attempt of universal basic income (560 euro on average), at the condition of refusing no more than two job offers.** In two years, only a small number of citizens actually signed a contract, as most offers were short-term. On the other hand, Italy just presented its *PNRR (Piano Nazionale di Ripresa e Resilienza)*, consisting in €235,12 billion. Roughly 27% of the resources of the plan will be devoted to digital agenda, 40% to investments to counteract climate change and 10% to social cohesion. Particular attention was paid to the historically-disadvantaged *Mezzogiorno* of southern Italy (€82 billion, of which 36 in infrastructures) with projects involving young people and women, groups hit hard by the socio-economic impact of the pandemic.



[Valerio Bruno](#)

“... the pandemic has revealed the social value of unpaid or underpaid work ...”

Everyone without exception is entitled to an income. Traditionally it is mainly provided in exchange for work. It may be the work of people or of capital. Some forms of work may be unpaid, or not paid enough to provide a living. Many people depend on what Germans call “givers of work” for their income: their work is servile. Some people are not fit to work at all, e.g. the very old. **The pandemic has revealed the social value of unpaid or underpaid work. It has also revealed how slow, cumbersome and unfair are the rules governing social security, so that many fall through holes in the safety net. Universal income plugs many holes and frees workers from servility.**



[Edward Domen](#)

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## “FROM VIRUS TO VITAMIN” – JOIN THE DISCUSSION

**The Observatoire de la Finance** intends to seize this period of pandemic to step back and take a fresh look at our global economic system, dare to ask new questions which the current crisis brings to the fore and propose innovative ways to rebuild a more resilient and sustainable economy and society. In brief, we want to turn the virus into a vitamin for the future.

**Our Discussion Board** “From Virus to Vitamin” focuses on commenting issues relevant to finance and economy in relations to society, ethics and the environment from a variety of perspectives, of practical experiences and of academic disciplines. It has been designed to share and discuss information and opinions expressed in a short and concise manner.

**Contributors** ([Discover the list of contributors](#)) are invited to react on a question/issue that is submitted in parallel to a limited group of experts. This happens on a regular basis, through a dedicated mailing list. After the deadline for submission, the reactions are edited and published with signatures in one document on the website of the Observatoire de la finance and on its LinkedIn page. If you would like to join the discussion, you may send an email to the editor, Dr. Virgile Perret <[perret@obsfin.ch](mailto:perret@obsfin.ch)>.

### OF Discussion Board – Questions addressed so far

- Question 15 : [Multi-polarity: the best guarantee against falling \(again\) into the Thucydides Trap](#)
- Question 14 : [Special Drawing Rights: a drop of liquidity in an ocean of needs](#)
- Question 13 : [Trump’s economic heritage: false promises setting the stage for populist disruption](#)
- Question 12 : [Will America drive the world again? A wish list for Biden’s economic agenda](#)
- Question 11 : [Rush for Covid-19 vaccine: bottle-necks require public-private worldwide](#)
- Question 10 : [Does robotisation trigger redistribution?](#)
- Question 9 : [Scaling up industrial policy at regional level](#)
- Question 8 : [Stock markets and the real economy: dangerously skewed allocation](#)
- Question 7 : [Realigning international trade according to the full cost principle](#)
- Question 6 : [Indulgent creditors and industrial policy](#)
- Question 5 : [Caring for care](#)