

Basic Income: good in the boom, essential in the crisis

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Basic income (BI) is a guaranteed regular income (ideally above the poverty line) paid by the State to each full member or accredited resident of a society, regardless of whether he or she wishes to engage in paid employment, or is rich or poor, whatever his or her sources of income might be, and irrespective of cohabitation arrangements in the domestic sphere. Today's economic crisis invites reflection on the role a basic income might play as an effective way of combating some of its worst effects, especially in protecting some of the hardest-hit groups.

Evidence from the Kingdom of Spain and the Republic of Argentina shows how the problems are similar, although with different content, in both more and less developed countries. Although the epicentre of the crisis is in the rich countries and the United States in particular, it exacerbates the problems specific to the less-developed countries that have also benefited from the boom of recent years thanks to inflated demand from the richer countries, high commodity-market prices and low finance costs. This created a feeling of bonanza, nourishing the belief that problems of unemployment, poverty and income distribution could be palliated by a spill-over of economic growth in a globalised world. The facts reveal another picture.

The United States Government responded to the crisis by awarding money to agents who had recklessly, if not criminally, administered financial assets. This very accommodating public aid, summarily disbursed to the very people who caused the crisis, contrasts interestingly with policies like BI that aim directly to confront the problems of the more vulnerable casualties of the crisis. While public funds are being shelled out to save the businesses of people who still seem to be raking in succulent emoluments, it is still not accepted that ordinary citizens, the most needy, should be given a BI because such a "hand-out" would be a disincentive to work.

The objection to BI, then, is not a matter of an idea that it is unreasonable to use public monies to distribute income, or that it is inefficient to regulate markets.

Systematically overlooked is the key question of to whose benefit are markets regulated and income distributed. The present crisis is one of a model of growth regulated and propelled by finance, one of its core characteristics being an inflation of assets and credit expansion slanted towards the better-off sectors.

This process of financialisation of the economy went hand-in-hand with a major regressive distribution of income and greater elasticity of occupational earnings in both central and peripheral countries. Families were forced to supplement their earnings with income derived from the inflation of the assets they held in the capital market (pension funds, investment funds) and the credits (especially mortgages) they obtained by offering these assets as a guarantee. For the poor, at most financial globalisation held out microcredits in relatively few cases. Instead of being “beneficiaries of rights”, however, they became debtors and clients of the institutions that “integrate” them into the financial system.

Much is being said about the need for new regulatory institutions in the face of the failure of multilateral organisms to prevent or administer economic crisis, and hardly anything about the need to revise the policies and institutions that distribute income and the right to an income. This is where BI comes in as a rational way of distributing income in a more stable and egalitarian way to people who live from their labour.

It is also a complementary measure in providing a cushion when jobs are threatened by unemployment and the self-same adjustments that are now in the pipeline for “confronting” the crisis. The reorganisation of the world economy is not just a matter of finance. It is a problem of the whole system of protecting society from the consequences of the crisis unleashed by fundamentalist believers in the untrammelled market and perpetual growth.

A few figures illustrate the magnitude of the problem. In one year (February 2008 to February 2009), official unemployment figures in Spain rocketed up by 1.1 million. The forecasts of 13 survey services show that the average official figure for unemployment will have risen to 18 per cent by the end of 2009 while the unemployment figure for 2007 was 8.2 per cent. *Eurostat* data shows that of all the countries in the European Union, Spain is the one that has lost most jobs.

Unfortunately, it is not possible to give detailed figures for Argentina because, since the beginning of 2007, the government has taken over the Instituto Nacional de Estadísticas y Censos (National Statistics and Census Institute), which has led to distortion in all social and economic indicators. Nevertheless, in the last trimester of 2008, several alternative indicators showed a brusque downturn in economic growth and a rise in unemployment. According to ECLAC (Economic Commission for Latin America and the Caribbean), 2008 signalled the end of a six-year period of growth in Latin America and heralded increased unemployment and an expanding informal sector.

In the last 30 years, the percentage of people below the poverty line in Spain has remained at around 20 per cent. While economic growth has maintained the proportion of poor people stable, negative or very small positive figures will mean a spectacular rise in their numbers. In the case of Argentina, official data indicated that between 2006 and midway through 2008 poverty figures had dropped from 27 per cent to 21 per cent, private estimates set the new figures at 33 per cent. This was before people began to feel the pinch of the crisis and the economic downturn at the end of 2008.

What might a policy like BI equivalent to or just above the poverty line contribute to situations that have already appeared and those that are being predicted?

Basic Income and the hardest hit

First, with an indefinite BI a job loss would not have such distressing effects on the well-being of the casualties of the system. The fast-growing numbers of the unemployed performe creates pressure on workers to accept precarious, unstable employment of any kind, without social security. A universal and unconditional BI would mitigate these problems in the sense that workers competing for jobs would have more margin for choice in the certainty of receiving a guaranteed income whatever their employment situation.

Second, BI offers a measure of risk reduction for people embarking on certain projects of self-employment. This is true for those who have some cushioning (mostly family) that enables them to plan a business undertaking rationally and reasonably, and those for whom self-employment is the only job possibility open to them in the absence of paid work in the formal sector.

In the latter case, the risk involved is not only one of losing the original investment but also the means of subsistence, which makes any decision much more anxiety-ridden. BI is more efficient than micro-credits in stimulating the creation of small businesses and co-operatives because it is universal and it means a permanent, stable income that would not generate debts (or usurious interest). BI would also be a better guarantee of being able to cope, even if partially, for those who do not make a success of their small business ventures.

Third, BI would represent, in the case of strikes, a kind of unconditional resistance fund, offering an improved bargaining position to workers who would better equipped to confront the labour conflict: nowadays, depending on how long a strike lasts, salaries can be cut to levels that are barely sustainable if - as tends to be the case with the great majority of workers - no alternative resources are available.

Labour conflicts are notably on the rise as a result of the crisis, since this does not only entail loss of jobs but also cuts in salaries and other benefits of being employed. BI could play a very significant role in defending jobs and working conditions.

Contrary to what some people think, BI is not an alternative that substitutes for income earned in a job but it is an instrument that can shore up the position of the employee in the workplace. A universal and unconditional BI would make it possible for workers to unite in their struggle around a right that would benefit them all, whatever the situation of any specific activity, while also offering more breathing space for holding out in a strike.

Fourth, a BI would be one element that would help to stave off the more serious consequences of poverty and could even put an end to it. BI might have a role as a way of preventing the ranks of the poor from swelling even more, a goal that has never been achieved by the host of welfare programs that operate - in Latin America, for example - on the principle that proof of need must be demonstrated before benefits are awarded. The need that must be proven is often so dire that members of this vulnerable segment of the population are often unable even to try to present proof of what is so patently evident. The crisis reveals the failings of [Conditional Cash Transfer Programs](#), which

are massively present throughout Latin America, in responding in a timely and appropriate fashion to the needs of the hardest-hit groups.

Fifth, one much-discussed matter that arises with the crisis is the need to sustain family consumption patterns, to keep demand levels stable and thereby to restore confidence and the spirit of investment. During the boom years, many families enjoyed a consumption capacity well beyond their means thanks to the inflated prices of investment fund assets, along with liberal consumer credits, and especially mortgages. Now the adjustment will come not only by making inroads on this extra income but because salaries will have to drop too and part of them will go towards debt repayment.

BI is a much more streamlined and egalitarian way of distributing consumer power to sustain demand, especially in the countries with levels of inequality like those of Latin America where domestic demand has mostly been maintained by the luxury consumption of the well-off. BI is not only a just way of distributing income towards the more vulnerable groups without causing stigmatisation but it is also efficient in spreading and hence stabilising consumer demand in the domestic economy.

The reasons we have given to explain why a BI would be more pertinent than ever in the current worldwide economic situation do not invalidate the arguments in support of the proposal in a technically hypothetical situation of full employment and economic prosperity. Indeed, the proposal adapts to the cyclical mode in which economic and social systems evolve, a process that, far from happening smoothly and continuously, lurches from crisis to crisis and that is constantly restructuring its organisational models.

In times of economic crisis, when millions of euros have been dished out in support of “financial mismanagers”, arguments that question the distribution of public funds among the neediest sectors of the population are at best spurious. There can no longer be any doubt about it: the problem is not one of funds but of the political volition to distribute them with one or other end in mind. Moreover, the different impacts of the crisis will be even more devastating because of the lack of political commitment to go ahead with proposals like that of BI in more buoyant moments.

Blind trust in the positive effects of a short-term cycle of economic, employment and credit growth should be replaced by constant reformulation of fiscal transfers in order to bring a BI into operation and thereby underpin the growth cycle and avoid the worst effects of crises. The credit a citizen should have is not the one tied to a home mortgage but the one that is his or hers as the right to exist and to live in society.

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