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The Next Phase: We must demand basic income

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The world will change permanently after the pandemic eventually fades. But if it is to change for the better, an economic transformation strategy must be developed now. For that, we need to be clear about what was fundamentally flawed beforehand.

The neoliberal economics that predominated in the past three decades set out to shrink the social state, and had a populist tinge of tax cuts, particularly for the rich and for corporations, that necessitated public spending cuts, ostensibly in order to balance budgets.

It was a false model, but one that resulted in a vast strengthening of rentier capitalism – high returns for the owners of property – and weaker social commons. The latter meant fewer social homes, shrunken social services, weaker state healthcare and feeble social care. We are paying the social price now, with more than 10,000 deaths in Spain alone. Our social overcoat was in shreds.

There was also a plunder of the natural commons – fewer open spaces, fewer fish in the sea, less clean air and water, fewer well-maintained parks and forests. And there was a weakening of the civil commons – equal fair justice for all. Above all, we saw a loss of the intellectual commons, as the development of an international intellectual property rights system allowed the plutocracy and plutocratic corporations to take more and more of the income being generated.

So, a key part of the revival strategy must be to dismantle rentier capitalism and revive all our commons. No politician or political party should be entertained unless they articulate a strategy for that.

However, the highest priority must be given to the construction of a new income distribution system. That must start now. We need governments and international organisations to introduce an emergency basic income. I have urged this before in these pages. Since then, it has been enormously encouraging that large numbers of people around the world have found themselves realising that something like a basic income for all is essential.

Governments must realise that there is no alternative that would reach all segments of society. Some governments have claimed they must target help on the most vulnerable, and have introduced means-tested social assistance and wage subsidies. But they will come to realise that almost everybody – except the plutocracy that can retreat to their super yachts and secluded estates – is acutely vulnerable not only to the pandemic but to economic woes, bankruptcy and other illnesses.

Trying to identify the poor in a systemic shock that today’s is like searching for the man who is closest to drowning in a shipwreck while leaving the rest to sink. We *all* need help. The administrative process required to target those most in need will be chaotic, bureaucratic, chronically inefficient and inequitable. And even politicians may notice that very few civil servants will want to go out to check on the income, wealth or work status of those appealing for financial help.

What economists should know by now is that selective targeted schemes, designed to reach only those who are poor and poor through no fault of their own, have huge exclusion errors. In other words, they do not reach many of those for whom the scheme is intended. It may be 20% not reached or 40% or more. This has been shown again and again all over the world, including countries with sophisticated administrative systems.

Put differently, universal schemes reduce poverty and income insecurity more effectively than targeted schemes. This paradox is hard for politicians to understand, and many prefer not to understand, since then they can continue with their targeted schemes, which they think saves public money. In reality, it would be much better if everybody was given a basic income and tax rates on the rich were raised slightly so that they would be neither better or worse off.

What we have found in testing basic incomes in different types of country is that they strengthen personal and family resilience, and result in families and individuals feeling less stressed and more able to service their debts. They also result in better nutrition and better health and healthcare. People can afford to take care more.

And contrary to middle-class prejudice, people with basic income security tend to work more, not less, and to be more productive, not less, as well as more cooperative and tolerant of others. They are less fearful, and therefore less likely to vote for populist extremists.

There are other social and economic advantages that would come with a basic income system. Our collective survival through this pandemic will depend not only on our own behaviour and access to resources, but also on everybody else having the resources with which to survive. If some groups are left out of schemes to give income security, they will act in ways that will prolong the pandemic, if only because lacking resources they will remain vulnerable not only to the virus but also to other forms of social illness.

One could even formulate a social rule. The more targeted the system of income support, the longer the pandemic will last and the more devastating it will be.

Economically, politicians should realise that what we will be experiencing for a long time is the result of a deep *demand shock*. The poor will be unable to buy basic goods and services, the precariat will be unable to service their growing debts, and the salariat will have suffered a huge wealth effect, that is, a realisation that they have lost a lot of wealth, which will induce them to spend less.

Politicians like to be seen to be protecting businesses and preserving jobs. But the primary goal should be to boost demand for basic goods and services, without which firms would not be able to function. A basic income system would boost demand for basic goods and services, and it is those that should be the rock of the emerging economy – food, homes, healthcare and education.

The folly of Quantitative Easing pursued after 2008 was to feed money into the supply side, into the financial markets. That led to a very slow recovery, as every Spaniard knows. And it enriched the already rich. That must not be repeated now. But we will only avoid that scenario if we pressurise the politicians and the international financial and political institutions to do financial easing for ordinary people.

One further advantage of an Emergency Basic Income is that it could operate as what economists call an automatic economic stabiliser. If adopted, it would boost demand for basic

goods and services. If that works, the economy will begin to recover. If so, the government could adjust the amount slightly downwards to be sustainable in the longer run while tax and other financial resources are mobilised to pay for a permanent system. If the recession worsens because of outside forces, the authorities could raise the basic income, to improve the overall economy.

The situation is dire. Most people are suffering economically as well as socially and emotionally. A basic income is no panacea. It is merely essential, and urgent. If the politicians in office do not take it up, they will be partially responsible for the deaths and illnesses of tomorrow. At the very least, they should launch pilot schemes immediately if they are not convinced of the benefits that would flow. It is inaction that will not be forgiven or forgotten.

Guy Standing's new book is Battling Eight Giants: Basic Income Now.