Basic Income in tempi di crisi (Raventos-Lo Vuolo) articolo in inglese

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BASIC INCOME IN TIMES OF GRAVE ECONOMIC CRISIS

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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. 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 or, in other words, independently of what any other sources of income might be, and irrespective of cohabitation arrangements in the domestic sphere. In making our case, we shall bear in mind evidence from the Kingdom of Spain and the Republic of Argentina in order to note how the problems are similar, although with different content, in both more and less developed countries.

To start with, one characteristic of this crisis that distinguishes it from other recent ones (Mexico in 1994, Southeast Asia in 1997, Russia in 1998, Brazil in 1999 and Argentina in 2001) should be noted: its epicentre is in the centre (rather than peripheral) countries and, above all, the United States. In particular, this is a crisis that is expressed as one of the system of payments in rich countries and not as a result of poor countries being unable to meet their debt payments. It is a crisis in the finance-driven model of economic growth that swells the current accounts of families in the rich countries and not one of improvident management of resources in the poorer countries.

Nevertheless, the crisis affects everyone and, in any case, it will aggravate the problems specific to the less-developed countries that have also benefited from the boom of recent years with inflated demand from the richer countries, high commodity-market prices and low finance costs. This had created a feeling of bonanza, nourishing the belief that problems of unemployment, poverty and income distribution would be palliated by means of a spill-over of economic growth in a globalised world. The regressive distribution was not deemed to be important because everyone was getting something out of the economic growth. Once again, the facts have shown that this kind of reasoning is wrong-headed. In contrast, we aim to point out in what follows that BI looks like a sound proposal, not only in times of growth but also of crisis.
1. Interpretations of Present Crisis

Interpretations of the causes of the present economic crisis are many and varied. Some economists like Michael Hudson, Paul Krugman and Joseph Stiglitz, tend to place causal emphasis on the deregulation of markets over recent decades and especially the finance market. Others, for example, Robert Brenner, Michel Aglietta and Walden Bello, consider that it is more like the classical crisis of overproduction arising from the tendency of capitalism to generate a huge production capacity that exceeds the consumption capacity of a population increasingly characterised by unequal distribution of income, which limits the purchasing power of majorities and ends up eroding profit rates. Both groups of commentators coincide in condemning the "gifts" of public money granted in recent months by the governments of the United States and the European Union to agents who recklessly, if not criminally, administered financial assets. Hence Hudson (2009), to give one example, states, "By the end of last year, $20 billion was used to pay bonuses and salaries to financial mismanagers, despite the plunge of their banks into negative equity. And to protect their interests, these banks continued to pay lobbying fees to persuade legislators to give them yet more special privileges". Krugman, to give another example, says, "Question: what happens if you lose vast amounts of other people's money? Answer: you get a big gift from the federal government - but the president says some very harsh things about you before forking over the cash." This very accommodating public aid, summarily disbursed to the very people who caused the crisis, contrasts interestingly with the arguments wielded to condemn policies like BI that aim to confront head-on 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 "gift" would be a disincentive to work. While public funds are being used to guarantee the survival of people who were grabbing for the highest takings from financial speculation, it is not accepted that the same funds should be used to guarantee basic levels of income for the population as a whole. The response to the crisis, 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 (markets have always been regulated). As Baker (2009) notes, the key question is in whose benefit it is regulated: "The less-versus-more framing of regulation supports the premise that there is in principle an unregulated market out there and that some of us wish to rein in this unregulated market while others would leave it alone. This is consistent with the idea that large inequalities in income distribution just happen as a result of market forces. But [...] no one is really talking about an unregulated market - rather we are all just talking about whom the regulation is designed to benefit. Distribution of income has never preceded the intervention of government."

What is in crisis is rather more than a speculative financial system. The crisis is one of a model of growth regulated and propelled by finance, one of its core characteristics being an inflation of assets and expansion of credit slanted towards the better-off sectors. Financial globalisation has been organised around a new form of corporate governance by companies that chose to give priority to raking in quick profits - obtained in great part by means of downsizing - and the distribution thereof to shareholders, to the detriment of accountable accountancy and controlled growth (Boyer, 2000; Aglietta, 2000). This process of financiarisation of the economy went hand-in-hand with a major regressive distribution of income and greater flexibility of occupational earnings in both central and peripheral countries. Hence families were “forced” to supplement these 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
By financierisation we mean the process that took off after 1980 in which finance capital began to occupy an ever-greater part of the economy and to appropriate an increasingly larger share of income by means of speculative practices that preyed on productive wealth. In 1983 the figure for the daily total of business in the form of financial transactions on international markets was 2,300 million dollars, and by 2001 it had multiplied by a factor of more than 56 to reach some 130,000 million dollars (Harvey, 2005). Financial profits as a percentage of total profits went from around 15% in 1965 to 40% in 2005 (Corporate Profits by Industry, 1959 - 2007, Economic Report of the President, 2008), cited by Bellamy Foster (2008). As some writers have shown, the capitalist financial system adopted the Ponzi scheme as one of its main instruments. See, Hudson (2008) for example.

poor, financial globalisation held out microcredits so that, instead of being the "beneficiaries of rights" they became debtors and clients of the institutions that "integrate" them into the financial system. As Nouriel Roubini - one of the gurus most often cited as a prognosticator of the crisis - points out, the bankruptcy of this Bretton Woods II system makes it obligatory to revise the whole organisation of the economy (Roubini and Setser, 2005) when the usual response to crisis is to talk about the need to revise financial regulation, the trade relations between the countries of the centre and economies on the rise (for example those of Asia) and the exchange markets. This is more than clear: the world economy is calling for new regulatory institutions in the face of the failure of multilateral organisms to prevent or administer economic crisis. Yet little is said 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 policy for 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 selfsame adjustments that are now in the pipeline for "confronting" the crisis. The reorganisation of the world economy is not just a matter of finance but of the whole system of protecting society from the consequences of the crisis unleashed by fundamentalist believers in the market and perpetual growth.

A few figures illustrate the magnitude of the problem. In February 2009, the number of unemployed officially registered for the Spanish economy rose to 3.5 million. In one year (February 2008 to February 2009), official unemployment figures had rocketed up by 1.1 million, which is to say almost 50%. According to the Fundación de Cajas de Ahorro (Savings Bank Foundation) (http://www.funcas.es/indicadores/Coyuntura_Nacional_Internacional.asp), which has published the forecasts of thirteen survey services, the average official figure for unemployment will have risen from 17% to 18% by the end of 2009. If one considers that the unemployment figure for 2007 was 8.2%, the 2009 forecast means that the figure will double in just two years. Eurostat data shows that of all the countries in the European Union, Spain is the one that has lost most jobs.

Similar effects can be seen in Argentina although unfortunately it is not possible to give detailed figures 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. What can be gleaned is that after the brutal crisis of 2001 - 2002, the economy grew over five years at rates of about 8% per annum, unemployment fell from 18-20% to 7.5-8%, although employment in the informal sector without the protection of social security remained at a figure of 45% of all employees. However, in 2008 growth slowed and, in the last trimester, several alternative indicators showed a brusque downturn in economic growth, a steep drop in trade surplus and a rise in unemployment. A similar situation was also observable in other Latin American countries. According to ECLAC (Economic Commission for Latin America and the Caribbean), 2008 signalled the end of a six-
year period of growth in the region and heralded increased unemployment and an expanding informal sector (www.eclac.cl).

2 For an analysis of the crisis and the ways out of it, see Lo Vuolo, 2007.

What about poverty? The percentage of people below the poverty line in Spain has not changed significantly in the last thirty years and has remained at around 20%. Even when there has been significant, and sometimes very vigorous, economic growth, the proportion of poor people, almost an exact fifth of the population, has not varied in recent decades. However, the present economic crisis will entail a fast-rising and significant increase in the numbers of the poor. Hence, while high figures of economic growth have been necessary to maintain the proportion of poor people stable, negative or very small positive figures will mean a spectacular rise in the numbers of the poor. Many organisations engaged in the fight against poverty (Caritas, for example) are raising the alarm by drawing attention to the dramatically increased demand for their services and help. The poverty figures for Argentina (and most countries of Latin America) are calculated according to criteria that differ from those used in the European Union. In general, they compare income revealed by household surveys along with the costs of a "basic needs basket". Once again, in the case of Argentina, income data has not been very reliable since early 2007 as a result of methodological changes - in many cases unspecified - in the household survey, and the consumer price index has been officially tampered with over the past two years: while administrative data reveal inflation figures for 2007 of less than 10%, alternative estimations (including the official statistics of provincial governments) locate it at around 25%. The divergences continued through 2008 in such a way that, while official data indicated that between 2006 and midway through 2008 poverty figures had dropped from 27% to 21%, private estimates set the figures at 33%. All this was before people began to feel the pinch of the crisis and the economic downturn at the end of 2008. In any case, the historical evidence shows that poverty in the Latin American region is decidedly procyclical: there can be no doubt that it will burgeon with the economic slump. 2 Basic Income and The Hardest Hit

In other words, it is evident that, in both Spain and Argentina, as the economic indicators head downwards, unemployment and poverty figures are soaring ... and the outlook is that that situation will continue and worsen. The Banco Bilbao Vizcaya Argentaria foresees a drop in the Spanish GDP of 2.8% for 2009, the biggest since the Spanish Civil War 73 years ago. This means that unemployment will affect some 4.5 million people in 2010 at a figure of around 20%. With such forecasts, poverty figures will have to go up. In the European Union, some five million jobs could be lost over 2009. As if this were not bad enough, each new forecast is gloomier than the last. In Argentina, economic slowdown is predictable, among other reasons because of the fall in prices of the main export products, the drop in agricultural production, diminished demand from the central countries, the abrupt decline in production in certain sectors like the automobile industry, deterioration of the fiscal balance due to eroded tax collection, debts unpaid on their expiry dates, lack of access to credits on the financial markets, and so on. The impact of all this has been most keenly felt among the small- and medium-sized businesses that account for almost 80% of total employment, much of which is informal and offering little in the way of social security.

What might a policy like BI contribute to situations like the ones that have already appeared and that are being predicted? In the interests of clarity in what follows,

we would stress that we are referring to a BI of an amount that is equivalent to or just above the poverty line.3 2.1 Personal Insecurity as a Result of Job Loss So much has been written about the situation of economic and personal insecurity that arises from involuntary job loss that further comment here would
be redundant. This is much worse in countries like Argentina where unemployment compensation is little more than symbolic and, in any case, never covered any more than 8% of the statistically unemployed. In Spain, there are presently (March 2009) more than 900,000 unemployed people who are not receiving any kind of unemployment benefit whatsoever. If an indefinite BI was provided, this job loss would not have such distressing effects on the well-being of the casualties of the system. This is true for any economic scenario and much more so for a crisis with burgeoning unemployment such as we are seeing now because the person concerned not only loses his or her job but it is increasingly difficult to find another one. The fast-growing mass of unemployed perforce 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 do so in the certainty of receiving a guaranteed income apart from their employment situation. 2.2 The Decline of Self-employment and the Small Proprietor

3 A study carried out by several authors (Arcarons et al., 2005) in Catalonia proposed, among other possibilities, a basic income of 5,414 euros per annum for adults (a sum that, for the purposes of the study was completely free of direct taxation, which was not the case for the first euro above this sum) and 2,707 euros for minors in the territory of Catalonia. One should note that the figures apply to 2003, which was when the study began. For an updated summary, see Raventós 2007. 4 See Lo Vuolo, 2005 and 2009.

BI offers risk reduction for people embarking on certain types of self-employment. There are two kinds of self-employed people: 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. The risk doesn’t end here, either. In many cases, the absence of any minimum capital dissuades potential entrepreneurs from engaging in an activity. The micro-credit programmes scattered around Latin America promising to "turn every jobless person into an entrepreneur" reveal serious defects and limitations as social programmes. Among other reasons, this is because the beneficiaries become permanent "debtors" since the activities they engage in have very meagre possibilities for expansion and their scant earnings end up being pocketed by the lenders.4

A BI, however, would allow the second group of self-employed people to put capital into a business while not having to be so dependent on the success of the project in order to survive. In this regard, BI is more efficient than micro-credits in stimulating the creation of small businesses and cooperatives because it means a permanent, stable income that would not generate debts (or usurious interest). In times of economic depression, BI, besides constituting an instrument that would facilitate the tasks of self-employment, including cooperative organisation of the beneficiaries, 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. Furthermore, they can try again with another project, with the hard-earned knowledge of their previous experience. 2.3 Resistance Fund for Strikers

Some writers5 have noted that a BI would represent, in the case of strikes, a kind of unconditional resistance fund with the easily foreseeable effect of offering an improved bargaining position to workers. Indeed, the availability of a BI would allow them to confront the labour conflict on a much less insecure
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basis: 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. Indeed, 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. The IMF and the OECD, along with many other such institutions, advise wage moderation and, even more, economising in the "job factor" as a way of alleviating the effects of the crisis in companies. It is now difficult to ignore the relentless stream of formal announcements by companies of shutdown or mass dismissals. In the case of countries like Argentina, much of the problem is concealed because only the dismissals and conflicts pertaining to the big companies come to light while the more precarious employment in smaller companies (representing the bulk of the jobs) is being slashed day after day without much public awareness of the situation. BI could play a very significant role in these struggles of resisting the inroads of the crisis by defending jobs and working conditions. The situation of crisis makes it abundantly clear that, contrary to what some people think, BI is not proposed as an alternative that substitutes for income earned in a job but as an instrument that can shore up the position of workers in the workplace. The crisis has aggravated the fragmentation of the working class so that less-organised workers in precarious conditions of employment have fewer chances of presenting claims and negotiating working conditions. 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 much more breathing space for holding out in a strike, which is where the most pitiless assaults are made on working conditions or jobs themselves.

2.4 Eradication of Poverty and Welfare Programmes

Although poverty is not only material privation and want (since it also means depending on the arbitrariness and greed of others, undermining of self-esteem, isolation, social labelling, and so on), lack of income is undoubtedly a key factor of its definition. A BI that is at least equivalent to the poverty line would be one element that would help to stave off poverty's more serious consequences and even to put an end to it.

5 For example Raventós and Casassas, 2003; Wright, 2006; and Raventós 2007.

The crisis clearly demonstrates the significance a universal and unconditional BI might have 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 programmes that operate - in Latin America, for example - on the principle that proof of need must be demonstrated before benefits are awarded. Before the most vulnerable segment of the population can prove this situation of need, if it ever gets to be proven, the crisis will have unleashed all its violence on them.

Once again, the crisis reveals the failings of Conditional Cash Transfer Programmes, which are massively present throughout Latin America, in responding in a timely and appropriate fashion to the needs of the most vulnerable groups.6 These programmes require a bureaucracy that is permanently tied up in the red tape of classifying the needy, evaluating their income levels, their life circumstances and even encroaching in their private lives and lifestyle choices. All this has become still more tortuous with the emergency situation created by the crisis, while the system also fosters abuse of power in the selection of its beneficiaries. A BI would therefore not only do away with bureaucratic costs but would also foil attempts to reap political and other kinds of gain from the needs of the most defenceless members of the population.

2.5 Sustaining the Domestic Consumer Market of the Most Vulnerable Groups

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. In fact, in the boom years, many families enjoyed a consumption capacity 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. In countries like Argentina, although it did not occur to such an extent, the period of economic recovery is also explained by consumption credits for middle- and upper-class families, which was reflected in a steep climb in the real-estate and construction prices and also in an increased demand in the automobile sector. The measures announced on a daily basis by the government aim, in great part, to maintain consumer credit for the medium- and high-income groups for the purchase of durable goods (cars, electrical appliances, etc.). Such measures will probably have negligible impact on the economy at large and, in any case, will do nothing to benefit the most vulnerable groups. Increased spending on the present welfare programmes which, in many cases, will strip funds from other social programmes (such as social security) will keep engendering problems of discrimination, bureaucratic costs, inefficiency, inequity, pork barrelling and political cronyism, while its only aim is partial mitigation of the suffering of some people but without giving them the chance to boost their skills and to function as fully-fledged members of society.


In contrast, 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 historically been mostly 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 an efficient way of stabilising consumer demand in the domestic economy.

3. Right to Mortgage Credit or Right to Exist? The reasons we have given to explain why a BI would be more pertinent than ever in this economic situation of a depression that is spreading worldwide do not invalidate the arguments in support of the proposal in a technically hypothetical situation of full employment and economic prosperity. Indeed, it can be stated that 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. Although BI could be a weighty factor in any just society at whatever conjuncture of the economic cycle, this should not lead one to suppose that it would be a sufficient measure for achieving a just society. This would betray either a hypertrophic notion of what BI is, or a niggardly idea of what constitutes a just society. BI could theoretically be conceived in a society that exudes injustice through all its pores. Hence, it is also important to think about how a BI would fit with other policies.

In particular, a BI that we would deem to be politically and even philosophically interesting would need to be tied to a redistribution of income from the rich to the poor, which would then involve reviewing the role of taxation. The formulation (1999) of the constitutionalist, Cass Sunstein, is unbeatable: "That liberty depends on taxes is so elementary that there seems to be some hope that some version of it will be accepted. It's not that the point is so surprising - what's surprising is that there are arguments to the contrary". In Arcarons et al. (2005) and Raventós (2007), for example, one can find descriptions of how tax reforms might be carried out in order to finance a BI that would result in a significant redistribution of income from the rich to the other sectors of the population. The Gini Index, for example, would drop considerably, from 0.409 to 0.38 in one simulation. In times of economic crisis, when millions of euros have been dished out in support of "financial mismanagers", to return to the formulation of Michael...
Hudson, arguments that question the distribution of public funds among the neediest sectors of the population are undermined. 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.7

7 The financial assistance granted to United Status banks to date - some 12.8 billion dollars (April 2009) would work out to 42,105 dollars per capita, adults and children (www.eleconomista.es, 1 April, 2009). This amount is equal to fourteen times that of the cash in circulation (almost 900,000 million dollars) and is very close to the GDP of the United States, which was 14.2 billion in 2008. Without giving undue importance to a single example, we still want to stress that 42,105 dollars is a lot of money. 8 See Cetrángulo and Gómez-Sabaini, 2007.

The discussion in Argentina and Latin America could run along similar lines. Many studies suggest that, in comparison with European countries, the region collects very little in the way of taxes, especially direct taxes.8 The bulk of tax revenue comes from indirect taxes. One of the main causes of the regressive distribution of income is that the fiscal transfers of taxes and spending do not improve the regressive distribution of income arising from the markets, including the job market. BI would make it possible to improve the effectiveness of income tax and hence the distributive impact of the taxation system.

To sum up, if there are good arguments in support of BI in times of economic growth, diminished unemployment and favourable trends in social indicators, they are even more solid in the face of the crisis that continues to worsen on the international scale. Moreover, one can state that the 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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