

Spain, coronavirus & basic income

By Gwynne Dyer

'We are going to implement a minimum basic income as soon as possible,' said Nadia Calviño, Spain's deputy prime minister and economics minister, on Monday. She added that it will not 'just be for this special situation, but for good.'

Plenty of governments are providing what amounts to a basic income to millions of laid-off employees for the duration of this 'special situation'. Britain is covering 80% of people's normal salaries for at least three months, up to a maximum of £2,500 (\$3,000) a month, if their employers will just keep them on the books.

Canada is paying workers affected by the coronavirus outbreak \$C2,000 a month for up to four months. Even the U.S. government will be providing its citizens with two \$1,000 cheques over the next three months (plus \$500 extra for each child) 'and they don't even have to be out of work to get them.

But all these benefits are temporary, to be withdrawn again when things are back to normal. The question is: do we really want to go back to 'normal', if that means that many people live on welfare and barely scrape by, and a great many more (the 'working poor') do have jobs and work very hard, but still don't have enough to live a comfortable life?

In normal times, this is a highly ideological issue, with a lot of people convinced that those below them on the income ladder are just lazy and undeserving even of charity, let alone welfare payments. Yet those convictions are easily put on hold when some unforeseen emergency means that those higher up the ladder also need government help.

Calviño is clearly using this crisis to advance a project that she and many others in her party have long favoured: a basic income that nobody can fall below, with any shortfall made up by the government. (Not, as some have incorrectly reported, a 'Universal Basic Income' that goes to everybody regardless of need).

There's nothing wrong with exploiting the disruption caused by a crisis to launch new policies. As Niccolo Machiavelli said 500 years ago: 'Never waste the opportunity offered by a good crisis.' But is Basic Income a good policy?

It's certainly a good policy politically, because those who benefit from it will probably vote for you. It's probably a good policy economically, because the beneficiaries, still being relatively poor, will immediately spend the money and boost the economy.

And it may well be neutral fiscally, because the money doled out in various unemployment and welfare programmes, plus the cost of administering all those programs, may be around the same as the cost of bringing the poorest fifth of the population up to the level of the slightly higher earners in the next fifth in a single, simple payment.

If it should turn out to cost a bit more, it would still be a small price to pay for raising so many people out of desperation and giving their children better opportunities for the future.

This was the kind of thinking that motivated the people who had lived through the Great Depression and the Second World War to build welfare states in all the developed countries in the quarter-century after 1945. They wanted to improve the lives of their citizens, but they also wanted to head off the populist anger and nationalist demagoguery that had made the war possible.

Those things are on the rise again, because the gap between the rich and the rest has widened steadily for the past 40 years in the developed countries. Fixing it will require a reshaping of the welfare state, and nothing will narrow the gap faster than raising the incomes of the poorest.

Making that kind of change in normal times is a Sisyphean task, but when the government must confine much of the population to

their homes because of the pandemic and many of them lose their incomes as a result, it tends to broaden people's minds about the possibilities.

A small wager. The Spanish government will be only the first of many to propose a basic income as a permanent part of the economy before the current crisis is over.