

# Universal Basic Income - not really an alternative

During the Covid 19 pandemic proposals were made to use a temporary basic income to cushion the economic consequences, but unions favour other approaches

The idea of a Universal Basic Income (UBI) sounds intriguing at first: everyone should be guaranteed an income which covers their basic needs. Who would argue with that? Taking a closer look, however, there is much uncertainty as to what exactly is meant and how a UBI should work and be financed. This was also evident during the Covid 19 pandemic, when proposals were made to use a temporary basic income to cushion the economic consequences for the population and especially its particularly vulnerable sections. For example a study for the United Nations Development Programme proposed this for the world's three billion poorest people. But this would be neither universal nor sufficient – in average US\$ 2.50 per person per day. In the paper there is also a positive reference to Spain, where a 'basic income' was introduced. There it concerns however an even worse Spanish variant of the German model of basic security for needy unemployed ('Hartz IV'), which is criticised by the trade unions as too low and too repressive.

## UBI as a rescue against the crisis?

For Germany this discussion makes little sense. This is a country with a highly developed social welfare system, which showed its performance in the ongoing crisis – despite of all problems and legitimate criticisms. This system is characterised by social insurance schemes, which involve the vast majority of the population – in particular, dependent employees and their families – which provide benefits on the basis of contributions paid. Especially, the short-time work allowance saved millions from falling into unemployment. But nevertheless many mini-jobbers, self-employed and small entrepreneurs are particularly hard hit. They often have low incomes anyway and need every euro, but do not receive short-time work benefits or unemployment benefits because they are not covered by unemployment insurance. If they are needy, they can apply for basic security, but this is below the German poverty line.

For the German UBI community this is rather a deterrent example, they see a 'real UBI' as the fundamental alternative to this means-tested basic provision. A UBI as they mean it is intended to be an income that the government pays unconditionally to each person, regardless of what income that person receives or what assets they possess. There is no means testing and each person receives the same amount (only children less). The UBI should be high enough to cover basic needs and guarantee social

participation. The search for gainful employment would not be required. As a response to the Covid 19 crisis more than 400,000 people supported a petition that demands the introduction of an unconditional basic income of 800-1200 euro per person and month in Germany for 6 months. This would cost about 500 billion euro, which would be 3 or 4 times the complete public expenditure on education.

But why should everyone receive such an unconditional basic income (BGE) as a measure against the crisis, although for many, fortunately the majority of employees, the income is not at all lost, but continues as before? For the majority of the employees hit by the crisis the short-time work allowance or even the unemployment benefit is better than such a UBI would be. On the other hand, such an UBI would not be a rescue for the many self-employed and small businesses that are on the verge of bankruptcy because their income is lost but they still have to pay various running costs, rents, etc. Targeted aid for those who need it would also make more economic sense so that they can get started again after the crisis. And this would be far less expensive because far fewer people than the entire population would receive it.

## Arguments against demands for a UBI

In principle, the various arguments that speak against a UBI also apply to a corona crisis UBI. Why should the vast majority of the population receive this money, although they do not need it at all? Why should everyone get the same amount, no matter how high their housing and other costs are? Why should a gigantic redistribution carousel be set in motion, in which the majority of people would be given a UBI in one pocket and at the same time it would be withdrawn from the other pocket via exorbitantly higher taxes? Because contrary to the assertions of UBI supporters, higher taxes on the rich and on capital and financial transactions would never be enough to raise the huge redistribution volumes that would be necessary for a social or emancipatory UBI that many dream of. This would require about 30 percent of GDP in additional public spending.

More realistic would be only neoliberal variants, which want to grind down the existing welfare state as far as possible and offset other incomes, including wages, against the UBI. This would, however, considerably worsen rather than improve the position of wage earners and those in need of social protection. This is also very unlikely, however, because the existing social insurance schemes cannot

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be abolished so easily, at least in Germany. We must also not forget that we live under capitalism and that it is a matter of class struggle and socio-political power relations. How realistic is the idea that the UBI movement can push through a social UBI, at least to a considerable extent at the expense of capital, if we do not even manage to push through broadly acceptable demands for improvements in health care and nursing or education and prevent further tax cuts for companies and the rich?

Socially, economically, and politically, nothing is 'unconditional' and these conditions can neither be ignored nor 'decided away' if you want to implement a UBI. Thinking economically about UBI you have to be clear: UBI does not provide additional income, but has to be financed by redistribution through taxes. In order to fund a UBI without gradually devaluing all incomes (including the UBI itself) through constantly increasing inflation, other incomes or their purchasing power would have to be reduced to a similar extent by increased levies.

A decoupling of gainful employment and income is possible only for some individuals, but not for everybody. All the goods and services that can be bought, even by UBI-money, are produced through gainful employment. At the same time, sales revenues are the primary income, divided between wages and profits and property income. All other incomes, including a UBI, are based on the redistribution of a portion of these incomes. Even if some production processes were fully automated, this would still hold true with regard to the economy as a whole. The work done in private households or on a voluntary basis is indispensable, but it cannot contribute to the financing of a UBI. Anyone who spends money to buy something sets employment in motion. He or she encourages others to work for pay, not because they enjoy it or because they find it particularly useful, but because they satisfy the needs of those who pay them. So like every cash payment, a UBI would be based entirely on commodity production through gainful employment. A UBI would therefore by no means put into question the existing system of monetary economy and capitalist production.

The idea that financing a UBI could be based on machine or robot taxes is misleading. Machines do not pay taxes. It would always be the owners who would have to pay the taxes. Even the argument that wealth today is based primarily on fixed assets, infrastructures, and knowledge that has been historically developed, doesn't stand up to scrutiny. New value added and income is only created if these are used by human labour for the production of new goods and services. To cover such a large part of the national income permanently by credit or helicopter money also would not work, but lead to hyperinflation. So UBI could also never be a rescue for problems caused by increased unemployment. The loss of gainful employment and economic performance would also further reduce the economic basis for a UBI.

## **Ambiguities, political risks and alternatives**

The MDR (Central German Broadcasting) in August 2020 published a survey according to which a majority of 53 percent against 43 percent consider an unconditional basic income (UBI) to be reasonable. But when you take a closer look, the results of the survey actually show that there is no political basis for a UBI. 81 percent support the statement that there should be an asset limit. This means that even among the supposed advocates of a UBI, a clear majority is in favour of an asset ceiling. 55 percent support the statement that the basic income should be offset against other income (e.g. from labour). In reality, therefore, the majority is not in favour of a UBI at all, but rather of an improved 'unconditional' basic security for people without sufficient other income and without large assets.

Secondly, the survey shows that 57 percent are not prepared to accept restrictions in return for a UBI. Only twelve percent of all respondents are prepared to forego social benefits such as Hartz IV or child benefit in return. And even only seven percent of all respondents are prepared to accept higher taxes in return. However, a UBI would only be possible if previous social benefits were to be abolished in return and if massively increased taxes or levies were to bring in the money that would be distributed as UBI on the other side.

Trade unions must have a realistic view of the world and assess what could actually emerge in social and political processes. Emancipatory UBI concepts prove to be illusory results of pure wishful thinking. The higher the UBI, the higher the necessary tax burden. Thus, it deepens economic and political problems and contradictions. From the point of view of political economy and the balance of power under capitalism, it is to be feared that capital could use a UBI to smash the existing welfare state, workers' rights and collective agreements, as well as to exacerbate wage pressures. The demand for a UBI thus turns out to be a misguidance, because in reality there is no social basis for it and it would be to the detriment of wage earners under capitalism.

At the 2019 Federal Congress, ver.di decided to reject demands for an unconditional basic income for all, regardless of need. The alternatives favoured by trade unions are clear: the primary objective must be to ensure the right to good and properly paid work for all. Existing social safeguards, especially minimum social security, must be improved. The primary task of distribution should still be to maintain or increase the wage share. The emancipatory alternative to poor employment and the unfair distribution of income and wealth is the humanisation, democratisation, shortening, and fair distribution of all socially-necessary paid and unpaid work, as well as a fairer distribution of income and wealth. This can only be enforced through collective and legal regulations and strong unions.

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