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A PANDEMIC BASIC INCOME TO CONFRONT THE CRISIS: EVIDENCE FROM SPAIN

The pandemic crisis struck the world economy at a time of weakened financialization and flagging capital accumulation. Leading nation states have engaged in unprecedented monetary and fiscal measures to confront it. Nonetheless, the crisis has resulted in very deep recessions, increasing unemployment and worsening of the already huge inequalities of neoliberal capitalism. The division of the world economy into core and periphery, including in Europe, has grown further entrenched. Southern European governments tried to support household income through heavily conditioned bureaucratic policies, with problematic outcomes for working people and the poor. In this context, it is vital to consider a policy of Pandemic Basic Income (PBI) that could sustain individual and household income, boost aggregate demand, and support employment. PBI would be accompanied by redistributive tax reform, thus further shifting the social balance in favour of workers and the poor. This paper empirically demonstrates the operation and likely outcomes of PBI with reference to Spain.

1. THE CASE FOR A PANDEMIC BASIC INCOME TO CONFRONT THE CRISIS

The pandemic crisis began as a public health shock that rapidly turned into a gigantic economic upheaval. The crisis reflects key features of neoliberal financialized capitalism, including low profitability and productivity, enormous growth of credit, and vast inequalities.[1] Its unprecedented nature has forced states in several developed and developing countries to implement policies that contravene decades of neoliberal ideology. This is not to suggest that contemporary capitalism is about to unravel by itself.[2] It is, however, to say that existing economic and social relations have already been deeply affected by the actions taken by governments to deal with the pandemic crisis.

Financialized capitalism survived the crisis of 2007–9 due, first and foremost, to protective intervention by the nation state, including a decisive role for central banks. The pandemic crisis of 2020 has catapulted the nation state to further prominence, clearly seen in gigantic monetary interventions and manipulation of interest rates. The state's deployment of fiscal policy (and the growth of public debt) has been similarly vast. It has involved extraordinary steps, including the partial nationalization of the wage bill of private enterprises and the direct subvention of cash to households in several countries. Confronted with the pandemic, neoliberal financialized capitalism jettisoned the shibboleths of austerity.

However, the lockdowns have resulted in very deep recessions, pushing unemployment up and shrinking the income of the poor and the precariously employed. The huge inequalities of the last four decades have been exacerbated by the crisis. Meanwhile, the monetary policies adopted by several developed countries, particularly the support given to stock markets, are already rebounding in favour of the rich. Furthermore, the entrenched division of the world economy into core and periphery, including the sharp rift between the core and the southern periphery of Europe, has proven disastrous for the poor in the pandemic crisis. The ability of peripheral states to engage in fiscal policy was circumscribed by their subordinate position, resulting in deepening social deprivation.

The period immediately ahead is likely to be harsh for working people, the poor, and broad layers of the middle class faced with loss of income, unemployment, the closure of enterprises, and perhaps even restrictions on welfare provision. Even if effective vaccines are successfully developed, mass-produced, and widely delivered in 2021 and 2022, there will still be deep recessions with a catastrophic impact on the income of workers and the poor. In this context, it is vital for the Left to consider the policy of Pandemic Basic Income (PBI) implemented for a limited period of time to confront the crisis.

The PBI proposed in this article is a policy that could be immediately brought to bear on economic activity,

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employment, and income, and would also have a strongly redistributive dimension. The feasibility of all radical reform rests on the actual historical development of capitalism, and there is no doubt that the extraordinary actions of the state in the pandemic have changed the terms of the debate on policy. Space has been created for fresh measures to support workers and the poor, especially in peripheral countries. The Left ought to respond creatively and boldly, by proposing radical policies that challenge neoliberal capitalism and can command grassroots support. PBI is a prime candidate.

This is not to ignore the extensive debate and the many criticisms levelled at the idea of Universal Basic Income over several years. It is well known, for instance, that there are neoliberal proposals of basic income aiming to replace the welfare state.[3] Such proposals are completely rejected in this article. PBI is specifically targeted at the deep recession created by the pandemic on the grounds that extraordinary events call for extraordinary measures. It would supplement existing welfare support for workers and the poor, while introducing strongly redistributive measures, along lines broadly similar to those advocated by the International Labour Organization.[4]

It is notable that the harsh conditions of the pandemic have led even the European Union to consider the idea of Universal Basic Income. The Commission has decided formally to register a European Citizens' Initiative called "Start Unconditional Basic Incomes (UBI) throughout the EU".[5] The organizers aim to collect millions of signatures across the EU, thus giving to the Commission formal grounds to launch a process seeking to provide some form of Universal Basic Income. On a much smaller scale but still highly relevant, a Basic Income Pilot Project was launched in Germany in 2020 as a non-profit partnership formed by several influential institutions.[6] The project will apparently be funded by donations from more than 140,000 well-off individuals with the aim of running randomized control trials to test the effects of UBI provision in practice.

The PBI proposal in this article has nothing to do with these initiatives and is marked by three crucial features. First, it is redistributive, advocating deep tax reform. Second, it stands for expansionary fiscal policy to tackle the recessions currently unfolding across the world, thus boosting income and employment. Third, it responds creatively to the ongoing transformation of neoliberal financialized capitalism, thus providing grounds for radical opposition by the Left.

Using data from Spain and deploying some simple simulations, it is shown that the provision of PBI for a discrete period of time (eight months) could be effective in confronting some of the worst macroeconomic impacts of the crisis as well as being fully feasible in terms of cost and financing. The policy would alleviate the social deprivation induced by the pandemic, while supporting production and employment. It would also facilitate deep tax reform in favour of working people and the poor.

PBI would not be a replacement for the regular provision of welfare services in health, education, care for dependents, or decent and affordable housing. It would be an additional provision, although there would be implications for other cash provision, such as unemployment benefit. In this respect, the proposal differs qualitatively from the standard programmes of guaranteed minimum income in several developing countries, often promoted by the World Bank.[7] These could act as mechanisms for replacement of services in kind with cash provision, thus spurring financialization and worsening the conditions of the poor. In contrast, PBI would be a form of universal cash provision as a right for a specific period of time, which would supplement welfare services and be funded by tax reform.

PBI would also be unlikely to suffer from other defects of conditional guaranteed minimum income policies. It is well known that such policies can create poverty traps, which appeared even in the Speenhamland system that operated from 1795 to 1834 in some English counties to support the low wages of day labourers and guarantee a subsistence minimum. In practice, employers often lowered wages by the equivalent amount. Under pandemic crisis conditions, however, PBI would be a source of confidence for workers and those comparatively less well-off, allowing for stronger defence of wages and conditions.[8]

In the specific case of Spain, for instance, attempts by employers to cut wages would run against minimum wage legislation, which in 2019 set the minimum wage at 900 euros per month (raised to 950 in 2020; 14 payments annually), a level that is higher than the monthly PBI per adult discussed in this paper. Furthermore, the bargaining power of the working class would increase with PBI provision, since the latter would potentially act as an inexhaustible strike fund. Finally, in the environment of precarity and worsening working conditions created by the pandemic crisis, the provision of PBI could make it easier for workers to refuse low-paid and poor-quality jobs.

PBI would be financed by taxing wealth, corporate profits, and income, thus shifting the tax burden toward the rich and the higher-income strata, and resulting in strong redistribution.[9] Indeed, PBI would be pre-distributive as the subsidy would be advanced by the state prior to the imposition of tax, thus further enhancing equality in both economy and society. Distributive considerations aside, PBI would also have a major impact on aggregate demand through government expenditure in the first instance, and subsequently by transferring income from the richer to the poorer strata (from those with a lower to those with a higher propensity to consume).

In proposing PBI we are fully aware that labour is constitutive of workers' existence and dignity in capitalist economies. The most fundamental demands by the labour movement are for the state to defend minimum wages, protect working conditions, and support employment. It is highly likely that in the years to come it will be necessary to implement policies to expand public employment in Europe by creating broad and far-reaching schemes. However, in the conditions created by the pandemic, it is entirely unrealistic to expect rapid elimination of unemployment, much less that a public guarantee of employment could be practically implemented in the period immediately ahead. Other measures are urgently needed to support both employment and income.

In Spain, for which our calculations were made, the real unemployment rate, counting discouraged and involuntary part-time workers, exceeded 26 percent in the second quarter of 2020. The rate would be substantially higher if workers with suspended contracts were included. To these huge numbers must be added a large army of precariously employed workers, many among whom would welcome better paid and stable employment. It is impossible to organize public schemes that could employ such huge numbers in a short period of time under the highly uncertain conditions

of the pandemic. In contrast, the provision of PBI would be much simpler and more effective, creating space to plan public employment programmes in the period ahead.

The proposal of PBI relies on the social and political maturity of workers and the poor. It places trust in spontaneous solidarity among working people and expects that they would actively seek to take part in social and economic life. PBI would prevent unnecessary deprivation and suffering, while being a quick and effective way to strengthen economic activity by boosting aggregate demand. Faced with the destructive impact of the pandemic crisis and the steady demise of financialized and globalized capitalism, the Left needs fresh proposals that tackle poverty and deprivation, while strengthening the social position and confidence of workers and the poor. PBI merits urgent consideration.

2. THE CRISIS OF 2007–9: MASSIVE STATE INTERVENTION

The first step in analysing the pandemic crisis is briefly to recapitulate the previous crisis of 2007–9 and its aftermath. That crisis had roots in the accelerated growth of finance in advanced countries, especially the US, during the preceding two decades, which could be considered the "Golden Era" of financialization.[10] After 2001, household debt in the US expanded enormously, mostly in the form of mortgages for housing. The growth of household debt sustained a tremendous financial asset bubble, financed primarily by domestic credit but also by massive credit flows between US and European (French and German) banks.[11]

Characteristic of the bubble was borrowing among financial enterprises (banks and others) allowing them to "churn" loanable capital and earn profits through fees, commissions, and capital gains. The stock market did not play a particularly significant part in the financial bubble. Moreover, borrowing by non-financial enterprises was not a decisive feature of the overall financial expansion. The rise in financial asset prices supported consumption and GDP growth, but had a limited impact on investment, which remained weak in the US and other developed countries.

The crisis of 2007–9 cannot be ascribed to "over-accumulation" or "over-production" in the classic Marxist sense. The profitability of non-financial enterprises certainly fell after 2007, but even more important was the sustained fall in the profitability of financial enterprises, which had begun already in 2003.[12] The greater the downward pressure on the profits of US banks, the wilder the housing and other speculation in which they engaged, even involving the poorest and most deprived sections of the US working class. The final burst of the bubble in 2008 left the entire US financial system—and by extension much of the global financial system—in great peril, as banks had overextended the provision and trading of housing-related loans with little capital available to cover losses. Households in the US and elsewhere found themselves hugely overindebted.

The international dimension of the crisis of 2007–9 was also crucial to its unfolding, but for developing countries in the periphery of the world economy the crisis was largely derivative of the turbulence at the core. The financial collapse hit the Global South hard as trade flows, international portfolio flows, and foreign direct investment shrunk. A synchronized recession took place across the world economy in 2008–9, yet developing countries began to recover soon after the initial shock.

In Europe, however, things took a very different path. This was due, first, to French, German, and other banks being heavily involved in the US bubble through credit flows related to the housing bubble and, second to the dysfunctional structures of the European Monetary Union creating fresh divisions of core and periphery after the launch of the euro in 1999.[13] The global crisis of 2007–9 morphed into the Eurozone crisis of 2010–13, which forced Greece, Ireland, Portugal, and Spain to accept bailouts with severe conditions, while directly threatening the viability of the euro.

As this vast and complex turmoil unfolded in the late 2000s and early 2010s, it became clear, once again, that the nation state is the pivot and final guarantor of financialized capitalism. Its interventions brought a measure of stability in three important ways that are also vital to the current pandemic crisis.

First, monetary policy bore the brunt of confronting the crisis. The central bank was confirmed as the leading economic institution of financialized capitalism, drawing its power from monopoly control over fiat money. The leading central banks provided enormous volumes of liquidity by expanding their liabilities and pushing interest rates toward zero. It is an extraordinary feature of financialized capitalism that nominal and real interest rates have been driven even into negative territory. It is equally extraordinary that the inter-bank and money markets of the core countries of the world economy have effectively become appendages of central banks by relying heavily on the public supply of fiat money. It is important to note, nonetheless, that the European Central Bank (ECB) was less bold in expanding liquidity than the Federal Reserve because of the regulatory framework of the euro.

In loose but meaningful terms, the monetary strategy of both the US and EU in the years that followed the great crisis of 2007–9 can be summed up as quantitative easing. Central banks created fiat money by purchasing huge volumes of public and private bonds, typically from financial institutions in the open markets, although the ECB was generally more conservative than the Federal Reserve. In the case of the ECB, moreover, the statutes prohibiting the direct financing of fiscal deficits were in practice partially circumvented. The funds provided by central banks were mostly held by financial institutions as reserves and did not lead to corresponding expansion of credit to the private sector, and thus of the money supply. Effectively, the banks hoarded liquidity and the velocity of money declined. General price inflation remained under control, but financial asset prices were supported and even pushed up.

The boost to financial asset prices acted as a guarantee of the income and wealth of the top layer of the capitalist class. This layer has reaped enormous profits from four decades of financialization, despite very low or even negative interest rates, often in the form of capital gains from rising asset prices. Nonetheless, a degree of regulatory control on finance was also introduced after 2009, clearly seen in the "Volcker" constraints imposed on large US banks, for instance, by limiting their ability to engage in proprietary trading in the financial markets. Even more important were the so-called "macroprudential policies" adopted internationally, which in effect amounted to the reintroduction of some quantitative controls over credit provision. This modest return of regulation typically focused on limiting the growth of bank and other credit, for instance, by imposing "loan to value" ratios and similar small-scale measures.[14]

Second, fiscal policy played an important but largely passive role. The US government provided public funds to recapitalize and rescue commercial banks in 2009 but did not engage in a thorough restructuring of taxation and public expenditure to boost infrastructure and welfare provision in the years that followed. Indeed, at crucial junctures during the ensuing decade the US government cut taxes especially for the better-off social strata. As a result, the core country of the world system sustained sizeable fiscal deficits after 2009, leading to rapid growth of public debt. By 2019 the public debt of the US had reached wartime proportions and US financialization had come to depend overwhelmingly on the state, including the Federal Reserve. Persistent fiscal deficits allowed the US to record relatively higher growth rates than the very poor rates of the rest of the developed world, but its vast income and wealth inequalities remained as entrenched as ever.

Compared to the US, the EU was far more rigid in deploying fiscal policy, especially during the period of the Eurozone crisis. Caught in the trap of the euro—and without a system of fiscal transfers among states to compensate for current account imbalances—the EU was dominated by austerity in a drive to eliminate fiscal deficits. The costs of the Eurozone crisis were ultimately carried by working people through downward pressure on wages and salaries as well as lack of public spending on social infrastructure and welfare. This is crucially important to analysing the potential impact of a Pandemic Basic Income in the current crisis, as is shown below for Spain.

Third, the Federal Reserve aggressively defended the global pre-eminence of the dollar as reserve currency by providing dollar liquidity to other central banks through bilateral currency swaps. The Federal Reserve supplied liquidity to central banks in developed countries, including Japan, Britain, Switzerland, Canada, and Australia, but also to a range of developing countries, including Brazil, Mexico, South Korea, and others. Throughout the years following the crisis, the US central bank demonstrated its determination to support the role of the dollar as quasi-world-money and pillar of US power.

3. THE 2010S: STAGNATION, WEAKENED FINANCIALIZATION, AND CORE-PERIPHERY DIVISIONS

Faced with the crisis of 2007–9 the leading nation states took decisive steps to prevent structural challenges to financialized capitalism and shift the costs of the crisis onto working people and to the poor. Nonetheless, throughout the 2010s, investment, production, and capital accumulation remained historically weak, particularly in Europe. The core countries of financialized capitalism appeared to have lost the remaining vestiges of dynamism in accumulation. Equally remarkable was the weakness of productivity growth despite rapid technological advances through artificial intelligence and other means. Even mainstream economists were concerned that the core of capitalism had become trapped in stagnation.[15] At the same time, profound income and wealth inequalities were maintained and even worsened.

Relative stagnation after the crisis of 2007–9 was matched by lack of dynamism for finance in the US and elsewhere.[16] Cheap liquidity by the central banks sustained a rise in the US stock market through 2009-19, but during the same period, private debt did not increase with anything like the vigour of the previous period, mostly because households reduced their indebtedness. Moreover, debt among financial institutions declined, thus reducing the opportunities for profit-making by "churning" loanable capital in financial markets. Financialized capitalism in the US was protected but remained distinctly subdued compared to the period before the great crisis of 2007–9.

After 2015, the debt of non-financial enterprises in the US increased significantly by taking advantage of low interest rates to engage in stock buybacks and other forms of financial profit. Nevertheless, strong growth of corporate debt has never been the dominant feature of financialization; rather, its hallmark is the escalation of household and inter-bank debt.[17] Although US corporate debt relative to GDP eventually reached a new peak in 2019, household debt declined substantially. The slack was taken up by the US state, which increased its indebtedness enormously. The period following the crisis of 2007–9 in the US took the form of state financialized capitalism.

Similarly, although international portfolio flows and foreign direct investment picked up after the collapse of 2008–9, they were lower relative to previous historical periods.[18] The steepest decline occurred among developed countries, while flows to developing countries fared relatively better. Thus, financialization continued to advance in several developing countries, which acquired substantial domestic financial markets as foreign capital continued to flow toward them. It was also notable that during the 2010s large non-financial enterprises in developing countries became adept at borrowing internationally, including in their own currencies. This phenomenon created new vulnerabilities regarding capital flows and exchange rate fluctuations, since international loanable funds still had to be converted into foreign currency at some point.[19]

The weakest part of the core of the world economy during 2009–19 was the European Union. Constrained by the functioning of the euro, the EU not only suffered the general implications of the crisis of 2007–9 but made them worse through persistent austerity and relatively constrained monetary policy. Growth, accumulation, investment, productivity, real wages, and so on recorded very poor results throughout the 2010s. The most striking aspect of the EU, however, was its loss of strategic direction and the entrenchment of its division into core and peripheries.[20]

The European Monetary Union, in particular, provided fresh content to the classic tendency of capitalism to create core-periphery divisions, especially in its own south, comprising Spain, Portugal, Greece, and partly Italy. This region is marked by weak industry, low productivity and competitiveness, reliance on the public sector to support employment, weak financial systems, great burdens of public debt, and heavy emphasis on tourism to support economic activity. Italy shares several of these characteristics of the southern periphery but also possesses a substantial industrial complex, giving it a peculiar position between core and periphery in the EU. The contrast with the core of the EU is sharp, even though core countries also performed poorly in the 2010s.

In the aftermath of 2007–9 and the Eurozone crisis, the overindebted countries of the southern periphery faced great difficulties in borrowing in the international markets, thus relying heavily on liquidity provision by the ECB. The lack of fiscal support from core countries was matched by persistent calls for "structural reforms" that essentially amounted

to reducing public expenditure to control fiscal deficits (even when the underlying problem was low tax revenue rather than excessive spending), improving competitiveness by liberalizing the labour market (in practice lowering wages and salaries and making labour relations more precarious), and privatizing strategic economic sectors in favour of national or multinational oligopolies.

This pattern of behaviour is reminiscent of France and its former colonies in Africa based on the common currency, the CFA franc. The Bank of France regulates the issuance of the CFA franc and prevents countries from having autonomous monetary policies adapted to their specific situations. The result has been systematic exploitation of the former colonies by the metropolis, without significant counterparts in fiscal transfers.[21] Analogously, absence of independent monetary policy and domination of the EMU markets by Germany has allowed the core to secure current account surpluses with minimal fiscal compensation for the periphery. Southern countries have been trapped in conditions of high unemployment and low wages and salaries, while seeking to improve international competitiveness by further depressing wages and salaries as well as reducing welfare expenditure.

These characteristic weaknesses of the southern periphery proved decisive when the coronavirus crisis struck. They provide an appropriate terrain for analysis of Pandemic Basic Income by focusing on Spain. The conclusions are important and relevant for countries in the Global South as well as for core countries of the world economy.

4. THE EXTRAORDINARY ROLE OF THE NATION STATE IN THE PANDEMIC CRISIS

COVID-19 sparked a global economic crisis in 2020 for two fundamental reasons: first, key areas of the world economy were already in a precarious state, as was briefly shown in the previous sections; second, nation states took extraordinary action to confront the public health emergency, thereby disrupting production, trade, and finance. Broadly speaking, states imposed lockdowns: they severely restricted work as well as public and private contact among individuals even of the same family in the hope of slowing down the spread of the virus. The epidemiological aspects of the crisis and the effectiveness of state responses are beyond the scope of this article. Note only that there were significant differences in policy among countries reflecting the structure of national economies, the institutional capabilities of nation states, the strengths and weaknesses of their health systems, and the dominant public culture.[22]

Lockdowns triggered a global economic crisis in three interrelated ways. First, they delivered a direct shock to the production and circulation of services and manufactured goods across the world. Second, they immediately reduced aggregate demand by restraining social contact and forcing people to stay at home. Third, they deflated overblown stock markets and restricted portfolio flows to developing countries. The immediate triple shock was followed by several secondary shocks. The collapse of aggregate demand reduced current and prospective enterprise revenue, leading to a rise in unemployment and downward pressure on incomes. At the same time, aggregate demand was reallocated toward commodities that could be delivered remotely. Coronavirus appeared to favour the great monopolies of the era of financialization, such as Amazon and Microsoft, whose power derives from new technologies.

In short, the pandemic crisis demonstrated the colossal power of nation states to disrupt both economy and society in financialized capitalism. By March 2020, the crisis had reached such global proportions that states faced unrelenting pressure to confront the unfolding economic disaster. They provided still greater evidence of their ability to intervene in the economy by disregarding neoliberal shibboleths that have dominated ideological debate during the last four decades.

The first response was to mobilize monetary policy to provide vast volumes of liquidity, while driving interest rates close to zero. Once again, command over fiat money proved the foundation of state economic power in financialized capitalism. Central banks—above all, the Federal Reserve, the ECB, the Bank of England, and the Bank of Japan—acquired huge volumes of securities, both private and public, thus greatly stretching the asset side of their balance sheets, while simultaneously expanding their liabilities by providing commercial banks with liquidity reserves.

At first sight the policy appeared similar to 2007–9 but was in practice different to quantitative easing. Unlike 2007–9, banks proceeded to expand lending to commercial and industrial enterprises, also backed by explicit government guarantees. The result was very rapid growth of bank deposits, and therefore of the money supply. For the first time in decades, generalized price inflation became a possibility. Actual inflation remains unlikely in the immediate future given the subdued state of nominal and real wages, but the risk cannot be disregarded. If it were to materialize in the period further ahead, that would truly be the death knell of financialization as it would destroy the value of the stock of debt.

The most striking aspect of state intervention, however, was in fiscal policy, directly contravening long-standing ideological principles of neoliberalism. Thus, some governments, notably in the UK, paid the wages of broad layers of workers in an attempt to reduce the growth of unemployment. In effect, they temporarily nationalized the wage bill of thousands of private enterprises. Other governments, including the US, boosted the disposable income of families by making direct cash subventions. A third approach saw some governments provide direct support for small and medium-sized enterprises, defer taxes and social security contributions, and give credit and export guarantees to larger capitalist concerns. In effect, they temporarily nationalized the income statement of thousands of capitalist enterprises.

The sums were enormous and, in view of the fall of tax income as lockdowns pushed economies into recession, resulted in projected fiscal deficits comparable to wartime levels. Inevitably, public debt was set on an upward trajectory in several countries, notably in the US, accelerating the trend noted after 2007–9. Financialized capitalism began to assume an even more heavily controlled outlook and grew more dependent upon the state. The aim was to prevent an economic and social collapse, while protecting the interests of the thin layer of the rich who have benefitted most from financialization.

Finally, the US government once again forcefully defended the global role of the dollar, the pillar of its hegemonic position. Faced with a shortage of international liquidity as capital flows dried up and trade was disturbed, the Federal Reserve again stepped in and provided dollars through swaps with the group of central banks with which it had also traded in

the crisis of 2007–9. As the global state hierarchy felt the impact of coronavirus, the US was determined to defend one of its key instruments in projecting imperial power.

5. SHARPENED CORE AND PERIPHERY DIVISIONS

The pandemic crisis caused a gigantic global disturbance but did not induce a coordinated global response. In practice, the nation state emerged even more firmly as the lynchpin of globalization and financialization. The extraordinary responses of nation states across the world were by no means uniform, reflecting the class balance and the political history of each country as well as its position in the global hierarchy of power. Important differences emerged among developed countries but also between developed and developing countries, reflecting the strengths and capacities of individual states. The most remarkable evidence of the divergences spurred by the coronavirus was offered by the EU, which began to present new aspects of the Global North relative to the Global South.

The monetary response of the EU was largely dictated by the ECB, which was initially reluctant to follow in the steps of the Federal Reserve. However, it soon became clear that its stance threatened the viability of the euro as the cost of borrowing for Italy and other countries in the EU's southern periphery increased precipitously. The ECB urgently introduced the Pandemic Emergency Purchase Programme (PEPP), expanding its balance sheet rapidly, augmenting commercial bank reserves, and encouraging commercial and industrial lending. The Programme directly contravened the established rules of ECB behaviour since it allowed it to provide liquidity by accepting state bonds of low creditworthiness and without abiding by the "capital key" of member states, that is, according to the proportion they had contributed to its capital.

The fiscal response of the EU was marked by the suspension of the Stability and Growth Pact, the common framework setting the terms of austerity for member states. Moreover, the EU suspended the regulations governing state aid for industry, which guide industrial and commercial competition among member states. Nation states were able to support their industries according to their resources and discretion. Germany immediately engaged in large fiscal expenditure and provided gigantic state support for its industry—exceeding one trillion euros within a few months—with France following some distance behind.

For countries in the southern periphery, including Italy, these policies had highly contradictory outcomes. On the one hand, they were given greater discretion to support domestic demand and intervene in the sphere of production. On the other, they had to rely on their own resources, thus being constrained by high public indebtedness and greater costs of international borrowing compared to core EU countries. Severe implications followed regarding the ability of peripheral countries to support household income and employment as well to protect their industrial capacity. The southern periphery of the EU was further pushed toward a position resembling the Global South. The reaction was forceful and, with French political support, peripheral countries agitated for a common EU fiscal fund.

The key decision maker was the hegemonic country, Germany, for which the pandemic crisis represented an opportunity to strengthen its industrial dominance in Europe but at the same time posed the threat of crippling the EU markets, which are vital to German industry. For German manufacturing exporters, the main element of the country's ruling bloc, the risks were great. To deal with this risk, Germany decided to back France and support a common fiscal response by the EU, which eventually took the form of the "Next Generation EU" programme, approved in July 2020. Summarily put, the programme will make available 750 billion euros, which the EU Commission will obtain by borrowing in the open financial markets. The funds will be split into 390 billion euros in grants and 360 billion euros in loans, disbursed during 2021–23. The monies will become available on the basis of plans submitted by individual countries that will incorporate "structural reforms" monitored by EU institutions.

The crucial component of the programme is the grants worth 390 billion euros, which represent fiscal transfers funded through borrowing by the European Commission. Given that the GDP of the EU in 2019 stood at more than 16 trillion euros, it is clear that the sum is not large and will not significantly alter the harsh reality of the southern periphery. The import of the programme is more political than economic, reflecting the deepening divide between core and periphery in the EU, and the realization by the core that unprecedented action is necessary, if the EU is going to survive.

In sum, the pandemic has further strengthened the role of the nation state within the EU, increasing the discretionary power of core states. To defend their hegemonic position, they had to make a gesture toward the southern periphery by further relaxing the rigid rules that had governed the EU and its monetary union for more than two decades. In this context, a Pandemic Basic Income would be an important demand to protect income and employment in the southern periphery of the EU, with broad implications for other countries. Its potential economic and social implications are demonstrated below for the case of Spain.

6. INTRODUCING PANDEMIC BASIC INCOME: THE CASE OF SPAIN

The idea of a Basic Income is of long standing and certainly not associated exclusively with the Left. There are strands of it originating with the neoliberal Right, which could be interpreted as ways of reducing welfare provision, thus giving rise to well-justified criticisms and suspicion by the Left.[23] It is not intended in this article to rehearse this broad debate, which typically focuses on the huge inequalities of neoliberal, financialized capitalism.[24] As was stated in section one, employment is fundamental to workers' standing in a capitalist society, as well as being a lever for democratic participation in political life. It is the first imperative of governments to engage in policies supporting employment and defending minimum wages. Moreover, the provision of PBI should under no circumstances be a substitute for, or supplant other welfare provision, including schooling, education, and so on.

However, as was also stated in section one, the pandemic has lent a new urgency to protecting the income of workers and the poor, especially in light of the extraordinary actions undertaken by nation states. A Pandemic Basic Income, appropriately defined, could sustain individual and household income, thus boosting aggregate demand and creating favourable conditions to create employment. It would also be accompanied by decisive redistributive tax reform that could change the social balance in favour of workers and the poor.

In the southern periphery of the EU, moreover, PBI could help redress the structural imbalance with the core. Italy and Spain have had the highest incidence of contagion and deaths in Europe, and together with Greece and Portugal imposed very stringent confinement measures. Strict lockdowns worsened the already fragile social and economic conditions of peripheral countries, not least due to the blow to tourism and the hospitality sector. Unemployment rapidly escalated and broad swathes of working people found themselves without the opportunity of earning even a subsistence income.

Governments in the southern periphery, as was already mentioned, were reluctant to expand fiscal expenditure in line with core countries because they feared that, once the crisis had subsided, they would be faced again with the prospect of austerity, particularly if public debt escalated further. Consequently, they tried to support household income with policies that were heavily conditioned and hedged with bureaucratic regulations. The results have been deeply problematic since large components of the labour force in the southern periphery are employed in the informal economy, making workers ineligible for unemployment subsidies and other support. Furthermore, part-time workers or those with temporary, low-wage jobs have found it very difficult to fulfil the bureaucratic requirements of proving significant income decline, given that their income is already very low.

Spain exemplifies these problems. The fall in GDP for 2020 is conservatively expected to be ten percent and unemployment levels could exceed 20 percent, thus dramatically worsening poverty, deprivation, and inequality.[25] Moreover, given that life expectancy is related to position on the income scale, the lockdown is a direct threat to the lifespan of the poorest sections of the population, precisely the people who were asked to show solidarity in the course of the pandemic and from whom obedience to lockdowns was demanded under strong coercion.[26] Only a major redistributive effort could ameliorate the extremely negative effects of the pandemic on household incomes and the livelihoods of working people.

Realizing the severity of the problem, the Spanish government introduced the measure of "Minimum Vital Income" (MVI), entering into force on 1 June 2020. The annual income of an individual living alone would be subsidized until it reached the ceiling of 5,500 euros (all figures are rounded for ease of reference). If the subsidy was requested by a group of people living together (a household), each additional person would have the right to 30 percent of the ceiling, with a limit placed on four extra persons per household. Thus, an individual living alone and earning no income would receive 5,500 euros annually, or (roughly) 460 euros per month; a household with five members earning no income would receive 12,200 euros annually, or (roughly) 1,000 euros per month. Individuals or households earning incomes below these levels would receive the difference as a subsidy.

The policy confirms the plausibility of systematic and widespread income provision by the state in the face of the pandemic. The figures are also important for comparison with the PBI simulations in the rest of this paper. However, there is little doubt that MVI is entirely insufficient to tackle the blow to the poorest layers of the population in Spain. Calculations based on the EU Survey on Income and Living Conditions for Spain (SILC 2018), show that MVI will reach only 22.9 percent of the people facing severe material deprivation.[27]

Furthermore, the Spanish government is determined to avoid channelling funds to claimants who are presumably not eligible under the scheme. Applying electronically was made mandatory, clashing sharply with the poor digital skills of many of the families targeted, and leading to gross errors and a collapse of face-to-face and telephone support systems. In effect, poor people were deprived of funds to which they are entitled, and many were deterred from claiming the subsidy altogether. Already at the beginning of October 2020, the results of MVI were deeply disappointing.[28]

Given this rapidly worsening context for workers and the poor, the adoption of a Pandemic Basic Income (PBI) for a period of time would be a crucial and necessary policy. A simple way to introduce it would involve the following steps:

1) The government opens online applications for PBI that require one bank account per adult. The PBI cannot be seized for any other obligation except for tax fraud after its implementation.
2) The government electronically checks the number of adults and minors in the applicant's household and transfers the PBI to each legal claimant without conditions.
3) Payments are made monthly for the duration of the policy.
4) In the next fiscal year all recipients are required to file normal income tax returns through the State Tax Administration Agency.
5) No tax will be paid on PBI receipts.
6) PBI would supersede other public cash subsidies that come to a lower sum, such as unemployment benefit or child support. If subsidies already received are in excess of PBI, the excess would still be received by the individual.
7) If PBI is illegally or wrongly claimed, the funds will be recouped through next year's tax payment.

The simple simulations shown below cast light onto the likely effects of this policy. Consider, first, PBI provided as a universal right (100 percent coverage) for eight months (May to December 2020); note that both the period and the level of PBI could be easily altered in the calculations. The population figures are for 1 July 2019, and the base GDP figures are for 2019.[29] For the GDP figures for 2020, we adopt the conservative estimate of ten percent contraction due to the pandemic crisis. We provide estimates for two fundamental cases:

Case 1. PBI of 750 euros is provided to all adults, supplemented by 150 euros for all minors (0–17 years old). This sum is the standard estimate of the at-risk-of-poverty threshold in Spain according to SILC 2019 (60 percent of the median income and 20 percent of that for minors).

Case 2. PBI is provided to all households by following the "modified OECD scale".[30] The first adult would receive 750 euros, other persons older than 14 would receive 375 euros (50 percent of the first), and minors younger than 14 would receive 225 euros (30 percent of the first). The sums for minors would be advanced to parents or legal guardians.

The results of the simulation are summed up in Table 1. Briefly summarised, the gross cost of the policy is derived by simply multiplying the population by the monthly provision of PBI for eight months, and it would naturally be higher in the first case compared to the second. The injection of PBI would lead to higher private consumption that would have multiplier effects on GDP in both cases. It would effectively be an injection of public expenditure through a current in-

Table 1. PBI to Individuals and Households, 100% Coverage, Spain, May–December 2020

BASE SIMULATION			PBI provided for 8 months							
PBI per individual, 100% coverage	Population	PBI per month, EUR	PBI monthly cost, million EUR	PBI monthly cost, 100% of residents, million EUR	PBI aggregate cost, May-December, million EUR	Net Government Spending (43% of gross), million EUR	GDP 2019, million EUR	PBI cost as % of GDP 2020 (10% contraction to 2019)	Adjusted GDP 2020, million EUR (10% contraction and PBI with multiplier	PBI cost as % of adjusted GDP 2020
Adults	38,783,676	750	29,088	29,088	232,702	100,062				
14_17	1,919,076	150	288	288	2,303	990				
0_13	6,397,644	150	960	960	7,677	3301				
Total	47,100,396		30,335	30,335	**242,682**	**104,353**	1,245,331	8.4%	1,441,138	7.2%
PBI per household, 100% coverage	Population	PBI per month, EUR	PBI monthly cost, million EUR	PBI monthly cost, 100% of residents, million EUR	PBI aggregate cost, May-December, million EUR	Net Government Spending (43% of gross), million EUR	GDP 2019, million EUR	PBI cost as % of GDP 2020 (10% contraction to 2019)	Adjusted GDP 2020, million EUR (10% contraction and PBI with multiplier 1.32)	PBI cost as % of adjusted GDP 2020
1st adult	18,625,700	750	13,969	13,969	111,754	48,054				
Adults	20,157,976	375	7,559	7,559	60,474	26,004				
14_17	1,919,076	375	720	720	5,757	2,476				
0_13	6,397,644	225	1,439	1,439	11,516	4,952				
Total	47,100,396		23,688	23,688	**189,501**	**81,485**	1,245,331	6.5%	1,370,939	5.9%

come transfer to citizens. There would be a direct beneficial effect for workers and others from reducing deprivation and poverty as well as an indirect effect from subsequent employment and income creation.

The outcomes would obviously depend on the size of the multiplier. Using a standard iterative calculation, we estimated the multiplier for the Spanish economy at 1.32 (i.e. one euro paid in PBI would generate 1.32 euros of GDP).[31] The figure is similar to that given by Uxó, Alvarez, and Febrero (who estimated the multiplier at 1.25 but admitted that for direct transfers in crisis situations it could reach 2.3)[32] and by Hernández de Cos and Moral-Benito (who estimated it at 1.4 in turbulent periods).[33] The final level of GDP for 2020 is estimated on this basis, after an initial subtraction of ten percent from 2019 due to the pandemic.

The rise in GDP via increased private consumption and the subsequent increases in employment and output would lead to a rise in tax income, even without any changes in the tax system. In addition, there would be savings from the decline in unemployment benefit and from public cash subsidies superseded by PBI.[34] We estimate that for every 100 euros transferred via PBI there would 57 euros recovered by the government. Thus, the net government expenditure on PBI, after allowing for the impact of the multiplier and collecting taxes, would be 43 percent of the gross expenditure.[35] This would amount to 7.2 percent and 5.9 percent of GDP in the first and the second case, respectively.

If PBI was provided to only 50 percent of the population (i.e. to the bottom half of the income distribution) the analysis would remain fundamentally similar, but the costs and the impact on GDP would obviously be substantially smaller in both cases.[36] Specifically, the net cost of PBI would be 4.1 percent and 3.3 percent of GDP in the first and second case, respectively. The results are summed up in Table 2:

Table 2. PBI to Individuals and Households, 50% Coverage, Spain, May–December 2020

SECOND SIMULATION			PBI provided for 8 months							
PBI per individual, 50% coverage	Population	PBI per month, EUR	PBI monthly cost, million EUR	PBI monthly cost, 100% of residents, million EUR	PBI aggregate cost, May-December, million EUR	Net Government Spending (43% of gross), million EUR	GDP 2019, million EUR	PBI cost as % of GDP 2020 (10% contraction to 2019)	Adjusted GDP 2020, million EUR (10% contraction and PBI with multiplier 1.32)	PBI cost as % of adjusted GDP 2020
Adults	38,783,676	750	29,088	14,544	116,351	50,031				
14_17	1,919,076	150	288	144	1,151	495				
0_13	6,397,644	150	960	480	3,839	1,651				
Total	47,100,396		30,335	15,168	**121,341**	**52,177**	1,245,331	4.2%	1,280,968	4.1%
PBI per household, 50% coverage	Population	PBI per month, EUR	PBI monthly cost, million EUR	PBI monthly cost, 100% of residents, million EUR	PBI aggregate cost, May-December, million EUR	Net Government Spending (43% of gross), million EUR	GDP 2019, million EUR	PBI cost as % of GDP 2020 (10% contraction to 2019)	Adjusted GDP 2020, million EUR (10% contraction and PBI with multiplier 1.32)	PBI cost as % of adjusted GDP 2020
1st adult	18,625,700	750	13,969	6,985	55,877	24,027				
Adults	20,157,976	375	7,559	3,780	30,237	13,002				
14_17	1,919,076	375	720	360	2,879	1,238				
0_13	6,397,644	225	1,439	720	5,758	2,476				
Total	47,100,396		23,688	11,844	**94,751**	**40,743**	1,245,331	3.3%	1,245,869	3.3%

There are two remarkable conclusions from these simulations:

First, for PBI with 100 percent coverage for either individuals or households, the contractionary effect of the pandemic crisis would be fully overcome, and GDP would actually increase. With 50 percent coverage, the contraction would be effectively avoided. PBI appears to be effective in confronting the contractionary effects of this unprecedented crisis.

Second, the net expenditure by the government would be in line with the fiscal expenditures and deficits that several governments in the EU and elsewhere have already undertaken in the pandemic crisis. Indeed, with 50 percent coverage the net expenditure of PBI could be as low as 3.3 percent of GDP. Sensitivity analysis (stretching the period to 12 months, increasing net expenditure to 50 percent of gross expenditure, deepening the pandemic contraction to 15 percent of GDP, and lowering the multiplier to 1.25) gives upper limits of net expenditure for the base simulation at 12 percent and 7.1 percent of GDP for the first and second case, respectively, and for the second simulation at 8.1 percent and 5.7 percent of GDP.[37] These are certainly not forbidding sums.

The policy of a Pandemic Basic Income appears to be effective as well as lying within the bounds of feasibility established by the fiscal measures that have already been undertaken by several governments in the pandemic crisis. The question that now arises is: how would the policy be financed? To a certain extent it would pay for itself, as was shown above. However, a volume of real resources would undoubtedly have to be committed from GDP. The obvious method to commit these resources would be to engage in tax reform. The government could introduce several important tax reforms, including taxing wealth and imposing higher taxation on corporate profits, capital gains, and so on.

For our purposes, the simplest way to support a Pandemic Basic Income would be to increase the income tax paid by the richer part of the population, in effect to generate a redistributive income transfer.

Income tax reform to finance PBI could be implemented in several ways that strengthen the progressive character of the tax system and allow for income transfers to the poor. Arcarons, Raventós, and Torrens,[38] using microdata from SILC 2018, proposed the application of a single income tax rate between 46–49 percent; even with this method, the tax system would become more progressive than it currently is in view of the payment of PBI. There would be no further fiscal burden on the government, and it would be easy to calculate which individuals or households would gain or lose based on annualized gross income and the composition of households.

Thus, the policy of individual PBI with 100 percent coverage considered above would result in:

1) income gains for 50 percent of the population;
2) no significant change for 30 percent of the population;
3) income losses for the remaining 20 percent (mostly concentrated in the top ten percent, which has a lower marginal propensity to consume, thus without a substantial negative impact on GDP).

In short, this form of PBI would amount to an income transfer from the richest 20 percent to the poorest 50 percent of the population, countering the destructive effects of the pandemic crisis and having positive multiplier effects on GDP and employment. Indeed, the impact on inequality would be pronounced, reducing the Gini coefficient for Spain from values above 0.36 (among the highest in Europe) to below 0.25, which are equivalent to or better than those of the Nordic countries (the most egalitarian in Europe).[39]

Alternatively, PBI could be financed through the issuing of public debt, an option that is certainly feasible in view of the manageable volume of resources required. Public borrowing for PBI would, however, pose two problems. The first would be the redistributive effect on GDP since the final ownership of the new bonds would belong to holders of loanable capital, who would acquire proportionately greater claims on future output. For this reason alone, it would be preferable to adopt the method of tax reform that would directly redistribute income in favour of workers and the poor.

The second problem would be access to domestic and international financial markets and the likely impact on interest rates. The role of the ECB would be crucial in this respect. The ECB has the capacity to buy sufficient debt to support PBI in Spain (and across the southern periphery of the EU) without raising interest rates, as has already been demonstrated by its Pandemic Emergency Purchase Programme. Moreover, if the ECB bought the additional debt, it could help limit the problematic redistributive impact of this method of financing PBI. The redistributive impact of ECB debt purchases could potentially be very modest as the rate of interest would be kept low.

Furthermore, some of the payments subsequently made on PBI-related public debt could be offset against the seigniorage profits of the ECB from the issuing of the euro. The real resource cost of PBI would be allocated among the countries that have contributed to the capital of the ECB in the form of future dividends foregone. In sum, financing PBI through the ECB would be a matter of policy choice for the EU that would ultimately reflect the balance of class power in member states but also the balance of power between core and periphery in the EU.

If the ECB refused to finance PBI, the Spanish government would still have the option of forcing Spanish banks to buy newly issued debt. This would have negative redistributive effects since the ultimate holders of the debt would be the owners of loanable capital. It would also disrupt the banking arrangements of the EMU and probably tend to increase Spanish interest rates. However, since large Spanish banks are systemic to European banking, the ECB would be under strong pressure to stabilize interest rates to avoid a broader banking crisis. PBI in the southern periphery would bring to the fore the imbalance between core and periphery, thus forcing a necessary reckoning.

7. CONCLUSION

The complex arguments of this article regarding both the crisis of 2007–9 and the pandemic crisis cannot be reproduced in the conclusion. The key point is that neoliberal financialization has lost its dynamism and the nation state has acquired an extraordinary importance as stagnation and crisis have spread at the core of the world economy. The ability of peripheral countries to respond to the pressures of the pandemic crisis is severely circumscribed by their subordinate position, not least in Europe which now has a troubled southern periphery. Furthermore, the tremendous inequalities of financialization have worsened the impact of the crisis on the periphery.

It has been shown that, in this context, the policy of PBI for Spain would be effective and feasible. The Spanish government could fully finance the policy through a progressive tax reform that would shift real resources from the richer to the poorer part of the population. The government would further have the choice of borrowing all or parts of the resource cost of PBI by issuing public debt. If the ECB (and more broadly, the EU) acted as a barrier to the policy, Spain (and other peripheral states) could still take decisive action to protect its economy and society.

PBI would be an effective redistributive policy that could confront the problems of poverty and deprivation generated by the pandemic. It could shift the balance of social power in favour of workers and the poor, and open fresh avenues for social and political advances. The Left in Europe and more broadly should urgently consider PBI.

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1 For an early assessment of the crisis from this perspective, see Lapavitsas (2020). **2** For reasons cogently explained by G. Ashcar (2020), "Self-Extinction of Neoliberalism? Don't Bet on It." New Politics, 24 April 2020, https://newpol.org/self-extinction-of-neoliberalism-dont-bet-on-it/. **3** See, for instance, Murray (2008). **4** See Ortiz et al. (2018). **5** See European Commission (2020). **6** See Pilotprojekt Grundeinkommen (2020). **7** It is important to note that even the World Bank has begun to consider the idea of UBI; see Gentilini et al. (2020). **8** See Standing (2013) for a discussion of pilot schemes in India. It appears that the bargaining power of poor farmers has improved as UBI offered them alternative options. **9** Along lines similar to ILO, see Ortiz et al. (2018). **10** The analytical account of the crisis of 2007–9 and its aftermath draws heavily on Lapavitsas and Mendieta-Muñoz (2018, 2019). **11** Mainstream economic theory was slow to recognize that a "saving glut" among developing countries was not the prime cause of the crisis. Gross capital flows among US and European financial institutions fed the bubble; see Borio and Disyatat (2011). **12** See Lapavitsas and Mendieta-Muñoz (2019). **13** For a historical description of this process, though certainly not for the associated conclusions, see Tooze (2018). **14** See Claessens, Ghosh, and Mihet (2013). **15** See Rachel and Summers (2019). **16** See Lapavitsas and Mendieta-Muñoz (2019). **17** See Mian, Straub, and Sufi (2020) for some remarkable measurements of debt and associated income transfers in the US. **18** See Lane and Milesi-Ferreti (2017). **19** Hofm ann, Shim, and Shin (2020). **20** See Lapavitsas (2018). **21** See Pigeaud and Sylla (2018). **22** For an early insightful analysis of the different approaches of the US and China, see Moraitis and Shi (2020). **23** For an insightful discussion, see Clarke (2018). **24** For some key references, see E. Klein (2018). For a fuller discussion of UBI as a potentially anti-capitalist measure, see Van Parijs and Vanderborght (2017). **25** See Banco de España (2020). **26** For life expectancy, see Pickett and Wilkinson (2015). **27** Estimated with income data for 2017, which are higher than those since the pandemic; see Arcarons, Raventós, and Torrens (2020). **28** Thus, 90,800 grants were actually awarded at a time when there were more than one million applicants. Of these, 74,000 were provided automatically to families already receiving child benefit. The rejection rate for applications that were not automatically granted was over 80 percent. **29** See, respectively, INE (2020a) and (2020b). **30** Following standard EU practice, see https://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Equivalised_disposable_income. **31** The calculations are available upon request. **32** See J. Uxó, N. Alvarez, and E. Febrero (2018). **33** See P. Hernández de Cos and E. Moral-Benito (2013). **34** PBI would also probably reduce the public healthcare bill. In Spain, mental illness alone has an annual cost above four percent of GDP (OECD and European Commission, 2018). **35** Calculation matrices are available upon request. **36** Limiting PBI to only a fraction of the population would obviously remove its universal character and require complex administrative measures. For our purposes it is not necessary to enter into a detailed discussion of these issues. The point is simply to arrive at an estimate of the macroeconomic costs and benefits of altered PBI coverage. **37** The calculation matrices are available upon request. Calculations are further available for the net expenditure if the provision of PBI were also to take into account housing costs. **38** J. Arcarons, D. Raventós, and L. Torrens (2020). **39** J. Arcarons, D. Raventós, and L. Torrens (2017, 2020).

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