

Net Basic Income – A solution to post-crisis justice issues¹

Team: Social contract and new Ordoliberalism
(SoCoBis)

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Nowadays, the problems of convergence reversion, participation, poverty and increasing inequalities in the EU have already generally been recognized on the basis of different socio-economic indicators. Worse still, the Inequalities in society usually increase in the aftermath of a crisis due to the lack of effective coping mechanisms. For example, the income inequality and poverty rate have been exacerbated by the Covid-19 pandemic, in 2020 alone, the risk of poverty in Germany rises from 17.4% to 24%, while the S80/S20 ratio rises from 4.89 to 6.47, illustrating the divergence in wealth distribution. (Dauderstädt, 2022,)

To address this issue and support the recovery of economy, the German federal government and Ministry of Finance has announced the coronavirus assistance program about €141 billion in direct support and roughly €70 billion in state-level loan guarantees, in collaboration with many local governments upon July 2021 (Data from International Monetary Fund). However, a large proportion of it is targeted at companies, self-employed individuals and taxpayers and it would result in a justice problem derived from the current crisis situation, namely the asymmetric distribution of crisis-induced risks and burdens.

More specifically, those most affected by this crisis are people who depend only on labour income and those who have no income at all, but they are not the main focus of the current assistance program.

¹ The main content of the article is a conclusion comes from: Bernhard Neumärker, Bianca Blum, Burhan Yalcin, Sema Yalci, 2021, The Counterfinancing of the Net Basic Income in Times

This is because the Neoliberal/Neocapital policy takes priority on the protection of capital which has led to many assistance programs are designed to protect the economy rather than social justice. To confront this problem, here the model of the Net Basic Income (NBI) (Neumärker, et. al. 2021) can be viewed as an alternative solution and useful for both social and economic aspects.

	Traditional	NBI
Criteria 1: Target group	Mostly on companies, self-employed individuals and taxpayers	Every individual
Criteria 2: Cost	Depends	Relatively smaller
Criteria 3: Duration	Temporary	Long-lasting

Our NBI model assumes to give adults an amount between €550 and €700 without complicated checks and applications, which is a relatively small size from fiscal point of view compared to the traditional UBI or aid package. In details, we have here a two-step model of it. In step one, everyone gets an income as compensation measured by the minimum needs which are calculated by statistical basket of goods under omission of leisure pleasures as well as rent payments. In step 2, those who are affected by the crisis can suspend the payment/financial chain upwards. In this way, the probability of being financially affected by the crisis is distributed symmetrically to all participants in market; both those earning work income, as well as those earning capital income.

of Debt-Financed Relief Measures during the Corona Crisis, FRIBIS Paper No. 01-2021 EN

This ensures that the purchasing power and consumption of citizens is maintained at a basic level, and it gives a socially stabilizing effect.

Another criterion to consider is the duration of the policy. The current coronavirus assistance programs in Germany have been extended until the end of June 2022, but in the USA some support schemes have started to be withdrawn. In fact, according to Deloitte (2021), median household income increased by 4.0% between 2019 and 2020 if assistance payment due to pandemic is taken into account. However, as it stands now, there are differences in the recovery to pre-crisis economic levels by industries and jobs, and especially, the recovery of lower- and middle-income jobs is lagging. After the withdrawal, it is reasonable to assume that income inequality is likely to increase again. On the other hand, NBI is considered to be lasting, and to continue after the crisis. It entails the socio-economic development to remain on track, despite the trade-offs it faces with the current welfare system.

To test the feasibility of the NBI as a first step in promoting this model, we will place it in a laboratory experiment. One of the methods is to set it in Frohlich and Oppenheimer's experiment (1992), and the NBI model will be interpreted in one of the income schemes. The other competitive income schemes may be utilitarianism, maximin, the traditional crisis aid program etc. After comparing participants' choices in the constitutional stage with those in the post-constitutional stage traditionally, the experiment can also highlight whether the choice shifts during the corona crisis. Otherwise, the dictator game can be an alternative. NBI will be interpreted as a way of allocating the resources. It's largely similar in general to the first approach, but with the addition of an examination of the morality of the participants in the game.

As a solution to the justice issue derived by crisis, NBI tends to alleviate the inequalities and to prevent further inequalities before crisis occur in the future.

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