

‘Ukraine Dividends’: An Emergency Basic Income for Ukraine

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When a country has experienced a natural disaster or widespread destruction by an invasion, the first task in the immediate aftermath is to enable survivors to survive and to begin to rebuild their lives and their communities. In this respect, Ukraine will face a peculiar set of challenges, given that its economy has shrunk by over a third since the invasion began and that the International Monetary Fund has saddled the country with an enormous increase in debt due to its practice of providing loans as a ‘bail out’ rather than grants.

Economic recovery may be aided by benevolent foreign aid, which must come in the form of grants instead of further loans and a debt burden that will inevitably strangle revival. However, beyond that, finding a formula that will have long-term development success, and that will be an efficient use of resources and that will minimise the risk of corruption will require clever coordination and a coherent mix of policies. Although it is hard to look forward beyond the struggle to resist a treacherous invasion, those policies must be prepared well in advance, in effect now.

This writer worked as a UN official in Sri Lanka in the aftermath of the tsunami there in 2004. Before that, in the early 1990s I was director of technical operations of the International Labour Organisation, the UN body, in countries of the former Soviet Union. In between, I was director of research for President Nelson Mandela’s Labour Policy Commission following the end of the apartheid era in South Africa. In a meeting, Mandela said something that has stayed with me, ‘It is harder to win the peace, than it was to win the war.’ In Ukraine, nobody should forget that warning when the evil invasion by Putin’s Russia is over.

In Russia and Ukraine in the 1990s, as in South Africa and in Sri Lanka, horrendous policy errors were made by donors, their advisors and the foreign governments giving aid and advice. Hundreds of millions of dollars were wasted, inequalities worsened, morbidity worsened quite unnecessarily, corruption fuelled the rise of a ruthless kleptocracy, and poverty and deprivation deepened. It all led to a fatal weakening of democratic roots. The origins of Russia’s invasion of Ukraine lay in the economic and social policy strategy pursued after the implosion of the Soviet Union.¹ In effect, the imposed cure to one crisis ended up creating a sickness of another virulent kind.

In short, one cannot sensibly interpret the ugly political situation in Russia today (and its invasions) without understanding the errors made by US and other foreign donors and policy advisers in the aftermath of the collapse of the USSR. Similar mistakes were made in Ukraine in the early 1990s, when the annual price inflation rate rose to over 11,000%, living standards plunged and life expectancy fell sharply.²

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The fact that the latter did not fall nearly as much as in Russia was largely because most Ukrainians had access to plots of land on which to grow vegetables and because Ukraine had a stronger civil society. But in both countries, a crucial error was the *sequencing of policy reform*.

Known as ‘shock therapy’, the strategy involved an initial phase of *price liberalisation*, which led to hyper-inflationary pressure, which in turn led to a policy of severe cuts to public spending, in an attempt to squeeze inflation by curbing aggregate demand. This meant that the real wages of civil servants fell to well below bare subsistence. Fatally, creation of a new social protection system was to be left to later, contrary to what some of us were arguing at the time.³

As a result, civil servants were left so desperate for money for themselves and their families that they were easily corrupted by gangsters and the emerging oligarchy. A crucial lesson for after the war is that the salaries of public civil servants must be protected and be sufficient for dignity.

However, it will be essential to protect the livelihoods of everybody, which is where shock therapy failed so dismally in the 1990s. The International Monetary Fund, the World Bank, all the official bodies of the United Nations and, above all, bilateral aid donors, led by the United States, all backed that strategy, or variants of it. Although it is not clear that a proper review of past failures has been conducted, fortunately, the United Nations looks more likely to take a different approach now.⁴ But the legacy of that terrible strategy has been extremely costly in human, economic and political terms.

How can that failure be prevented this time? Of course, in the aftermath of a natural disaster, such as a tsunami or earthquake, or a military disaster, such as in Iraq or Ukraine, the immediate need is for food, medicines, clothes and basic housing. However, there is what might be called the *danger of the kindness of strangers*.

This writer saw that in Sri Lanka, when dozens of multilateral, bilateral and civil society donors rushed into the country, many competing for impact with each other. The result was chaotic, duplication and waste. For instance, I recall a consignment of fur clothes from Greece left unused, due to the simple fact that Sri Lanka is a tropical country. Similarly, because Sri Lanka is a fishing nation, it lost hundreds of fishing boats in the tsunami. Donors rushed in a huge number of boats and sophisticated fishing gear. The result was chronic overfishing, which has hurt the fishing industry to this day.

The other, related danger of the kindness of strangers is that an influx of needed goods may lead to lower prices for domestic near-equivalents, acting as a disincentive to production and investment in appropriate sectors. After a few months of acute emergency, it would be better to enable local people to purchase such goods, if they feel they need them and if they accord with their priority needs.

This leads to what is most needed, the monetary means to purchase such goods. The optimum way is to provide everybody an equal emergency basic income (EBI), close to the cost of a basic basket of subsistence goods and services. It should be paid to each individual and be paid in equal amounts, with supplements for those with disabilities, roughly corresponding to the extra costs of living they face and the lower earning opportunities.

It would be appropriate to call the emergency basic income the **Ukraine Dividend**, to symbolise the fact that it is an assertion of the fact that Ukraine has had to fight to retain its existence as an independent, free nation. It would thereby signify that all Ukrainians living in the country would be treated as equals, all provided with basic economic security.

The Ukraine Dividend, or basic income, should be a monthly payment, paid in cash or the equivalent, without behaviour conditions and without means-testing or any requirement that the income should be spent on any particular way. It should be equal for men and women, and paid individually, as a non-withdrawable sum. It should be payable to all usual residents, with moral encouragement of the relatively affluent either not to take it or to donate their Dividend to some reconstruction activity they wish to support.

The proposed emergency basic income can be compared to the scheme introduced in December 2021 in response to the Covid pandemic, known as *ePidtrymyka* (translated as eSupport). Based on a smart phone app and web portal, *Diia*, it rewarded people for being vaccinated, with a lump sum payment of 1,000 UAH (roughly US\$34).

Initially, recipients could only spend the money on businesses hardest hit by the pandemic, such as restaurants and gyms. But this covered goods and services that were hardly the priority needs of most people. The money also had to be spent within four months of receipt, the intention being to act as a stimulus to the economy. In January 2022, recipients aged 60 or over were permitted to spend the money on medicines, which was soon extended to everybody aged 14 and over, with allowed items extended to educational services, and then housing and communal services for those over 60.

Plans to pay an additional 500 UAH for having a booster vaccination were suspended when the Russian invasion began, and then those receiving the *ePidtrymyka* rewards were encouraged to donate their funds to the Ukrainian military. Then recipients were allowed to spend their money on whatever they wished. Finally, in March 2023 a lump sum of 6,500 UAH was paid to every employee in war-impacted areas. So, in sum, the scheme has evolved into something closer to an emergency basic income.

Returning to the proposed EBI, to those who say the income should be *targeted* only on the poor, one should respond that it is extremely hard if not impossible to determine who is below or above any 'poverty line' in such circumstances.⁵ And particularly in a post-war scenario, it is administratively expensive, bureaucratic and inefficient to try to identify the poor. Trying to do so would almost certainly result in a very high *exclusion error*, that is, many of those who should be entitled would not obtain it. Even in countries with stable relatively efficient administrative institutions, exclusion errors with means-tested benefits are often 40% or more.

Moreover, means-tested benefits paid only to the poor inevitably create a severe *poverty trap*, since it acts as a clear disincentive to people identified as poor to make an effort to become 'non-poor'. Again, there are countless lessons from countries that have embarked on means-tested benefits. In countries such as Finland, Denmark, Germany and the United Kingdom, those on such benefits who take low-wage jobs face what is in effect a marginal income tax rate of 80% or more, which is much higher than faced by high-income earners.

That is one reason that quasi-universal income transfers are actually more progressive (i.e., reducing inequality) than those given only to the poor. Indeed, the proposed basic income, or

Ukraine Dividend, would be very progressive – i.e., reducing inequality – since it would represent a much higher proportion of a poor person’s income than of a rich person. If one wished to make the basic income even more progressive, one could increase the higher rate of income tax or taxes on luxury goods typically purchased only by the rich.

There are several potential problems that need to be avoided, most notably the possibly inflationary effect of a sudden influx of money into local economies. Since there is likely to be a housing shortage in the aftermath of the war, a basic income scheme might induce landlords to raise rents. Accordingly, rent controls should be introduced, limiting rental increases to what is justified by improvements or renovations made by the property owners.

As for food price inflation, this is where a temporary supply of food items from abroad to cover for a shortage of domestic food could help. After a first few months, they should be sold at market price. This would preserve the incentive to produce locally while suppressing inflationary pressure. Beyond that, as found elsewhere, the assurance that the local population would have the means to purchase food and other basic essentials could be relied upon to stimulate increased supply.⁶

One practical issue likely to arise in implementing a basic income in Ukraine after the war is identification of the intended recipients. Many people will be homeless, many others will have no residential address for themselves. Accordingly, an ad hoc scheme should be introduced, by which the Mayor of the community, or his/her office, should verify the identity of former or current usual residents, and once identified as such they should receive an electronic ID, containing a photo, date of birth and the name of a next-of-kin relative or close friend entitled by the person to pick up the monthly basic income if the person has no credit card and is incapacitated by illness or accident.

A closely related challenge is finding how to make sure the basic income reaches people with disabilities or a chronic illness that means they cannot go to collect the money or use their BI cards. This can be handled by having a relative or friend or local official delegated on the BI card with authority to use the card. One problem that could arise is fraudulent use of the BI card if somebody dies.

A method for dealing with this possibility, which we used in an African pilot, is to deduct a modest amount, say 5%, of the BI that would be deposited in a life insurance fund. If a person dies, the insurance company would pay funeral costs. This would act as an incentive to report deaths, rather than to try to continue claiming the basic income. The authorities may think this would be an unnecessary complication in Ukraine, given formal procedures for recording deaths.

Another practical problem concerns the treatment of those in prison. Their punishment is imprisonment, not starvation. It is preferable to say that every usual resident Ukrainian citizen should receive the emergency basic income rather than say some Ukrainians should be excluded. Accordingly, someone in prison should be paid their basic income but be charged some percentage of it (perhaps 60%) to cover the costs of their subsistence and imprisonment.

What would be the likely results of a generalised emergency basic income? First, and most importantly, it would enable everybody to have access to food and other basic essentials, and thus not be dependent on charity, which tends to go to those able to gain entry to shops and

go to the front of queues. We should never forget that charity is about pity, and pity is about contempt. A basic income is about an economic right of all.

An emergency basic income would tend to reduce morbidity, lessening stress and hopelessness that often drive people into suicidal situations. Everywhere where basic income has been tried, mental health has been improved, health in general has improved and use of healthcare facilities and medicines has improved. A basic income is a form of vaccination against illness.

Second, an emergency basic income, paid for two years at least, would stimulate demand for local goods and services that people actually want and need, rather than what bureaucrats or foreign donors – however well meaning – believe people want and need.

Third, by stimulating localised demand, it would induce small-scale and other investment in firms providing such goods and services, a stimulus that would be especially strong since potential investors would be assured of market demand.

Fourth, it would check the growth of inequality and strengthen the sense of community and social solidarity. We have observed this in other countries where we have implemented basic income pilots. Once everybody knows that everybody else is receiving the same as themselves, they become more altruistic, tolerant and collaborative.

Fifth, and related to the above, a basic income for all community members tends to revive ‘commoning’, that is, shared productive and reproductive activities as an ecologically sustainable way of living, moving society away from old-style GDP growth, away from industrialised food towards home-grown nutritious and sustainable food.

Concluding Reflections

In advocating an emergency basic income, as the Ukraine Dividend, we should feel that we are pushing at an open door. The Chief Economic Adviser to the President of Ukraine, Oleg Ustenko, said on April 2, 2023:

‘The possibility of introducing the so-called unconditional income for the population has been considered for a long time – it was discussed before the war, but did not find support. Now it should and will work...This issue is not just being considered. We already have an understanding of where to move in this direction.’

This is encouraging. However, we do recommend that before it is introduced for the whole country a small-scale pilot be undertaken. And by way of conclusion, it is recommended that a benefactor or set of benefactors, perhaps from the diaspora of Ukrainians living outside the country, be approached to provide several million dollars to fund a small basic income pilot in one selected area, perhaps a liberated one, to test how best to introduce and implement an emergency basic income for all usual residents.

For this to be fully meaningful, a pragmatic rule should be that the basic income should be paid to each adult aged 16 and over and to each individual adult who had previously been living in the area who returns to the area within three months of the launch of the pilot. An extra amount should be paid to each person with a disability, ideally determined by medical cost criteria. But if they were already receiving a disability benefit, they would merely continue to receive that on top of the flat basic income. Finally, all infants and children and

teenagers up the age of 15 should receive an amount equal to half the basic income paid to the adults.

For the pilot, what should be the amount paid each month? There is no ideal figure. However, it should be determined by an estimate of what it would cost to pay for basic food, clothing and housing (rent or imputed rent) and consideration of what would be feasible if the scheme were to become an emergency basic income across the whole country. In March 2023, the World Bank estimated that the poverty line was \$6.85 a day. The two decimal points seem to be spurious accuracy. Rounded to \$7, we may say that for the pilot a figure of \$200 per month would be appropriate.

Finally, for the pilot, the size of community could be determined by the size of the grant, with a random selection of one community from, say, ten similar communities, so as to minimise the risk of accusation of political bias. The size of the community should not be very large, because it would be only a test, a pilot. But it must be large enough to be a meaningful community.

In early 2023, in a perceptive remark echoing a famous Chinese saying, the Social Policy Minister, Oksana Zholnovych, said, *'We want to give everyone a fishing rod that would help them catch fish – to gain economic independence and with it a decent life.'*

A Ukraine Dividend system would do precisely that.

¹ As argued elsewhere, the invasion was an outcome of the 'shock therapy' strategy imposed on Russia and Ukraine in the 1990s. <https://www.opendemocracy.net/en/odr/the-us-and-uk-made-russias-invasion-of-ukraine-possible-i-saw-it-happen/>

² I coordinated a report on the policy developments in that period. ILO-CEET, *The Ukrainian Challenge: Reforming Labour Market and Social Policy* (Budapest: ILO-CEET, 1994).

³ G. Standing, *Russian Unemployment and Enterprise Restructuring: Reviving Dead Souls* (Basingstoke: Macmillan, 1996). In both the book and in articles published earlier, I argued that a basic income was vital to avoid plunging life expectancy and the emergence of a virulent form of kleptocratic capitalism. Tragically, although this was given publicity, those in positions to do something ignored the call. Very prominent American economists argued that price liberalisation and mass privatisation should precede increases in public state spending, contending that otherwise there would be a risk of some form of socialism.

⁴ Recently, the Office of the UN Under-Secretary for Social Policy issued a report, *The New Agenda for Peace*, in which BI is the sole innovative policy recommendation. It is presented as a tool to "to protect livelihoods and provide social protection in communities emerging from conflict and in post-conflict countries, [...] which can promote resilience and social cohesion and break the cycle of violence." (p.20) It is also presented as such in light of the dismal progress towards the UN's Sustainable Development Goals. The document is directed to UN member states, which will discuss the recommendations nationally and in UN circles before a Summit of the Future scheduled for 2025. BIEN issued a supportive [statement](#) in response to the launch of the report.

⁵ The World Bank estimated that the poverty rate had risen from 5.8% before the invasion to 24% in early 2023, based on the share of the population receiving less than \$6.85 per day. Such figures based on statistics collected during a war are inevitably somewhat arbitrary.

⁶ This is what we found in a big basic income pilot in India. By the end of the pilot, the unit price of food had actually gone down, because local producers had invested more in seeds and fertilisers to boost their production, knowing the local population could afford to buy their produce. S. Davala, R. Jhabvala, S. Kapoor Mehta and G. Standing, *Basic Income: A Transformative Policy for India* (London and New Delhi: Bloomsbury, 2015). This is part of the income multiplier effect that comes from a basic income scheme and that is rarely taken into account by critics or advocates.