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Guy Standing. Why a Basic Income will be Essential to Revive the Ukrainian Economy

Thank you very much. It's a great honor to be with you today, and especially to be the first person to give a lecture in this series. All my friends in every part of the world, and in our association, are 100% supporting what you are doing today. Admiration for Ukraine, and for the Ukrainian people, has mounted dramatically during the last few months.

I had the honor of working in Ukraine back in the early 1990s when I was Director of the International Labour Organization's technical staff and programs in what was called the transition period after the breakup of the Soviet Union. And I would like to begin before I develop the main theme of my talk by recalling a few relevant facts from that period.

I worked in Russia and Ukraine, and Belarus to a certain extent. And during that period I mixed with government ministers at the highest level in Moscow, St. Petersburg, Kyiv, and Minsk. I was convinced at the time that what the Americans mainly were pushing on all of those countries was profoundly mistaken. It was called 'shock therapy' – coupling two very specific words - that was really about an economic strategy for reform.

Those of you of my generation who witnessed what happened in the early 1990s will understand that the war and Putinism are directly due to those policies. What happened was that the Americans and other foreign donors insisted that the first thing the government should do was liberalize prices.

Now, price liberalization meant that all the price controls of the Soviet era were ended. Automatically this led to an incredible hyperinflation that was much worse in Ukraine, where it rose to 10,000% in one year, as I remember when I was working there. And in Russia it was 2300% - incredible figures. Incredible figures that devastated the lives of millions and millions of people.

Life expectancy in Russia dropped for men from 64 to 58 in three years. And it dropped also in Ukraine, but by much less. And that was because the previous government had had the wisdom, or luck, let's not discuss this, to make sure that everybody had access to a plot of land on which to grow vegetables, and so on. I think that was a key policy of survival and we saw the result. It didn't make everybody rich, of course not, but it helped in surviving.

The second policy pushed by donors was to squeeze inflation out of the economy and therefore they insisted on cutting state spending. Now, this policy was designed to squeeze the demand side of the economy, but it had a consequence which was totally disastrous. The consequence was that all civil servants in Russia and in Ukraine suddenly had their earnings reduced to starvation level.

I remember a cabinet minister in Moscow asking to see me and asking me for a donation of \$50 to feed his family. And a consequence was that officials were totally open to corruption. We cannot totally condemn them for that corruption because they had to survive. The only thing they could think about was survival. But it meant that the oligarchs and the ex-KGB were able to operate in an atmosphere of kleptocracy, and it encouraged a view that the past under Stalin was better than the future under the transition. This was crazy.

I was invited to the US State Department in Washington to brief the CIA and other officials in early 1993. I said, "Your policies are creating a vacuum in which kleptocrats and evil people will capture the state, and there will be economic, and social, and political disasters down the line."

And I remember in 1993 when Russia held the election for the Duma, a certain man became leader of the biggest political party in that election. His name was Vladimir Zhirinovsky. And those of you who know, know that one of his dreams was to invade Ukraine. All the way through his life he said Russia should invade Ukraine.

Now we are in a different period. We are seeing the consequences of that disaster with the invasion of Ukraine. And I want to put the current circumstances into a global context. That global context is, what we call in the world of economics, rentier capitalism. What this means is that more and more of the income and wealth of the world is going to the owners of property, financial property, physical property and intellectual property. So we are seeing globally an enormous increase in inequality.

I have written a book called Battling Eight Giants. The eight giants are those that are stopping the road to a good society from emerging, and the first giant is inequality. We will not have a sound, stable economic system globally if inequalities like today's continue and grow. And the business community that I've addressed in Davos, or in Silicon Valley, has the good sense to know that business must accept this as a desirable reality. Reduce inequalities.

The second giant, which is generic all over the world, is chronic insecurity. Now, insecurity has terrible effects on people's behavior, on people's minds, and on society in general. A society which is chronically insecure, even without war or without hyperinflation, if people are chronically insecure, they become less rational, more anxious and prone to listen to Putins, or Donald Trumps, or Boris Johnsons, with their extremist views.

The third giant threatening the world economy, and of course, Ukraine as much as anywhere, before the war, is debt. We have a huge problem of debt that makes the world economy highly fragile.

The fourth is stress itself. Before the war, the world's economies, world societies, were suffering from a pandemic of stress, which was affecting attitudes, affecting mental health, affecting physical health, and causing life expectancy in the United States to drop for the first time. This is an enormous development.

The fifth giant is what I've called precarity, a feeling that you don't have rights in the state. You don't have cultural rights, civil rights, economic rights, political rights. And the sixth is the threat of technological change. We have a situation where automation is disrupting and creating more inequalities. It is not reducing jobs. There will be plenty of work to do for everybody, but it is increasing the inequalities.

The seventh giant is the threat of extinction. Global warming, pollution, disappearing species. I've just written a book about the blue commons, the blue economy of the sea, and how it is being terribly affected. And the eighth giant is the one you know better than almost anybody in the world, and that is the threat of neo-fascist populism.

Neo-fascist populism means that when people promise to bring back some past, some great past, people who don't have a good today and don't have a good sense of the future, listen to these voices and they vote for a Donald Trump, or a Putin, a Putin who sees himself in the line of Peter the Great, Ivan the Terrible, Lenin, Stalin, Putin. A greater Russia, a populist, bringing back what he imagines in his warped imagination is the great past.

We mustn't think of Putin as a single individual, but of a global trend of politicians playing on people's fears and insecurities. I know many Russians who are educated and are cultured people who are in agony today because of the war. But the system in Russia has left majority of people uneducated, uninformed, and therefore supporting a populist fascist. This is where we stand today, which leads to what I've been working on for the past 30 years.

I have been proposing that in the context of globalization, the economic system, we need to move towards every individual in every society, every man, every woman, and every child having a basic income as an economic right.

What this means is that some modest amount should be given to every man and woman, every child through the mother, or the surrogate mother, if there is no mother alive, and that should be guaranteed as an economic right. Without conditions, it's your right as a citizen of Ukraine. And I have been fortunate enough to put this policy into practice in many countries, on four continents. That's a very strange experience.

The methodologies have varied, but I can tell you this, that in something like 80 experiments around the world, the results are broadly the same. When people have a basic income, their mental health improves. When people have a basic income, schooling improves for their children, their nutrition improves and they work more, not less. And they work more productively with more energy, with more enthusiasm, not less. In particular, a basic income enhances freedom, the freedom to say no to an exploitative person, or an oppressive landlord, or an oppressive partner.

Women's emancipation is enormously increased when they have their own individual basic income. It's a matter of justice, it's a matter of freedom, and it's a matter of having basic security. Psychologists have found that if people are chronically insecure, their mental bandwidth shrinks. Their IQ, their intelligence, goes down. If any of you have had periods of insecurity even before this war, you will know what I mean.

But think what the war is doing for people's mental capacities. It's reducing their intelligence in the short term, and therefore it will be vital, vital to implement a full basic income when this war comes to an end.

I think it must be done with a plan that is conveyed to foreign partners in the European Union, in the United States, in Canada, in the UK, and other countries, so that a plan can be drawn up to implement a full basic income immediately it's possible to do so. And that must be done in combination with an aid package on food, housing, infrastructure, and so on. But it will be vital as far as possible from a business point of view to give ordinary people the capacity to spend as they think is appropriate.

Let the market determine which way the economy rebuilds. Yes, you will need planners. Yes, you will need foreign assistance, but unless ordinary people are enabled to have control of their lives to a certain extent, that top-down approach will not work and more deaths will take place because of insecurities, because of incapacity to have a sense of a future, which a basic income offers.

I believe that if this terrible war can be brought to an end and Ukraine can emerge with its integrity, its honor, its dignity intact as a country and as a culture, I know enough Ukrainians, I know enough about your wonderful culture to think that this could be a harbinger of a good society for the 21st century. Your bravery and your courage today is setting a standard that will lead other people to say, "Ukrainians are us, and we together must build a more convivial, more resilient type of society, so that if we have another COVID pandemic, or economic shock, the people themselves will have sufficient security to be able to deal with it."

This is my message today, and I believe enough people in Ukraine are thinking along these lines to give such a plan a good chance. Thank you very much for listening.