ARTÍCULO ORIGINAL

Gac Méd Caracas 2020;128(Supl 2):S172-S187
DOI: 10.47307/GMC.2020.128.s2.5

Policy responses to COVID-19 in Latin American countries: A universal basic income?

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SUMMARY

The wide socioeconomic impact of the COVID-19 pandemic in the world has led to several political initiatives to minimize it, both in developed and developing countries. One that has gained some notoriety is the idea of transferring cash to citizens with a broader scope in terms of universality and inclusiveness - or a Universal Basic Income (UBI) - than what these types of programs have typically had in the past. This article describes the implications that adopting a UBI policy could have in Latin American countries (LAC), based both on the UBI's analytical considerations and the weak starting socioeconomic conditions that these countries would face in adopting a UBI policy. We conjecture that, given these initial restrictions, the full implementation of a UBI program in the region does not seem feasible at this time; and that, given the profound impact and slow recovery they face in front of the pandemic's impact, a compromise between a UBI and a less universal and unconditional cash transfer could meet both the need to face the economic emergency in the short term, as well as the financial capacity to address it.

Key words: *Universal basic income, basic emergency income, temporary basic income, Latin America, COVID-19, pandemic.*

DOI: https://doi.org/10.47307/GMC.2020.128.s2.5

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Recibido: 09 de octubre de 2020
Aceptado: 13 de noviembre de 2020

RESUMEN

El amplio impacto socioeconómico de la pandemia COVID-19 en el mundo ha dado lugar a varias iniciativas políticas para reducirla al mínimo, tanto en los países desarrollados como en los países en desarrollo. Una que ha adquirido cierta notoriedad es la idea de transferir dinero en efectivo a los ciudadanos con un alcance más amplio en términos de universalidad e inclusividad (ingreso básico universal (IBU), que lo que este tipo de programas han tenido típicamente en el pasado. En este artículo se describen las implicaciones que la adopción de una política de IBU podría tener en los países de América Latina (ALC), basándose tanto en las consideraciones analíticas del IBU como en las débiles condiciones socioeconómicas de partida a las que se enfrentarían estos países al adoptar una política de IBU. Conjeturamos que, dadas estas restricciones iniciales, la plena implementación de un programa de IBU en la región no parece factible en este momento; y que, dado el profundo impacto y la lenta recuperación a la que se enfrentan ante el impacto de la pandemia, un compromiso entre el IBU y una transferencia monetaria menos universal e incondicional, podría satisfacer tanto la necesidad de hacer frente a la emergencia económica a corto plazo, como la capacidad financiera para abordarla.

Palabras clave: *Renta básica universal, renta básica de emergencia, renta básica temporal, América Latina, COVID-19, pandemia.*

INTRODUCTION

The wide socio-economic impact of the COVID-19 pandemic in the world has led to various policy initiatives to minimize it, both in developed and developing countries as well. One that has acquired some notoriety is the idea of transferring cash to citizens, although with different scope in terms of universality and inclusiveness.

From the start of the pandemic until now, among the proposals, only two have turned operational. UK, Colombia, and Argentina are among the countries with initiatives proposed by specific political groups. In the UK, over 170 opposition politicians, in a letter dated March 19, 2020, to the Chancellor of the Exchequer HM Treasury, called for the government to approve a universal basic income (UBI) during the COVID-19 pandemic (1). In Colombia, some senators asked the parliament to approve an Emergency Basic Income to deliver to vulnerable people during the COVID-19 emergency pandemic in the country (2). In Argentina, a government project to implement a Universal Basic Rent is pending (3).

On the operational front, only Spain implemented a program that could be aligned with the UBI approach. Law on a Minimum Living Income Law was approved last May and the transfers started in June (4). A pilot in Germany should be mentioned, though. The Institute for Economic Research, based in Berlin, started the "My Basic Income" project of delivering 1 200 euros a month to 1 500 people randomly selected and for three years, starting last August up to December 2024 (5). Two proposals, with a greater regional scope, were also presented; one sponsored by the United Nations (UN) that recommends the adoption of a Temporary Basic Income in developing countries (6), while the other one proposes a Basic Emergency Income in the Latin American and Caribbean region (7).

This article describes the implications that the adoption of a UBI policy could have in Latin American countries (LACs), taking into account: first, that they come from experiencing a weak socioeconomic position before the COVID-19 pandemic; and, second, that such initial condition would make it more difficult to adopt a UBI policy, given its demands on fiscal resources and possible unwanted impacts in the long term.

The discussion is organized as follows: In the first section, we present the UBI concept, main features, and criticisms. It is perceived that implementing a pure UBI looks difficult, which explains why, despite being a concept developed since long ago, it has not spread in practice.

In the second section, we examine two proposals of a sort of combination of universal conditioned cash transfers aimed at mitigating the effects of policies directed to control the spread of the COVID-19 pandemic in LACs. We arrive at two important considerations: first, given the initial conditions of LACs, we conjecture that moving towards a pure UBI in LACs does not look feasible at the moment; and, second, given the deep shock and slow recovery they face, an intermediate solution between a UBI and a less universal and unconditional cash transfer could meet both the need to face the economic emergency in the short term, as well as the financial capacity to address it.

A Universal Basic Income. A policy response to the COVID-19 Pandemic? or A long-term welfare policy?

…at least for the moment, a UBI should be taken seriously, but not necessarily literally… (8)

The following comments on UBI's conceptual aspects and implications are based on the recent World Bank publication on the subject (8).

The IBU is conceived as a government payment in cash to each individual, regardless of whether they work or not and without distinction of their socioeconomic situation. Being universal means the absence of eligibility restrictions, except perhaps those related to national identity and age. So far, considering these basic features – name-ly, cash transfer modality, universality, and lack of conditionality –, only two UBI initiatives have put into place (Mongolia and the Islamic Republic of Iran) and for a limited time. Indeed, their implications make the authors saying that *…the move toward an unconditional cash-based transfer is plausible, though…it may not be without controversy…* They are discussed next.

An individual IBUis considered superior to other social assistance programs in that it would: give more freedom to its beneficiaries to spend it as they see fit; lack stigma issues related to poverty status; offer economic security by becoming a stable source of income, and foster the financial development and human capital accumulation. Nonetheless, concerning its unconditional nature, establishing a uniform UBI for everyone is incompatible with equity objectives and may confront a low willingness of the society to accept an income delivery in exchange for nothing. On the other hand, with the use of unconditional transfers, expected externalities that conditional transfers permit through changes in the behavior of economic agents would be lost with a UBI; for example, the correction of market failures in cases of insufficient provision of certain public goods and services, such as health, nutrition, among others.

At an operational level, a UBI's institutional management is simpler than that of conditional transfers; problems of moral hazard related to the household definition and the administrative follow-up that targeted transfers require are minimal; the beneficiaries' transactional costs are low; it promotes banking in low-income strata, and allows taking advantages of electronic banking. Despite these advantages, a UBI is not without complications. Although it would bear low administration costs, it's total fiscal costs would be high. Its tax financing would make it no longer universal; particularly, a uniform UBI would favor the lower-income strata with lower marginal tax rates, but it would harm those of the highest affected strata with higher marginal tax rates. Due to this, a UBI could raise strong political opposition. Likewise, the existence of fragile institutions might give rise to exclusion errors and, as such, impede access to the benefits of the IMU.

Some macroeconomic effects of a UBI include facing risks of price increases in certain goods and services induced by higher demand in weakly integrated markets; loss of purchasing power that might originate in unstable macroeconomic environments; the UBI's frequency, spending patterns should be taken into account too. The net impact of migration should also be considered, although its costs would not always have to be greater than its benefits.

Given those shortcomings, the political viability of a UBI may have to hinge on embedding some form of co-responsibility in its design. A decision to combine the UBI with targeted social programs, to enhance the universality of the transfers and maintain at the same time some kind of co-responsibility would involve some challenges: it would face the conventional problems attached to targeting; would oblige citizens to choose between them; and eliminating some existing schemes might not be politically feasible while adding the IBU to them would raise the fiscal costs.

...As a radical solution, a UBI is bound to be thought-provoking...(8)

The present narrative of the UBI has diverse antecedents. The first attempts to propose a basic income date back to the 16th century. They argued for the establishment of a minimum income for the poor, either to avoid the effects of negative social behaviors forced by poverty (9), or as a matter of the moral exercise of charity (10). Poor laws in England and public welfare in Europe, which began to be implemented at the end of that century, were fed by these proposals.

The idea of a sufficient income for survival took hold over time, but new conceptual bases emerged. A natural inheritance of wealth created in the past that cannot be attributed to someone in particular (11) and of a form of liberation of labor from the domination of capital (12). Likewise, the incipient ideas of a subsistence income for each member of the community stand out, regardless of whether they work or not (13), that no one should be forced to work (14). At the same level of social justice in Vives (10), the moral right of each person to access the means of subsistence was invoked (15,16). However, some incipient considerations on conditionality for the enjoyment of a basic income started to appear next, such as its insertion into a national program of social security and protection of children (17). The initial foundations of social security, as a means to reduce inequality, poverty, and the risks that such situations entail, had been anticipated already (18); but, instead of addressing an unconditional basic income, the idea moved towards that of a social benefit related to workers' contributions.

While the Social Security consolidated in practice, especially in Europe, liberal economists in America started defending the idea of a less conditional minimum income (19,20). A proposal of a negative tax income prompted the simplification of all social care programs and the eradication of inefficiencies that derived from conditioning for access to their benefits (21);

while the idea that work should not be used as an income reference emerged as well (22).

The proposals and arguments defending an unconditional basic income also gained strength in Europe. In the Netherlands, the rationale of paid work's dehumanizing nature was used to propose the reduction of working hours (23). In Great Britain the Basic Income Research Group was formed in 1984 and, after various changes, has remained as the Citizens' Basic Income Trust since 2017 (24); its main arguments focus on the failure of full employment policies and the need to separate people's income from work commitment. In Germany, the discussion also strengthened among academics, politicians, trade unions, and public officials, on the basis that the UBI is a new category that not only allows individuals to stop being subjected to the conditions of the labor market but also that the time they release is part of their well-being (25). In France, various arguments supported the idea of an income decoupled from work due to: the value of working time is different from that of labor income (26); the displacement of workers caused by the progressive automation of production (27); and the intangibility of the value of work that prevents it from equating it to wages (28).

Currently, the simpler approach that the availability of a UBI guarantees more freedom to their recipients, has displaced the previous narratives (29)[1]. Therefore, neither social justice nor poverty reduction is the main objective of a UBI under this approach; although, in practice, it would contribute to achieving them. In essence, with a UBI, people would not have to choose between the obligation to work for a salary and working or engaging in voluntary and/or more socially useful creative work.

Some details allow us to weigh the conceptual scope of this approach. First, the UBI is seen as a complement to the income that people would receive from other ordinary sources, including those coming from the social welfare system. Particularly, its implementation would require the absence of poverty, to guarantee the condition of freedom mentioned previously; a UBI that coexisted with situations of poverty should not be considered as efficient. Second, it is recognized that UBI tax financing would have different effects for the low- and high-income strata; in the first case, the substitution effect of lower marginal tax rates would lead to an increase in the supply of work, while the opposite would occur in the second one. Third, although it could happen that the net effect would be of a reduction in the labor supply, rather a redistribution of jobs would be expected; still, if the former occurred and the financial sustainability of the UBI were to be threatened, the increase of some taxes (on capital and wealth, especially inheritances) should be considered. Finally, it should be expected that the establishment of a UBI would not replace public programs directed to education, health, and other services, nor would it lead to a broadening of the public sector.

From a political economy point of view, the UBI could lead to rejection from employers, based on their expectations of wage increases that would lead to a reduction in the labor supply. Likewise, it is possible to expect the unions to oppose the loss of power spaces; yet, more than to the UBI itself, this loss could be attributed to the new structural features of the role of work in production processes. Potential moral hazard and labor ethic problems would probably cause rejection to a UBI, but this argument ignores the right of low-income workers to enjoy the same freedom of high-income sectors. A political problem might arise if massive migrations are attracted to countries that implement the UBI; this would require solving discrimination by the exclusion of non-residents and the effects on labor markets of migrants forced to work with low wages. In a different vein, potential problems might arise if mass migrations were attracted to countries that implemented the UBI; this would require solving the exclusion caused by discrimination against non-residents and for the negative effects on labor markets coming from the migrants' lower wages.

In general, it is considered that no experiment could convince about the application of a UBI, since its limited scope and temporary nature, would not allow it to appreciate the development of the expected behavior. The recommendation of

[1]Philippe van Parijs is among the most prominent representatives of the UBI as a mechanism of economic freedom. See the listing of his work at https://uclouvain.academia.edu/PhilippeVanParijs/CurriculumVitae. He is also co-founder of the Basic Income European Network (BIEN) https://basicincome.org.

van Parijs (29) points to a gradual implementation in both advanced and developing countries. Some skepticism still prevails for the macroeconomic impact of the UBI, mainly because its limited practice leaves unanswered big questions on its general equilibrium, distributional and welfare effects. This is especially true when a distinction is made between the neutral financing of the UBI, or when it would replace other social programs (30).

A brief summary

Provoking as it is, the IBU concept presented here, with a long history behind, shows that its successful implementation faces non-trivial implications. Are the latter beneath the limited practice of the UBI? Answering this question is difficult, because being the UBI's practice limited, there only remain the insights from the experience of conditional cash transfer programs, whose results prevent the formation of definitive and unique conclusions and make them extensive to those of the unconditional cash transfers.

Yet, the relevance of such a question remains, and gives rise to other ones. First, on what basis anyone should have the right to receive it, and for how long? Appealing to the original intention of the UBI – namely, more economic freedom – might not be enough, if the expected behavior of its beneficiaries would not materialize and cause distortions in the supply of labor.

Second, what level should the UBI reach, should it complement the people's income? It looks like the initial socioeconomic conditions of the countries might obstacle its implementation, particularly, in developing countries affected by situations of high inequality and poverty.

Third, what conflicts might it cause between different economic sectors? The fact that the UBI's tax financing might involve important redistributive impacts, might cause political rejection. Also, the lasting impact of specific taxes to finance the UBI on employment and the public finance might be considerable.

Because of those implications, it can be conjectured that, for now, the UBI might be both a temporary and of restricted universality instrument of welfare programs. A recent recommendation of a UBI for LACs is in that perspective.

A UBI for LACs?

The policy dilemma between containing the spread of the COVID-19 pandemic through self-isolation, quarantine and social distancing, and fostering economic activity poses significant challenges for any country. Although the net impact of the pandemic will depend on the quality of the measures and the citizens' response to them, it is highly probable that the course of contagion will last longer than estimated at the beginning of the pandemic, that part of the income's active population is lost, and that some lasting effects will hit harder to the countries least prepared to face them. LACs are among the latter.

As part of a set of measures aimed at mitigating the impact of COVID-19 control policies on the economies of the region, the Economic Commission for Latin American and the Caribbean Countries (ECLAC) has proposed a temporary Basic Income in the form of cash transfers for the region, as a means to move gradually towards a UBI (7). How prepared are LACs to undertake a UBI, why should they follow this pattern and how much would a program like this cost? As their initial conditions show, the implementation of a UBI require enormous efforts to overcome the significant losses of income caused by the COVID-19 pandemic and the structural deficiencies of the prevailing economic models and social protection systems in the region.

Initial conditions

After important advances in the 90s and 2000s, the LACs have been showing economic and social stagnation in recent years, especially in the last quinquennium (Box 1). These results place them among the countries with the worst macroeconomic and socioeconomic performance in the world (Box 2). Furthermore, in the absence of proactive and effective policies, it is projected that poverty and inequality will increase even more, as a result of the COVID-19 pandemic's controls (Box 3). Although such a performance might be associated with a possible loss of

Box 1 Macroeconomic and social performance before the COVID-19

The COVID-19 pandemic came at a time of weakness and socioeconomic vulnerability in LACs. Indeed, this pandemic arises at a time when the region's macroeconomic and social indicators were already showing stagnation and/or reversion signs.

The deterioration in GDP growth rates in LACs began to be observed since 2010 when the average for the region reached almost 6 %; between 2014 and 2019, the average per year was 0.8 %, approximately 8 times the 2014 value (31). It should be noted that these levels are the lowest since the 1950s (32).

The same trend shows the average annual variation rate of the region's exports of goods and services; from the peak reached in 2010 (9.2 %), it falls to an average of 2.5 % between 2012 and 2019 (31).

In the fiscal sphere, with ordinary public revenues, affected by the impact of lower GDP and export growth, the countries of the region tended to make more intensive use of public debt to finance part of their fiscal deficits. Public debt as a proportion of GDP increased by almost 3 percentage points on average per year, from less than 30 % to 50 % of GDP and, correspondingly, the account of interest on this debt also did so by around 1 % of GDP during the same period (32).

The deterioration in macroeconomic performance affected efforts to reduce poverty and inequality, which had improved significantly between 2000 and 2014. In the case of poverty, the rates had dropped from 48 % in 1990 to 28 % in 2014, and from 22.6 % to 12 % in the case of extreme poverty between the same years. However, since 2014, they began to show some signs of reversal; with an increase of 2 percentage points between 2014 and 2018 (32).

The improvement in equity is evidenced by the simple average of the Gini coefficient which, for a group of 15 countries in the region, had fallen from 0.477 in 2002 to 0.465 in 2018, with a reduced rate per year of 0.9 %. However, the reduction in the indicator weakened between 2014 and 2018 (0.6 % per year), behavior consistent with the less favorable economic performance of the region since 2014 (33).

Informality in the region, at levels of more than 50 % of the active population, constitutes a relevant aspect in the determination of poverty in the region, because it entails instability in family income, low-income levels in cases of low-skilled independent jobs, and a high proportion of child and youth employment (more than 70 % of the population aged between 5 and 17 years (7) and limited access to contributory social security services (health and employment insurance, pensions).

Other inequities in the region include limited access to social protection, particularly to universal public health and education services; as well as the enjoyment of subsidized public services of electricity, water, social housing programs, telephone communications, and internet services. Bancarization is also precarious and/or only generalized in basic products that do not allow taking advantage of the advantages of digitization and internet banking. Gender inequality in the region is evidenced in women's labor income that is 25 % lower than that of men and high rates of domestic violence and femicide (7).

Central government spending on health averaged 2.2 % of GDP in 2018, way below the one recommended by the Pan American Health Organization. Facilities and coverage are also insufficient. The number of hospital beds per thousand people remains in general below the world average in almost 1/3 (3 beds). The participation in health insurance plans of employed aged 15 years and older was only 57.3 % in 2016, while the out-of-pocket health expenditure was 37.6 % of total health expenditure (7).

In education, the lags in the use of communication technologies stand out. The use of the internet has extended in the region, but not equally among countries and income groups. The percentage of inhabitants in most South American countries reaches 80 % in mobile internet connection, while it drops to 30 % in Central American countries. The connectivity rate among income groups shows a significant gap between the poorest and the richest, 60 percentage points in the widest cases, and 17 points in the narrowest (7).

Box 2 International comparison

LACs' macroeconomic and welfare indicators for the last five years not only contrast with the most favorable achieved in the immediately preceding decade but also because they are among the worst in the world. Not only did the average rate of change in GDP fell considerably; its level was lower than that of other regions.

Compared to the 2014-2019 growth rates of LACs, those of South Asian (SA) were more than eight times higher, five times in East Asia and Pacific (EAP), 3 times Middle East and North Africa (MENA), and in Sub-Saharan Africa (SSA), and twice in Europe and Central Asia (ECA) (31).

The contribution of the Latin American region to world export growth is also one of the lowest. The annual average for the 2014-2019 period is just 0.2 %, compared to 1.5 % for the EAP and ECA countries (each) and 0.5 % and 0.3 % for the MENA and South Asian countries, respectively (31).

In the fiscal area, the average annual government revenue as a percentage of GDP for the 2014-2019 period was 23.9 %, similar to the world average (24 %), but almost 10 percentage points of the average of the countries of Europe and Central Asia (31). For some countries, the public debt / GDP ratio was below the maximum prudential limit of 40 % (Peru and Paraguay), but for others, the ratio widely exceeded that limit (Argentina 89 %, Brazil 76 %, Costa Rica 61 %) (32). Obviously, these countries will face severe restrictions to obtain credit in external markets in the near future and probably much more in the context of the COVID-19 pandemic.

In the comparison of well-being indicators, the group of Latin American and Caribbean countries also occupy the worst position. The variation rate of the average real GDP per capita for the 2014-2019 period is not only the lowest, but it is the only one that turns negative (-0.2 %). Meanwhile, those of the high, middle- and low-income countries averaged 1.5 %, 3.2 %, and 1.2 %, respectively, during the same period (31).

Despite the decline in inequality levels in Latin American and Caribbean countries, they are still among the highest in the world. In some countries of the region inequality stopped decreasing or even started to increase (since 2010 in Mexico, since 2013 in Brazil, and since 2014 in Argentina), (34); a fact that reveals that the different dimensions of the problem continue to constitute barriers for the inclusion and development of the population.

effectiveness of their targeted social programs, other restrictions might be underneath those results as well: punctual shocks, like the global financial crisis of 2008-9 that may have caused lasting negative economic effects, on one side; and structural factors on the other hand, especially, the high vulnerability of economies that strongly depend on exports of commodities whose prices are subject to big swings. The latter explains to a great deal, the region's recent poor growth rates and the lack of enough financial resources to boost social assistance programs.

Indeed, LACs have not exceeded their historical development patterns; and their industrial policies, fiscal space, social program networks, and institutional settings have consistently lagged.

Box 3 Some projections

Since March of this year, when the World Health Organization (WHO) declared the COVID-19 pandemic, initiatives began to emerge from various institutions to measure the socioeconomic impact of COVID-19 and the preparation of projections on the economic and social performance of the countries in the context of the development of said pandemic. Obviously, the estimation of projections on the results of the macroeconomic performance and the social management of the countries may have margins of error due to the uncertainty about the development of an epidemic that still does not show signs of stabilization and control and about the time it will take to do so.

Initial projections (March-April) for world GDP growth for 2020 were more optimistic than those published more recently (June-August). In April, the IMF (35) placed it at -3 %, but reduced it in June to place it at -4.9 %; the World Bank (36), for its part, projected -5.2 % for June, a somewhat larger drop. For Latin America and the Caribbean, the projected reduction levels are higher, and likewise, the most recent ones are less favorable than that estimated for the region in March-April. By then, it was estimated at -5.3 % (32), but in June the projected reduction reached -7.0 % (36); in August the estimated reduction is even greater, equal to -9.3 %. In some countries, the situation is more unfavorable than in others, with Venezuela leading the list with -22.9 %, followed by Peru with -13.1 %, Argentina with -11 %, Mexico with -10.5 %, and Brazil and Ecuador with -8.4 % and -8 %, respectively; In the group for which a smaller drop is projected in 2020 are Paraguay and Uruguay with rates of -3.7 % and 3 %, respectively (37).

Regarding exports, estimates last April projected substantial reductions in their growth rates, with oil companies being the most affected (-15.9 %) and followed in order of importance by mining products (-12 %) and agro-industrial products (-5 %). The reduction in oil prices was estimated at -47.9 % last June, while that of non-energy raw materials was estimated at -5.9 % (7).

These projections are based on the contraction of global demand - especially from China -, the deep fall in oil prices last March and the interruption of trade in the case of global value chains. In the latter case, both Brazil and Mexico are among the most affected countries also because their manufacturing sectors are the largest in the region. In the same way, there is a great contraction for the Caribbean countries due to the fall in tourism, severely restricted by restrictive policies for travel related to containing the contagion of COVID-19. Closely related to these projections, less availability of access to international financing and intensification of exchange rate depreciation is expected, as a result of the lower inflow of external resources to the region.

The impact of real contraction is estimated to be very severe on tax revenues, especially in the countries of South America. The primary fiscal result is projected in very important negative values, ranging between -3.3 % (Uruguay) and 12.6 % (Brazil), with intermediate values that average around 6 % for the other countries (36). This entails significant budgetary restrictions that will limit the fight against poverty and inequality in the region. In fact, for last July it was estimated that unemployment will increase in 2020 by 13.5 % (34), 10 percentage points more than what ECLAC (32) had projected in March (3.4 %); and an increase in the Gini coefficient for the region in 7.8 % (34).

other regions of the world. Particularly, trade patterns based on static comparative advantages – raw materials and low value-added manufactures – translate into little export dynamism and make the region very vulnerable to the volatility of its exports' prices. These weak fundamentals add to a structurally limited fiscal capacity. Tax revenues are determined by low average effective tax rates and unnecessarily high tax expenditures (high informality, indiscriminate and inconsistent exemptions and exemptions, and loopholes that facilitate tax evasion and avoidance) that reduce the tax bases. On the other hand, the tax structure tends to be regressive, which in many cases implies high marginal tax rates for sectors with less taxable capacity. The social security systems, due to the high level of labor informality, tend to be deficient from the budgetary point of view.

The persistence of high informality, large gaps in access to social security and protection programs, unequal access to education that limits productivity growth, deficient and insufficient health services, and high health out-of-pocket costs, the exclusion of socially focused programs are among the main structural deficiencies that characterize social protection systems in the region.

Increasing incomes for the richest and expanding middle-income strata involve additional problems; in the first case, because it reinforces inequality, and in the second, because the improvement has not been high enough to meet their expectations in terms of better living conditions.

To these aspects add others that pose new risks of reinforcing different forms of inequality; among them stand out: the impact of climate change and natural disasters on the poorest; migratory movements and automation of tasks that tend to benefit the richest countries with highly skilled workers and a deep inequality between them and the poorest countries.

In a broader long-term and global vision, LACs face additional challenges. A possible greater permanence of teleworking and the increase in production processes based on robotics – which in fact, have been developing since before the pandemic – imply technological demands that exceed a scarcely diversified export vocation and a specialization in products with little value-added. The relocation of foreign investment[2] might also occur by the trade barriers that have arisen between the US and China. This might give rise to changes in the structure of international trade, for which adaptation requires preparation that in LACs would take longer than in others. Finally, the transition towards a global energy consumption pattern based on non-polluting sources raises the reorientation of the production schemes of the oil-producing countries, whose presence in Latin America is relatively important. Therefore, the expectations of the "new normal" for LACs are those of a longer period of economic contraction and, of greater fiscal difficulties for their performance in the medium and long term. They have to choose between continuing the validity of the development style followed up till now or reinventing themselves, embarking on a new route that guarantees sustainability in growth and higher levels of well-being, based on respect for the environment and social solidarity.

Why going "universal"?

Until now, LACs have focused on using conditional cash transfers (CCTs) as part of their social assistance policies and, specifically, as a more secure and direct means of achieving objectives of poverty and inequality reduction. CCTs became popular in the late 1990s and nowadays there are more than thirty such programs in about twenty countries of the region (see Appendix). Due to their targeting nature, the beneficiaries of CCTs are expected to behave in some expected way; the conditions typically include compliance of children and young's enrollment in the educational system and family's enrollment in health programs.

In the face of the COVID-19 pandemic, CCTs are not enough, as the loss of income affects a wider range of the population. For this reason, ECLAC took the initiative to recommend a set of policy measures with broad coverage as a step in the direction towards universal protection.

In general, these policies area have been directed to an immediate implementation of fiscal stimulus measures to avoid the stoppage of companies and the loss of jobs; guarantee the supply of essential products (food, energy), medicines and medical equipment and universal access to COVID-19 tests and medical care and treatments for those infected; guarantee liquidity and credits at low-interest rates; alleviate the economic conditions of people through deferral of credits' payments, rents, and public services; and the payment of temporary cash transfers to meet basic needs and support household consumption (7). These cash transfers are seeing as a means to reach those living in poverty and the ones that face risks of falling into poverty as well (low-income non-poor and lower-middle-income strata) and to move even further: to turn the transfers into a UBI.

Going from targeting to universal in LACs is seen as making real the exercise of people's rights to free access to social protection and, therefore, as established in the objectives of both the 2030 Agenda for Sustainable and the International Labor Organization (ILO) Social Protection Floors Recommendation No. 202 (38) and the 2019 Regional Agenda for Inclusive Social Development (39), (Box 4). Among ILO´s guidance points (38), there highlights the recognition and primary responsibility of States to give universality of protection, "*based on social solidarity*" and including by "*setting targets and time frames*"; and ECAC's Regional Agenda includes among its principles "*universalism that is sensitive to differences*" (39).

In practice, going universal in social protection in developing countries would not be new at all, since some health coverage has been progressively taking this direction. The lessons of this experience show mixed results, whose fundamentals should have to be considered. Some studies show positive evidence on financial

[2]Offshoring, a business practice consisting in the localization of manufacturing investment in foreign countries, facilitated by the existence of cheap labor and the availability of safer and more efficient transportation, started to show some sign reversions since the last decade. Reshoring - creation of added value in the countries of origin – and nearshoring – outsourcing in a nearby country, preferably a neighboring country – have been taking place as an answer to eroding advantage of lower salary costs, pressure of companies to innovate and increase their competitive capacity, risks of locating assets abroad and protection of intellectual property. Emerging technologies – as digitalization production processes (additive manufacturing, information and communication technology, nanotechnology) – and experience gained on the risks of global chain values have facilitated the move toward these practices, that project a manufacturing production progressively concentrated in local and regional hubs closer to both developed and developing countries (32).

protection, but others find weaker or even negative impacts (40). Yet, the examination of this particular field of social assistance presents many methodological challenges[3] that have to be overcome to get enough confidence that "going universal in health" is worth the effort and, more importantly, that this experience should be extended to the rest of social programs.

How much a UBI would cost in LACs?

ECLAC proposes a Basic Emergency Income (BEI) in LACs, which could transform later into a UBI (7). The specific features of this BEI are a cash transfer, a duration of six months (minimum three months), five different targeting criteria from the most to the least expensive ones: 1. everyone (universal), 2. all persons living in poverty, 3. all informal workers aged 18–64 years, 4. all children and adolescents aged 0–17 years and 5. all persons aged over 65. In each case, the costs are estimated for people under poverty (Pov Line) and extreme poverty lines (ExtPovLin), respectively (Table 1). The costs are also compared to those of current CCTs for the different groups.

The average cost/GDP estimated for 18 countries[4] and a 6-months-duration cash-transfer ranges between a minimum of 0.1 % of GDP (persons aged 65 or over - ExtPovLin) and a maximum of 9.8 % of GDP (universal - PovLine). These figures show that a considerable amount of fiscal space would be required to finance the proposed BEI, especially, in the first three groups: universal, persons living in poverty, and children and adolescents aged 0-17. Therefore, ECLAC recommends choosing the transfer for "Persons living in poverty", which would cover 35 % of the population and would require a monthly transfer of $143.

Table 1. Costs in % of GDP of ECLAC's Basic Income (Cash Transfers)

	Coverage % of Population	Pov Line $	Ext Pov Lin $ 67/mes	Current CCTs
		Duration 6 months - % of GDP		
Universal	100.0	9.2	4.0	0.6
Persons living in poverty	34.6	2.8	1.0	0.6
Children and adolescents aged 0-17	28.8	2.7	1.3	0.2
Informal workers aged 18-64	20.0	2.0	0.7	
Persons aged 65 or over	8.8	0.6	0.1	0.3

Source: (7)

How much this choice will affect each country, will depend on their characteristics (population size, number of persons living in poverty and mean poverty line income). The amount of reference for Poverty Line ($143 per month) is below the vulnerability measure for LACs, which is in the range of $5.5 to $13 per day (equivalent to $165 to $390 per month) used in other studies.

In Ortiz-Juarez and Gray (6), the proposal of a Temporary Basic Income (TBI) deploys the methodology of estimation, which gives some insights to evaluate the choice of a basic income

[3]Among them, choosing the units of measurement of health indicators properly, their timing, heterogeneity of population groups (even across regions in a country), design of health programs, income distribution, institutional health setting, etc.

[4]Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Plurinational State of Bolivia and Uruguay.

Table 2. Potential beneficiaries of the TBI

Developing countries by region*	Poor	Vulnerable	Median of national poverty lines	Vulnerability measure	Cash transfer per regions's vulnerability threshold
	# of people		$ per day (2011 PPP)		
South Asia	193	594	2.0	1.9 – 3.2	1.9
Sub-Saharan Africa (SSA)	440	267			
East Asia and Pacific (EAP)	155	366	3.4 - 3.9	Below 5.5	3.2
Middle East and North Africa (MENA)	75	94			
Europe and Central Asia (ECA)	59	159	5.2 – 6.3	5.5- 13.0	5.5
Latin America and the Caribbean (LAC)	151	227			
Total	1,073	1,707			

Source: (6)
*The study covers 132 developing countries.

in LACs. The proposed TBI takes the form of unconditional, non-entitlement, and individual cash transfers and is thought to rule for a specific period, up to 9-12 months. Its design distinguishes between "poor" and "vulnerable" people; being the first those who live under international poverty lines, and the second those that are no longer poor according to the previous standards, but that face risks of falling into the first group.

To estimate the level of the TBI, the authors group 123 developing countries under regions that are classified according to the current UN international poverty lines' thresholds (Table 2). The exercise assumes the 2018 welfare levels, as a reference to determine the TBI potential fiscal costs; in addition, they also consider three scenarios of TBI levels, according to certain criteria (Table 3).

The first scenario corresponds to the estimation of a cash transfer equivalent to each country's average shortfall in income, concerning its corresponding vulnerability threshold; for example, the median shortfall for South Asian and SSA countries will be the difference between $3.20 a day and $1.90 a day. The TBI in the second scenario is equivalent to the difference between half the median per capita income or consumption in each country and the amount of the typical international poverty line. The last scenario corresponds to a uniform cash transfer of $ 5.5 a day.

Table 3. Estimation Scenarios

Cash transfer Pj equivalent to		
Scenario 1	Average income shortfall/Threshold vulnerability	$P_j = \frac{1}{n_j}\sum_{j=1}^{q_j}(1-\frac{y_{ij}}{z})$ a/
Scenario 2	Half median household per capita income or consumption	*max* ($1.9, 0.5 *yij*)
Scenario 3	$5.5 uniform cash transfer	$5.5

a/i: individual; j: country; nj: total population in j; yij: income of I living below z in j; qj: total number of people whose incomes yij are below z; z: vulnerability threshold
Source: (6)

According to this approach, the average TBI costs, for the 132 countries and a 6-month period in % of the GDP, go from 1.6 % in the first scenario to 2.1 % in the second one and 3.8 % in the third one (Table 4). The figures for each country group vary, corresponding to the highest costs to those with large populations in the bottom-income and biggest gaps between their median poverty lines and the vulnerability threshold (Sub-Saharan Africa).

Table 4. Total costs of the TBI for 6 months in % of GDP and TBI per month

Developing countries by region a/	**Population Poor + Vulnerable million**	**TBI Per month ***			**% of GDP 6 months ***		
		1	**2**	**3**	**1**	**2**	**3**
South Asia	787	27	59	167	1.3	2.7	7.6
Sub-Saharan Africa (SSA)	707	47	58	167	4.6	5.7	16.3
East Asia and Pacific (EAP)	521	52	114	167	0.5	1.1	1.6
Middle East and North Africa (MENA)	169	65	80	167	1.3	1.6	3.4
Europe and Central Asia (ECA)	218	159	179	167	1.9	2.2	2.0
Latin America and the Caribbean (LAC)	378	193	153	167	4.3	3.4	3.7
Total	**2 780**				**1.6**	**2.1**	**3.8**

*Own calculations.
Source: (6)

The per-beneficiary amounts under scenarios 1 and 2 will vary across countries as they are sensitive, respectively, to the prevailing difference between the incomes of the potential beneficiaries and the vulnerability threshold and to the standard of living in each country. In scenarios 1, the measure reflects the average per capita shortfall, as a percentage of z, between the incomes of those living below z and the value of z. In scenario 2, the amount of the TBI depends on the distance between their half median income and the reference value of $1.9 a day.

In scenario 3 ($5.5 a day), the TBI's scope increases the most for the country groups with an income vulnerability threshold of $1.9 and $3.2 per day. Under this scenario, the monthly amount per person equals $167, which remains unchanged regardless of the size of the targeted population and the country where they live.

Taking into account the income vulnerability thresholds is more expensive than using ECLAC's approach. However, Ortiz-Juarez and Gray (6) consider that in a context of deep shock and slow recovery, the costs in the case of TBI could be considered moderate. On the other hand, they point that taking into account the short-term nature of the TBI, additional taxation should have to be ruled out and other potential resources should have to be used: deferral of debt service payments, elimination of non-essential expenses, and/or self-financing in the form of taxes that the multiplier of the expense in which it would be invested allows the TBI.

CONCLUSIONS

Of central interest in this article is to discuss more specifically whether unconditional cash transfers are part of a structural change or just a temporary relief measure. The main concerns point to their financial viability and to the institutional and macroeconomic requirements to maintain them as long as needed; namely, real GDP growth, employment, fiscal space of resources, social security, industrial and commercial policies, among others.

The current proposals of unconditional cash transfers have revived the questions. On what basis anyone should have some right to receive it and for how long? What level should they reach? Should they complement people's income? How could they be financed? What would their long-term impact be, particularly on employment and on public finance? What conflicts they might cause between different economic sectors?

The last question, relevant to the purpose of this article, refers to the capacity of LACs to implement a UBI. According to what we have seen in previous sections, going towards universal in unconditional cash transfer programs in LACs involves considering:

Weighing the objectives of poverty and inequality, against those of freedom – invoked by the proponents of a universal basic income – which, respond more to the characteristics and economic potential of developed countries. The latter, certainly, present better initial conditions in terms of poverty and inequality than developing countries do, have more space for resources to face the fiscal costs of unconditional and universal monetary transfers, and have better political and economic institutional settings.

Bearing in mind that there are political economy restrictions that, even in developed countries, oppose a generalized practice of a UBI; and that without it, it is not possible to have evidence that allows an unambiguous defense of its potential positive effects.

That, even, the most radical defenders of the UBI, because of that lack of evidence, recognize that its implementation must be gradual.

That, they also recognize that there might be losers with a UBI – since its tax financing causes income redistribution – and that, therefore, universality might be less than expected.

That, the possible impact of a UBI on the labor supply might not be negligible, if the behavior of its beneficiaries is not as expected.

Taking into account the initial socioeconomic conditions at the time of implementing the UBI. This constitutes a severe restriction in LACs: lack of savings that they could have accumulated had they had consolidated economies in the productive, fiscal and social sectors, and that they could have used immediately in the emergence posed by the COVID-19 pandemic; the need to overcome in the medium and long-term their high dependence on exports of raw materials and to move their productive apparatus in the same direction the world's most dynamic economies are undergoing (i.e., taking advantage of reshoring and nearshoring to add to the advantages of processes based on regional value chains).

That raising a permanent flow of increased resources will inevitably take time; and that, addressing the current emergency with a policy of cash transfers will, therefore, respond to the restoration of income in the short term with a dual purpose: alleviating the precarious situation of the biggest population living in poverty – enhanced by those who have lost their ordinary sources of income, and stimulating aggregate demand to avoid risks of loss of productive assets that further hamper the possibilities of economic and social sustainability of the population and to promote the transition towards a new normal after the control of COVID-19.

Such a policy, due to its high demand for resources, probably cannot be extended to the entire population affected by the loss of income; so it will have to combine a less than optimal universality under current conditions with some degree of conditionality.

Thus, it is considered that a UBI as defined in this article cannot yet be implemented; and that proposals such as those for a BEI or a TBI could have a better chance of being implemented in LACs.

Funding: None

Conflicts of interest: None

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Appendix

Non-contributory Social Protection Programs Latin America and the Caribbean

Country	Program	Year*
Argentina	Asignación Universal por Hijo para Protección Social Programa Ciudadanía Porteña “Con todo derecho”	2009 2005
Belice	Creando oportunidades para nuestra transformación social	2011
Bolivia (Edo Plurinacional de)	Bono Juancito Pinto Bono Madre Niño-Niña “Juana Azurduy de Padilla”	2006 2009
Brasil	Programa de Erradicacao do trabalho infantil Bolsa Familia	1996 2003
Chile	Subsidio Único Familiar Chile Seguridades y Oportunidades Más Familias en Acción	1981 2012 2001
Colombia	Red Unidos Subsidios condicionados a la asistencia escolar	2007 2005
Costa Rica	Avancemos Crecemos	2006 2019
Ecuador	Bono de Desarrollo Humano Desnutrición Cero	2003 2011
El Salvador	Comunidades Solidarias Rurales	2005
Guatemala	Bono Social	2012
Haití	Ti Manma Cheri	2012
Honduras	Bono 10.000 Educación, Salud y Nutrición	2010
Jamaica	Programa de avance mediante la salud y la educación	2001
México	Becas para el Bienestar Benito Juárez	2019
Panamá	Bonos Familiares para la Compra de Alimentos Red de oportunidades	2005 2006
Paraguay	Tekoporá Abrazo	2005 2005
Perú	Juntos	2005
República Dominicana	Solidaridad	2012
Trinidad y Tobago	Programa de transferencias monetarias condicionadas focalizadas	2005
Uruguay	Tarjeta Uruguay Social Asignaciones Familiares	2006 2008

*Starting date
Source: https://dds.cepal.org/bpsnc/cct