

CHAPTER 1

CURRENT TRENDS IN ECONOMIC DEVELOPMENT

MILITARY “FACE” OF UNCONDITIONAL BASIC INCOME

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Abstract. The concept of an unconditional basic income through the prism of social standardization and provision of the most vulnerable segments of the population was explored in this article. The purpose of the article is to determine the need and possibility of introducing basic social income in Ukraine for the most vulnerable categories of the population, due to the new military reality. The study used general scientific methods, such as: cluster analysis – for clustering of countries in the pre-pandemic worldview; method of comparative analysis – to compare the features of the introduction of unconditional basic income in foreign countries; historiographical method – to study the history of formation and development of unconditional basic income. The historiography of the formation and progress of piloting the invariance of an unconditional basic income in foreign countries of the world is considered. It has been proved that the most majority of the indicated piloting and its experimental basis are based on the theory of adaptation and future intellectual and institutional development of the corresponding category of citizens or a specific individual, considering country specifics of mental self-improvement and increasing professional competencies. The current situation that is developing in Ukraine in the post-pandemic background, which has developed into a crisis associated with the war of Russia against Ukraine, is analyzed. A low level of mass payments during the pandemic period, its inertia, and the deepening of the socio-economic crisis, in fact, starting from the beginning of martial law, were established. In particular, the data on food inflation in Ukraine were analyzed as the root causes of the growth of world consumer prices, the likelihood of their projection on the national economy under martial law on the use of a system of assumptions, including on the future growth of food prices in Ukraine and net exporters of grain group of agricultural raw materials. It was made the assumption about the expediency of introducing the concept of an unconditional basic income in Ukraine for the most unprotected groups of the population, in particular, pensioners on a comprehensive basis based on a grouping of factors – accelerators.

Keywords: unconditional basic income, social support, crisis, military aggression, food inflation, COVID-19 pandemic.

JEL Classification: F52, G18, Z18

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Introduction. The full-scale war, which began on February 24, 2022, caused new acute challenges for the government, particularly in the socio-economic context. Failing to fully emerge from the previous pandemic crisis, Ukraine faced much more complex economic, social and other problems caused by military aggression. In particular a significant part of production has been completely stopped, logistics ties have been broken, and the number of refugees and displaced persons is growing every day. All this, in turn, significantly affected the reduction of jobs, the inability to pay wages by employers, reduced tax revenues to the budget due to loss of income or lower tax rates. At the same time, there is a significant increase in prices, especially for basic goods, which directly affects the purchasing power of citizens. In such difficult economic conditions, the issue of introducing unconditional basic income for all categories of citizens who have lost the opportunity to earn money or find themselves below the poverty line is very important.

Literature review. A significant number of scientific works are devoted to the social aspects of the protection of citizens in Ukraine, but the issue of introducing an unconditional basic income is more fragmented, in contrast to the complex picture in foreign scientific works. Among foreign scientists who have studied the essence of this concept and the mechanisms of its implementation, it should be noted T. Paine, Williams D. Condorcet, F. Herman, G. Stigler, M. Friedman, etc. The Ukrainian scientific layer on this topic is represented by the works of such researchers as L. Barannik, O. and T. Dlugopolsky, S. and A. Gonchar, M. Pishchulina, E. Starikov and others. However, in recent years, in view of the transition of the protracted financial crisis caused by COVID-19, supplemented by the war with the Russian Federation, this topic may acquire a new meaning for our country. However, there are a few scientific debatable problems related to the provision of social assistance in general and the introduction of an unconditional basic income, which still remain unanswered and require thorough study.

Aims. The purpose of the article is to determine the need and possibility of introducing basic social income in Ukraine for the most vulnerable categories of the population, due to the new military reality.

Methods. The study used general scientific methods, such as:

- cluster analysis – for clustering of countries in the pre-pandemic worldview;
- method of comparative analysis – to compare the features of the introduction of unconditional basic income in foreign countries;
- historiographical method – to study the history of formation and development of unconditional basic income.

Results. Social protection of citizens is an important and priority area of public policy in any country. In view that Ukrainians, and in particular retirees, have experienced a significant number of economic downturns during the years of Ukraine's independence, their socio-economic situation cannot be considered satisfactory [1; 2]. Annual indexation of pensions, additional payments to pensioners over 75 and 80 years – also do not solve all economic problems for such categories of citizens. Speaking about the conditions of war and post-war reconstruction, this category of citizens

(retirees) will need significant support from the state in the face of rising unemployment, relentless inflation and the general economic downturn.

Today it is really difficult to assess the conditions in which Ukraine will find itself in the end of the war [3]. Because the destruction of infrastructure in general and critical in particular occurs every day. However, forecasts and understanding of the economic situation in the future have already been announced, which indicates the disappointing situation in Ukraine in the coming years. Thus, the International Monetary Fund in its April forecast for 2022 pays considerable attention to the situation in the world, which is due to the military aggression of the Russian Federation against Ukraine. In particular, it is noted that prices for agricultural products are likely to continue to rise, especially wheat (as Russia and Ukraine account for about 30% of world wheat exports) and, to a lesser extent, corn [4]. Taking into account that world food prices have risen significantly due to the coronavirus pandemic, new changes due to the war will add to the already sharp rise in basic food prices.

In February 2022, under the conditions of the coronavirus pandemic, the food price index, according to FAO estimates, reached its historical maximum – 140.7 points, which is 3.1 points higher than in 2011 [5]. In March 2022, the same figure reached 159.3 points, which is the highest value of this index in the history of its existence – since 1990 [6]. And all this against the background of at least 35% of the country's economic decline [4]. The logical conclusion in this situation will be a significant level of unemployment, which in turn will be reflected in tax revenues, including SSC, which finances the solidarity pension system in Ukraine. Of course, a significant budget deficit of the Pension Fund will be financed from the State Budget of Ukraine, however, this will in no way affect the purchasing power of pensioners.

However, the IMF forecasts a significant downward revision of global growth, with a baseline forecast of 3.5% increase in production, close to the pandemic average. However, the forecast assumes that economic growth in EU member states may slow down further than projected in the baseline scenario, and inflation may be higher than expected [4]. We understand that the European Union's ability to provide financial support to Ukraine may also be limited due to the need to support its own citizens.

In such difficult economic conditions, there is a need to consider in more detail the possibility of introducing a guaranteed minimum in Ukraine for the most vulnerable categories of citizens – retirees [7]. However, in the future it may be necessary to expand the categories of citizens who will fall under the concept of basic income (for example, people with disabilities of certain categories, women with two or more minor children).

The idea of unconditional basic income (guaranteed minimum or universal basic income) was first formed by the Anglo-American philosopher and publicist Thomas Paine in 1797 in his pamphlet “Agrarian Justice” [8]. At the same time, influential economists of the last century, Milton Friedman and Friedrich von Hayek, believed that a guaranteed income in one form or another is the best way to overcome poverty. The concept of unconditional basic income can be defined as the minimum cash benefit for certain categories of citizens who are most vulnerable, and any other income of such a person does not affect this benefit.

The basic income system can be financed from income received from enterprises or resources owned by the state – in fact, it is a major component of many proposed models of socialism [9]. However, basic income financing schemes are also present in the concepts of capitalism, so the sources of funding can be diverse [10].

Western European countries began discussions on unconditional basic income a few years before the COVID-19 pandemic [11–12]. However, at that time, scientists had a lot of controversy about understanding both the reasons for the introduction of such payments and the need. In 2013, the initiative was launched – the first of its kind worldwide – collected more than 300,000 signatures and involved more than 25 EU member states – Unconditional Basic Income Europe (UBIE). UBIE's history began with the European Citizens' Initiative for Unconditional Basic Income, which also initiated the creation of new groups promoting the concept in several European countries, including Greece, the United Kingdom, Portugal, and Romania. According to their categorization, unconditional basic income is income that is unconditionally provided to all members of the community on an individual basis, without verification of material values or work requirements. At the same time, unlike many existing minimum income schemes in European countries, unconditional basic income is universal, individual, unconditional and high enough to ensure an existence that preserves personal dignity and allows the individual to take an active part in society.

Also in 2015, a study was conducted in EU countries on existing minimum income schemes [13]. It is noted that in most countries, political decisions on minimum income schemes are made at the national level. However, in some cases decisions are taken jointly at the national and regional / local levels, and in several cases, decisions are made exclusively or almost exclusively at the regional or local level.

Later in 2018, British experts advised the authorities to introduce a comprehensive guaranteed monthly minimum income in the country. However, researchers noted that many British families would face economic difficulties in the next decade if the problems caused by work automation, Brexit and aging are not addressed. By guaranteeing an unconditional basic income, albeit a minimum, many will be able, for example, to work part-time for more free time and learn something new or improve their skills, according to British researchers [14]. Despite the large and growing population of “dissatisfied” unstable and low-paid workers and widespread dissatisfaction with the growing sanctions regime, significant barriers remained to the emergence of a sufficiently large and coherent basic income support group in Britain [15].

Similar experiments have been used in other countries around the world [16]. In particular, the Finnish authorities randomly cut off 2,000 unemployed people and made payments at the lowest level of the existing amount of assistance (approximately 560 euros per month).

And in the state of the United States – Alaska, the Permanent Welfare Fund still operates today as a successful example of annual payments to all residents of the state part of the sale of national wealth. The fund is funded by taxes on the oil industry, and, accordingly, annual payments vary depending on the income of oil companies

operating in Alaska. For example, in 2019 the annual payment was 1.6 thousand US dollars, and in 2020 – about 990 US dollars [17].

Back in the 1970s, the money was “distributed” to residents in the town of Dauphin, in the Canadian province of Manitoba. The Canadian experiment lasted four years, did not show significant changes in the level of employment, but showed improvements in the social sphere. Correspondingly, there is a Norwegian Oil Fund in Norway, which was created to invest excess income in the oil sector (deductions are made from the received oil income to the personal accounts of Norwegians and open accounts for newborns) [17].

In 2017, the Scottish authorities conducted a pilot project among the unemployed in four cities – Glasgow, Edinburgh, Fife and North Ayrshire. The financial portfolio of the program amounted to 250 thousand pounds for a period of 2 years [18]. The main aim was to test the role of basic income in poverty reduction in Scotland, although behavioral effects were also interesting to study. Each of the pilot oblasts has developed different models of a pilot basic income program related to their locality, potentially focusing on a specific group (families, single parents related to health) or a specific geography (city, town, surroundings). The Scottish model offered two levels of benefits: one “high level” based on the minimum income standard and one “low level”, more closely corresponding to current levels of benefits. For both levels of benefits, it was proposed to suspend a number of existing income-related benefits, while others, primarily those related to disability, housing, childcare and disability, continued.

In 2016, Swiss people voted in a referendum against the proposal to pay each adult 2,500 francs (\$ 2,418) per month, and minors – a quarter of this amount [19]. Opponents of the idea cited exorbitant costs, saying it would encourage people to quit their official jobs, especially low-paid manual labor.

In 2017, the Organization for Economic Cooperation and Development (OECD) published a report stating that the results of the introduction of guaranteed income will depend on the existing system of taxation and social services in each country [20]. However, the OECD notes that this plan may be extremely expensive for the treasury and will have little effect on poverty. Moreover, the OECD notes that if this scheme is funded by the abolition of existing social benefits, poverty may increase.

Many economists believe that basic income can only be financed by raising taxes, which is unlikely to please the wealthier, as it may be their responsibility to pay more taxes.

Discussion. The lack of mass payments during the pandemic period, as well as the deepening economic crisis in Ukraine due to the full-scale military invasion of the Russian Federation does not help improve the financial situation of the most vulnerable. In particular, statistics show that inflation and rising world prices, and as a consequence of prices in Ukraine, suggest that the growth rate of social benefits is unlikely to approach inflation. Consequently, a significant reduction in the purchasing power of citizens, including retirees, can be predicted. We assume that the future rise in food prices in Ukraine and European countries may be due to the narrowing of the grain market, among which Ukraine is one of the main exporters. The need to introduce the concept of unconditional basic income in Ukraine for the most vulnerable

categories of citizens, in particular, pensioners on a comprehensive basis, is appropriate given the new financial and food crisis. As the decline in Ukraine's productive capacity, rising inflation, inability to sow fully and many related factors will lead to higher prices for the most basic basket of consumption, while the purchasing power of retirees will be significantly reduced due to lack of significant growth in social benefits. If before the military invasion the concept of introducing state regulation of food prices was realistically considered, now due to logistical problems and the breakdown of supply chains, the cost of production can increase significantly. Consequently, price regulation will in fact lead to additional budget expenditures that cannot be sufficiently monitored in the face of military aggression.

Conclusions. The current situation that is developing in Ukraine in the post-pandemic background, which has developed into a crisis associated with the war of Russia against Ukraine, is analyzed. A low level of mass payments during the pandemic period, its inertia, and the deepening of the socio-economic crisis, in fact, starting from the beginning of martial law, were established. In particular, the data on food inflation in Ukraine were analyzed as the root causes of the growth of world consumer prices, the likelihood of their projection on the national economy under martial law on the use of a system of assumptions, including on the future growth of food prices in Ukraine and net exporters of grain group of agricultural raw materials. It was made the assumption about the expediency of introducing the concept of an unconditional basic income in Ukraine for the most unprotected groups of the population, in particular, pensioners on a comprehensive basis based on a grouping of factors – accelerators.

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