

## DIRECTORS' PERSPECTIVES (CONT.)

### OP-ED: UBI/PPP RESPONSE

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I was talking with my brother about his experiences as a small business owner during the current COVID crisis. Jay and his wife, Christina, run a gym in Long Island City, a neighborhood in Queens, New York. During the mandated shutdown, the fitness industry has suffered significant financial losses across the board. While this has left millions of people with nowhere to workout, it has also left owners and staff alike scrambling to stay afloat financially.

My brother and sister-in-law have kept the gym going by offering live video fitness classes. Thankfully many of their members have maintained their memberships. But, there is membership churn in a normal month, and new memberships have dropped to nothing.

To keep their business open and continue to pay their trainers, my brother applied for loans under the Paycheck Protection Program (PPP) of the CARES Act. Immediately, they found that their bank, like many other banks, was scrambling to get systems in place to offer these loans. The banks were not ready. My brother was not even able to put in an application. By the time they could apply, the funds were gone.

Congress responded with a second round of funding, and they were to get their loan. Problem number two: their business payroll is low since most of their trainers are paid as contractors, so the amount they qualified for was not enough for the size of their staff. Notwithstanding criticisms of the rise of the gig economy, failing to account for this economic reality undermines the effectiveness of the PPP.

It is easy to let this devolve into complaints about government, and doubtlessly conservatives will (and have) turn these missteps into talking points against government action. That is not the goal. It is always going to be hard to craft a policy response to situations which, like COVID-19, are rapidly evolving and historically unprecedented.

When economic policy hasn't even caught up to the gig economy, how can it provide financial stabilization in these circumstances? Although some policy response is utterly necessary--doing something imperfectly is still better than not doing anything--we need to be preparing, not just reacting.

We need to think about building resilience and stability into the system. One possible solution is Universal Basic Income. Long supported by both conservative and liberal thinkers--though not the establishment of either major political party--UBI has broken into the mainstream mostly due to Andrew Yang's presidential campaign.



While Yang emphasized the threat of automation, COVID lets us see that UBI would provide stability during any massive employment disruption. This is not to say that UBI solves all problems, or that Congress would be absolved of the responsibility to craft responses tailored to the unique circumstances of some future crisis, but an income floor would buy us time when events threaten to overrun us. By "us" I mean both the households suffering loss of income and the politicians and policy analysts trying to adapt.

How should UBI be funded, and at what level? Yang suggested \$1,000 per month for each adult American funded by a value added tax. It is a concern that funding a UBI from consumption taxes will be inflationary. In fact, this is a common criticism of UBI. I, along with the RSF Board of Directors suggest funding UBI from resource rents, including royalties on oil and other natural resources, carbon taxes, the broadcast spectrum, and the rental value of land. Capturing such windfall income for public will not be inflationary, and we estimate these sources would in fact yield slightly more than \$1,000 a month. Our current circumstance is proof that UBI can be a stabilizer against the massive economic disruption of predictably unpredictable events -- events that we know are inevitably coming: natural disasters, extreme climate events, and, even future pandemics. We have a choice, right now, about the right way to plan for the health of the American economy. That choice is between treating the symptoms when they arise, or strengthening the immune system now. UBI is one part of an economic vaccine that will keep our economy healthy for the decades to come.