

# The virus and the economy



*Brian Martin, PhD*

**The coronavirus pandemic highlights fundamental shortcomings in the way the economic system is set up.**

What is the best way to respond to covid-19? There is commonly assumed to be a trade-off between lives and the economy: precautions and controls are needed to save lives but they cause damage to the economy.

There's an unstated assumption in this thinking, namely that "the economy" is vital to people's wellbeing. This needs to be questioned. It has been long known that the Gross Domestic Product or GDP is not an accurate reflection of people's wellbeing. GDP is boosted by negatives such as traffic accidents, environmental destruction and ill health.

A deeper problem is that people's happiness levels are not very sensitive to increases in average income, at least above some basic level. [Happiness depends](#) more strongly on things like close personal relationships, having a purpose in life, physical activity, expressing gratitude and helping others. In countries with a high GDP per capita, average happiness levels have been mostly stable for decades despite continuing economic growth.

Another problem is inequality. GDP per capita might be high but hide inequality: the average income might be rising but mainly to benefit the top 10% or top 1%. The more unequal the distribution of income and wealth in a country, the worse off it is in lots of ways, such as more illness, crime and mental disorders.

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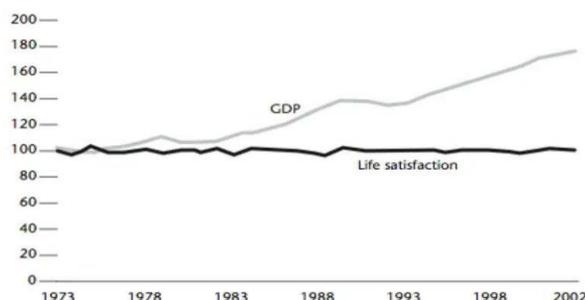
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**Figure 1**  
UK life satisfaction in GDP, 1973 – 2002,  
1973=100



Source NEF (2004)

## The economic system

Pandemic control measures have highlighted the problem of thinking of the economy as a universally beneficial entity that needs to be protected and enhanced. The economic system is better understood as a particular way of organising two things: production and distribution.

First think of the production of goods and services, which involves people, skills and technology. Food production, for example, involves growing and harvesting crops and getting them to consumers. We see the results of production around us all the time: streets, hairdressers, schools and mobile devices.





Do you deserve to own a luxury villa?

The second part of the system is distribution, which refers to who gets what. Some people have palatial homes; others are homeless. Some people have access to expensive entertainment; others do not. The assumption underlying the distribution system is that it is based on merit in some way, so those who contribute the most receive the most. This assumption is deeply flawed.

Suppose you were born with a serious brain impairment and your parents abandon you. It will be pretty difficult for you to learn to read and write, much less obtain a high-level job. Do you deserve less than someone born unimpaired into a wealthy family?



Do you deserve to be homeless?

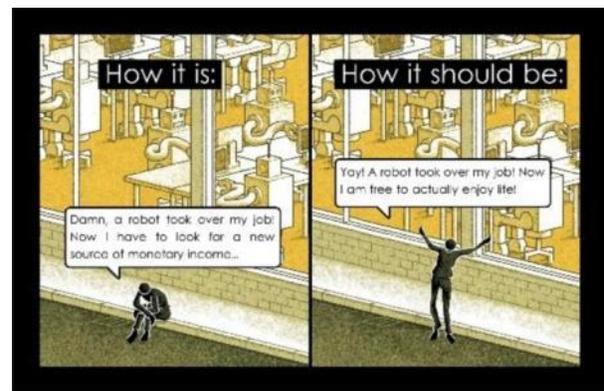
You may feel that you've worked very hard in your life, so you deserve a good salary. But what about someone who worked just as hard but had a bit of bad luck and ended up in an also-ran category? The difference between a sports star and one who didn't make the grade may be a matter of a few seconds in a race or being injury-free or getting a lucky break. The difference between a CEO and lower-level manager may be only a matter of who you know or of having just the right style and conformity to rise in the organisational hierarchy. [The role of luck in success](#) is often neglected.

The way the economic system distributes goods and services to people depends on a whole range of arbitrary arrangements, including laws on inheritance, occupational barriers, and the sorts of employment that receive compensation. Being a parent is usually unpaid, yet it is vital to the operation of the system.

The coronavirus pandemic has highlighted the arbitrariness of the distribution system. Entire industries, such as tourism and hospitality, have been devastated. The idea that workers get what they deserve is shown up as misguided. It was misguided before, but now this is more obvious.

### Universal basic income?

What is the alternative? One option is a guaranteed annual income, also known as a universal basic income or UBI. Everyone, from newborns to the elderly, would receive a regular income, no strings attached. Anything earned would be in addition.



UBI 2017

Many people respond to the idea of a UBI with a series of objections. How will it be paid for? Who will do the undesirable jobs? Won't lots of people just decide not to work? There's a body of research and writing [addressing such objections](#). The calculations about how to pay for a UBI have been carried out. If no one wants to do undesirable jobs, then increase wages. There have been experiments showing that when poor people are given cash, nearly all use it "responsibly."

The objection that people can't be trusted to use money responsibly is always used against the poor, not the rich. If people can't be trusted receiving money they didn't work for, then inheritance should be abolished. After all,

someone inheriting a lot of money can't be trusted to use it responsibly.

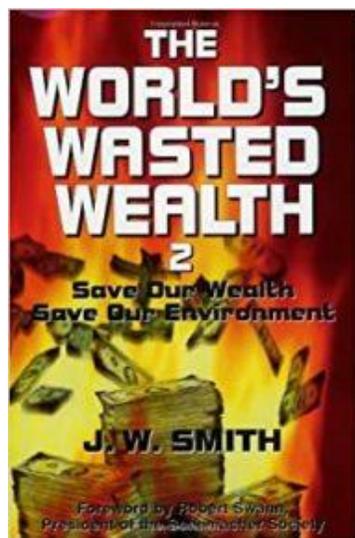
The other side of the UBI issue is its benefits. Millions of workers would be liberated — if they so wished — from what David Graeber calls “bullshit jobs.” These are jobs that benefit no one and could be gotten rid of with no loss of productivity.



Decades ago, J. W. Smith wrote *The World's Wasted Wealth*, documenting the massive amount of production in excess of needs in industrial and post-industrial societies. Smith showed that a large percentage of work in many occupations serves only to redistribute wealth to those occupations, with case studies of insurance, law, transport, agriculture, medicine and welfare. Smith also argued that property rights, by being too great, take wealth from the community, with case studies of land, finance capital, intellectual property and communications. His overall conclusion is that organisation of society is highly wasteful and destructive, all to ensure that privileged groups retain their privilege.

Work is a vital part of many people's lives. It gives meaning, provides a connection to others and, bullshit jobs aside, provides some satisfaction for contributing to society. There's evidence that people gladly accept lower pay if their work helps those with the greatest need. Indeed, research shows that helping other people is a powerful way of increasing happiness.

A UBI would also address the curse of the



contemporary economy, job insecurity. In the economic approach called neoliberalism, workers are treated as free agents who have to sell themselves to employers, without guarantees of security. This is supposed to boost “the economy” but sacrifices the wellbeing of a large number of the people who are supposed to be served by the economy.

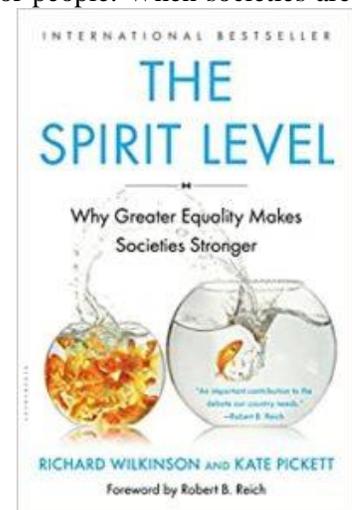
Job insecurity contributes to the spread of the coronavirus when people who have disease symptoms feel they must show up for their jobs to survive. A UBI would reduce the incentive to work while ill and thus save lives.

Industrial and post-industrial societies have an enormous productive capacity, far greater than necessary to provide necessities to every individual and to provide extra support for those who need it the most. Yet these societies are stuck in economic arrangements that assume scarcity, protect and reward the wealthy and stigmatise the poor and marginalised. Logically, it would make much more sense to celebrate abundance and spread it around. In part, this can be done by expanding the commons, those resources that are available to all. In part, it can be done by designing work around the needs of people rather than fitting people into slots in “the economy.”

### What level for society?

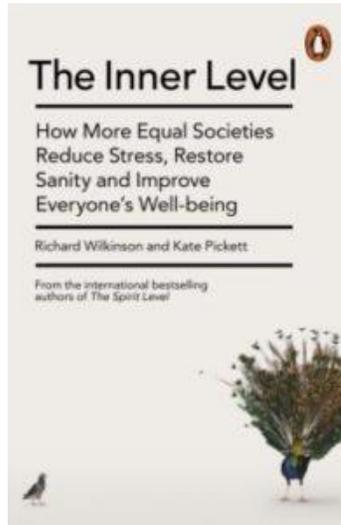
In their pioneering book *The Spirit Level*, Richard Wilkinson and Kate Pickett gathered a range of evidence about the links between economic inequality and the quality of life. They found a remarkable consistency in these links: in just about every way, inequality was associated with bad outcomes for people. When societies are more unequal in income and wealth, they are likely to have more crime, shorter life spans, higher prison populations, more mental illness, worse health and poorer educational performance.

It is important to note that inequality is not the sole causative



factor. For example, [a range of socio-cultural factors](#) can affect people's wellbeing.

A decade later, Wilkinson and Pickett wrote another book, *The Inner Level*, in which they canvass a wide range of research on the ways that inequality affects people's behaviour and thinking. Inequality, they argue, makes people more status-sensitive, fosters materialism and makes relationships more difficult. Wilkinson and Pickett write,



“The reality is that inequality causes real suffering, regardless of how we choose to label such distress. Greater inequality heightens social threat and status anxiety, evoking feelings of shame which feed into our instincts for withdrawal, submission and subordination: when the social pyramid gets higher and steeper and status insecurity increases, there are widespread psychological costs. Status competition and anxiety increase, people become less friendly, less altruistic and more likely to put others down.” (p. 56).

Wilkinson and Pickett say that inequality leads to pressure to present yourself to others in a flattering light. It leads to more narcissism, more business psychopaths, less empathy and altruism. Yet there is some hope. Studies show that when rich people think about egalitarian values, they become more ethical. Wilkinson and Pickett cite surveys showing most people would prefer their societies to be more equal economically.

Research on inequality suggests that everyone, including the rich, would be better off if societies were more equal, yet the driving forces pushing for ever greater economic inequality seem relentless, at least since the rise of neoliberalism in the 1980s. How to help counter these forces is a great unanswered question. Suffice it to say that [groups](#) are doing what they can to raise awareness, promote alternatives and encourage action.



In this context, the pandemic is a wildcard. It offers an incentive for communities to pull together and make sacrifices to protect those who are most vulnerable. It sends a message that there is more to life than money and status. Indeed, life itself is at stake. Furthermore, pandemic control measures, by requiring greater distancing between people, have highlighted the importance of personal relationships in wellbeing. By forcing some people to slow down, the control measures have the potential to encourage people to reflect on their lives and priorities.

On the other hand, pandemic control measures are having some disastrous effects, increasing the risk of domestic violence and suicide, while enabling governments to justify draconian powers for surveillance and control of movement. It is possible to lapse into despair at the prospect of a terrible choice between control measures of indefinite duration and a continuing health crisis. A more positive agenda comes from looking at the way the pandemic opens the door to greater thinking of ways to improve people's lives. It does not come from thinking of a choice between covid-19 and “the economy.” The emphasis needs to be on people's needs, especially those that come from relationships of mutual support, meaningful work and helping others.

