

WEEKLY COMMENTARY

Universal Basic Income: Still a Utopian Response to AI

By Jimmy Jean, Vice-President, Chief Economist and Strategist

Rising unemployment among young people and recent graduates in North America has renewed fears over how artificial intelligence could disrupt the job market. And from there, it's not that much of a leap to start talking about universal basic income (UBI). The assumption is that artificial intelligence is different from other revolutionary technologies. Unlike the steam engine or computers, it automates knowledge work, not just repetitive tasks.

The idea—notably espoused by the Big Tech leaders in the US—is that AI will be a revolutionary disrupter that eliminates jobs several times faster than it can create them. If that happens, any attempt to retrain millions of laid-off workers would be futile, as replacement jobs just won't be created. To survive, a market-based system would need to offer some kind of guaranteed income, regardless of one's employment status.

Of all the possible outcomes, this is obviously one of the worst. And even then, the conditions under which such a system would be economically sustainable still need to be set out. The most commonly proposed system, which would pay for that income with the productivity gains from AI, would take a massive effort to implement.

The Latest Incarnation of Solow's Productivity Paradox

The worst-case scenario is based on the idea that productivity gains are both substantial and broad-based. But the data doesn't back that up just yet. A recent National Bureau of Economic Research [survey](#) of nearly 6,000 executives in the US, UK, Germany and Australia found that 89% of managers haven't seen a measurable change in productivity over the past three

years, despite rapid AI adoption. This echoes the paradox first expressed by Robert Solow back in 1987: "You can see the computer age everywhere but in the productivity statistics."

Microeconomic studies do show efficiency gains ranging from 10% to 50% for specific tasks. These are some of the promising factors fuelling the stock market's AI boom. But history has shown that converting localized gains into broader macroeconomic growth requires a drastic restructuring of production processes, the timing of which remains uncertain. One unusual aspect of the current situation is that the public sector—under heavy pressure to improve efficiency—may be among the first to reap the benefits. Yet given the challenges of measuring productivity in government settings, it's little solace.

Four Conditions That Are Hard to Meet

But suppose those productivity gains finally do materialize. To pay for UBI, four conditions need to be met simultaneously.

The first is that productivity gains must be both large and lasting. It's already clear that we can't just take that as a given. Right now, designing a permanent framework to redistribute income based on a hypothetical fiscal windfall would be like building on sand.

The second condition is that the government must be able to tax those gains. But AI-related productivity gains may materialize in ways that fall outside the traditional tax base. A company that has replaced its workforce with AI could domicile its profits in a favourable jurisdiction. Unlike factories or workers, digital capital is inherently mobile. It's precisely because human labour is the

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least mobile factor of production that it has, by default, borne most of the tax burden in Western democracies.

The third condition is that the prisoner's dilemma posed by international tax competition must be resolved. The OECD attempted to address this with a 15% global minimum tax on multinationals, but that's still well below what a UBI program would require. This is especially true given the many exceptions to that tax, which just goes to show how difficult it is to take concerted action. Most importantly, international tax coordination efforts move at a glacial pace, while technological disruption tends to blaze ahead at lightning speed.

Here we see the same asymmetry that hampers climate policy: The problem is global, but the policy tools used to address it are fragmented and constrained by national borders. Finland introduced the first carbon tax in 1990. Thirty-six years later, only a quarter of the world's emissions are covered by carbon pricing, with rates that vary from one jurisdiction to the next. How long will it take to agree on how to properly tax intellectual property that can move freely across jurisdictions?

And then there's the fourth condition, which is perhaps the most overlooked: The productivity gains must not be entirely absorbed by the disruption itself. Let's say AI does generate a net economic surplus that can be redistributed. If that surplus is mostly used to compensate the affected workers, the challenge currently facing Western societies—namely the sustainability of the welfare state—will remain unresolved.

In fact, it could get even worse. For example, even if all four conditions are met and a UBI can be introduced, the circumstances could subsequently change: Mobility, optimization or other factors could shrink the tax base just as spending pressures start to intensify. This would be a nightmare scenario for governments that are already on shaky fiscal ground—weakened by pandemic debt, aging populations and the sudden need to ramp up defence spending, while remaining caught between rising public expectations and diminishing fiscal capacity.

Finally, we're left with the question that even the biggest supporters of UBI have yet to answer: Can governments design a tax system robust enough to pay for such a program without obscuring the market economy signals that make technological innovation—and its long-term dividends—possible in the first place? Doing so would involve some creativity, to say the least. To put it in Derrida's terms, what's needed is to "think about the possibility of the impossible."

What to Watch For

MONDAY April 6 - 10:00

March	
Consensus	54.9
Desjardins	55.5
February	56.1

THURSDAY April 9 - 8:30

February	m/m
Consensus	0.6%
Desjardins	0.5%
January	0.4%

FRIDAY April 10 - 8:30

March	m/m
Consensus	0.9%
Desjardins	1.0%
February	0.3%

FRIDAY April 10 - 10:00

April	
Consensus	52.0
Desjardins	49.0
March	53.3

UNITED STATES

ISM Services index (March) – The ISM Services index posted a surprise gain in February, hitting 56.1, its highest level since July 2022. Virtually all components rose, including new orders, backlog of orders, new export orders and inventories. The question now is whether the situation has shifted since war broke out in Iran and turmoil erupted in the Persian Gulf. On the one hand, higher oil prices could help the resources sector. Unlike the ISM Manufacturing index, which edged up in March, the services index doesn't include the petroleum products sector, but the mining sector includes oil and gas extraction. That said, the dramatic rise in oil prices could hurt other sectors, including retail, agriculture and transportation. Regional non-manufacturing indexes generally weakened during the month, although consumer confidence remained more stable than expected in March. All in all, we expect the ISM Services index to have fallen to 55.5.

Consumer spending (February) – While real consumer spending continues to advance, the pace of growth slowed in late 2025 and early 2026. December and January's successive monthly gains of just 0.1% were the smallest two-month increase since Q2 of last year. Look for a slightly stronger February print, mainly due to the automotive sector, where new vehicle sales posted a solid monthly gain after falling in January. February's retail sales figures released this week suggest that real spending on goods excluding vehicles likely fell further, while spending on nondurable goods and services probably increased 0.2%. Overall, we're forecasting a 0.2% gain in real consumer spending. The year-over-year change in total PCE inflation probably fell from 2.8% in January to 2.6% in February. We see February's print reflecting the calm before the storm, with monthly and year-over-year price changes expected to be much higher in March following a surge in energy costs. Look for real consumer spending to have weakened as well. However, in February and March, disposable income likely got a boost from last year's US federal government tax cuts.

Consumer price index (March) – The consumer price index (CPI) picked up in February, in part because of faster increases in food and energy prices. However, energy prices likely had a much larger impact on March's CPI reading. The war in the Middle East has caused oil and gasoline prices to soar. Prices at the pump jumped 36.4% between the end of February and the end of March, with monthly average prices up 25.5%. However, seasonal adjustments should somewhat mitigate the impact of this surge on CPI. We expect energy to add 0.8 percentage points to March's month-over-month change in total CPI. Food prices probably rose sharply again during the month. However, we expect the all items less food and energy index to mirror February's print and again edge up a relatively modest 0.2%. Overall, the month-over-month change in the all items index will likely come in at 1%, its highest level since June 2022. This would cause the year-over-year reading to skyrocket from 2.4% to 3.4%. Core inflation is projected to rise only modestly, from 2.5% to 2.6%.

University of Michigan consumer sentiment index (April – preliminary) – Confidence is clearly fragile as we head into spring, with consumers contending with surging energy prices and heightened uncertainty since the beginning of the war in Iran. So far, confidence indexes have been largely stable. The Conference Board Consumer Confidence Index even rose slightly in March compared to February. Meanwhile, the University of Michigan index fell 3.3 points, but the decline was tempered by the responses collected before the conflict began. Interviews for this month's preliminary index started on March 24 and will be conducted until April 6. Unless the geopolitical situation shifts dramatically and the Strait of Hormuz reopens, confidence is expected to fall further. Gasoline prices have risen by more than a dollar per gallon and, despite some gains in recent sessions, the prevailing trend on the stock market over the past month has been negative. Mortgage rates have risen sharply since the

end of February. Opinion polls on Trump’s handling of the economy have also nosedived recently. The University of Michigan consumer sentiment index may drop below 50, its lowest level in this economic cycle.

CANADA

Net change in employment (March) – After two months of weather-distorted labour data, the March report should provide a clearer read on underlying labour market conditions. Both trade-exposed sectors like manufacturing and non-trade-exposed sectors like education saw significant job losses during the first two months of the year. We expect a modest rebound occurred in March, with the economy adding back roughly 10k jobs. If the participation rate holds steady, the unemployment rate would remain at 6.7%. The broader backdrop remains one of unusually weak population growth, weighed down by ongoing outflows of temporary residents. As a result, the employment gains needed to keep the unemployment rate steady are very low.

OVERSEAS

China: Consumer price index (March) – March will mark the first month of rising energy prices following the outbreak of the war in Iran. With monthly gasoline prices in China up about 24%, the energy component of the consumer price index will likely pick up. That said, China’s energy market—particularly electricity prices—remains highly regulated. As a result, gains by some sub-components may be partially mitigated by the Chinese authorities’ pricing controls. Energy aside, price growth for most components has remained weak or negative in recent months, as domestic demand continues to struggle to recover. Against this backdrop, look for a fairly targeted pickup in inflation in March. However, if energy prices remain high, inflationary pressure could gradually spread to the broader Chinese economy.

FRIDAY April 10 - 8:30

March

Consensus	15,000
Desjardins	10,000

February

-83,900

SUNDAY April 8 - 21:30

March


Consensus	y/y 1.2%
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February

1.3%

Economic Indicators

Week of April 6 to 10, 2026

Date	Time	Indicator	Period	Consensus		Previous reading
UNITED STATES						
MONDAY 6	10:00	ISM Services index	March	54.9	55.5	56.1
TUESDAY 7	8:30	Durable goods orders (m/m)	Feb.	-1.0%	-1.6%	0.0%
	12:35	Speech by Federal Reserve Bank of Chicago President A. Goolsbee				
	15:00	Consumer credit (US\$B)	Feb.	n/a	9,000	8,050
WEDNESDAY 8	14:00	Release of the Federal Reserve's meeting minutes				
THURSDAY 9	8:30	Initial unemployment claims	Mar. 30–Apr. 3	n/a	214,000	202,000
	8:30	Real GDP (ann. rate)	Q4t	0.7%	0.7%	0.7%
	8:30	Personal income (m/m)	Feb.	0.3%	0.4%	0.4%
	8:30	Personal consumption expenditures (m/m)	Feb.	0.6%	0.5%	0.4%
	8:30	Personal consumption expenditures deflator				
		Total (m/m)	Feb.	0.4%	0.2%	0.3%
		Excluding food and energy (m/m)	Feb.	0.3%	0.2%	0.4%
		Total (y/y)	Feb.	2.8%	2.6%	2.8%
		Excluding food and energy (y/y)	Feb.	2.9%	2.8%	3.1%
	10:00	Wholesale inventories – final (m/m)	Feb.	n/a	n/a	-0.5%
FRIDAY 10	8:30	Consumer price index				
		Total (m/m)	March	0.9%	1.0%	0.3%
		Excluding food and energy (m/m)	March	0.3%	0.2%	0.2%
		Total (y/y)	March	3.4%	3.4%	2.4%
		Excluding food and energy (y/y)	March	2.7%	2.6%	2.5%
	10:00	University of Michigan consumer sentiment index – prel.	April	52.0	49.0	53.3
	10:00	Factory orders (m/m)	Feb.	-0.3%	n/a	0.1%
	14:00	Federal budget (US\$B)	March	n/a	n/a	-307.5
CANADA						
MONDAY 6	---	---				
TUESDAY 7	---	---				
WEDNESDAY 8	---	---				
THURSDAY 9	---	---				
FRIDAY 10	8:30	Net change in employment	March	15,000	10,000	-83,900
	8:30	Unemployment rate	March	6.8%	6.7%	6.7%

Note: Each week, Desjardins Economic Studies takes part in the Bloomberg survey for Canada and the United States. Approximately 15 economists are consulted for the Canadian survey and a hundred or so for the United States. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Following the quarter, the abbreviations f, s and t correspond to first estimate, second estimate and third estimate respectively. Times shown are Eastern Daylight Time (GMT -4 hours).  Desjardins Economic Studies forecast.

Economic Indicators

Week of April 6 to 10, 2026

Country	Time	Indicator	Period	Consensus		Previous reading		
				m/m (q/q)	y/y	m/m (q/q)	y/y	
OVERSEAS								
MONDAY 6								
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TUESDAY 7								
Japan	1:00	Leading index – preliminary	Feb.	112.0		112.1		
Japan	1:00	Coincident index – preliminary	Feb.	116.4		117.9		
Italy	3:45	Composite PMI	March	n/a		52.1		
Italy	3:45	Services PMI	March	51.5		52.3		
France	3:50	Composite PMI – final	March	48.2		48.3		
France	3:50	Services PMI – final	March	48.3		48.3		
Germany	3:55	Composite PMI – final	March	51.9		51.9		
Germany	3:55	Services PMI – final	March	51.2		51.2		
Eurozone	4:00	Composite PMI – final	March	50.5		50.5		
Eurozone	4:00	Services PMI – final	March	50.1		50.1		
United Kingdom	4:30	Composite PMI – final	March	50.9		51.0		
United Kingdom	4:30	Services PMI – final	March	51.2		51.2		
Japan	19:50	Current account (¥B)	Feb.	2,439.9		3,145.0		
New Zealand	22:00	Reserve Bank of New Zealand meeting	April	2.25%		2.25%		
WEDNESDAY 8								
India	0:30	Reserve Bank of India meeting	April	5.25%		5.25%		
Germany	2:00	Factory orders	Feb.	2.0%	5.0%	-11.1%	3.7%	
France	2:45	Trade balance (€M)	Feb.	n/a		-1,843		
France	2:45	Current account (€B)	Feb.	n/a		2.1		
Eurozone	5:00	Producer price index	Feb.	-0.4%	-3.1%	0.7%	-2.1%	
Eurozone	5:00	Retail sales	Feb.	0.0%	1.8%	-0.1%	2.0%	
THURSDAY 9								
Japan	1:00	Consumer confidence	March	38.0		40.0		
Germany	2:00	Trade balance (€B)	Feb.	n/a		21.2		
Germany	2:00	Industrial production	Feb.	0.6%	0.6%	-0.5%	-1.2%	
Japan	19:50	Producer price index	March	0.8%	2.3%	-0.1%	2.0%	
China	21:30	Consumer price index	March		1.2%		1.3%	
China	21:30	Producer price index	March		0.5%		-0.9%	
FRIDAY 10								
South Korea	---	Bank of Korea meeting	April	2.50%		2.50%		
Germany	---	Current account (€B)	Feb.	n/a		17.1		
Germany	2:00	Consumer price index – final	March	1.1%	2.7%	1.1%	2.7%	
Italy	4:00	Industrial production	Feb.	0.6%	n/a	-0.6%	-0.6%	

Note: Unlike release times for US and Canadian economic data, release times for overseas economic data are approximate. Publication dates are provided for information only. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Following the quarter, the abbreviations f, s and t correspond to first estimate, second estimate and third estimate respectively. Times shown are Eastern Daylight Time (GMT -4 hours).