



Basic income works and works well

This article is related to General Studies-
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"India has the technological capacity, the financial resources, and the need for a simple, transparent basic income scheme."

In 2010-2013, I was principal designer of three basic income pilots in West Delhi and Madhya Pradesh, in which over 6,000 men, women and children were provided with modest basic incomes, paid in cash, monthly, without conditions. The money was not much, coming to about a third of subsistence. But it was paid individually, with men and women receiving equal amounts and with children receiving half as much, paid to the mother or surrogate mother. The pilots involved the Self-Employed Women's Association (SEWA) and financial assistance from UNICEF and the UNDP.

The outcomes exceeded expectations, partly because everybody in the community, and not just select people, received their own individual transfer. Nutrition improved, sanitation improved, health and health care improved, school attendance and performance improved, women's status and well-being improved, the position of the disabled and vulnerable groups improved by more than others. And the amount and quality of work improved.

Critics said it would be a waste of money, but they were proved wrong. Above all, the basic incomes improved the community spirit and were emancipatory. Those who do not trust people wish to retain paternalistic policies despite decades of evidence that they are woefully inefficient, ineffective, inequitable and open to ridiculously extensive corruption. The tendency of elites to want to have common people grateful to their discretionary benevolence has blocked sensible economic reform.

As commentators know, in the 2017 Economic Report tabled by the government there is a chapter on how a basic income could be rolled out across India, and is affordable. Its main author, former Chief Economic Adviser Arvind Subramanian, and others such as Professor Pranab Bardhan have proposed ways of paying for it — primarily by rolling back existing wasteful, distortionary, and mostly regressive subsidies. This should not be an issue to divide the left and right in politics, and it would be wonderful if the main political parties and personalities could come together on it. That is too much to hope. But in this wonderful country, now is a moment of transformative potential.

A ripe idea

The international debate on basic income has advanced considerably in the past five years. Experiments have been launched in countries of different levels of per capita income, which include Canada, Finland, Kenya, Namibia, the Netherlands, Spain and the U.S., with plans being drawn up in England, Scotland, South Korea and elsewhere. India could take the lead. It has the technological capacity, the financial resources and, above all, the need for a simple, transparent scheme to liberate the energies of the masses now mired in economic insecurity, deprivation and degradation.

However, as I wrote after the pilots in Madhya Pradesh were completed, planning the phased implementation of basic income will be a serious but manageable challenge. It will require goodwill, integrity, knowledge and humility about what will be inevitable mistakes. As we found, if properly planned, it is possible to introduce a comprehensive scheme even in rural or urban low-income communities, without too much cost. But it is essential to obtain local cooperation and awareness at the outset, and the backing of key local institutions. It is strongly recommended that if the government is to go ahead, it should phase in the scheme gradually, rolling it out from low-income to higher-income communities, after local officials have been trained and prepared.

It is also recommended that the authorities should not select particular types of individuals and give it only to them. It is tempting to say it should go only to women, low-income farmers, or vulnerable social groups. That would be wrong. It would involve expensive and corruptible procedures, and risk evoking resentment in those arbitrarily excluded, who would probably be equally in need, perhaps more so. The same applies to means-testing targeting. That would be a terrible mistake, for the many reasons reiterated in a recent book on basic income.

What administrators often do not appreciate enough is that money is fungible. If money is given only to women, men will demand a share; some women will give in, some will resist; it will be divisive. We found in the pilots that if men and women all have an equal individual amount, it promotes better and more equal gender relations. Moreover, giving to all in the community fosters solidarity within households and the wider community, apart from enabling multiplier effects in the local economy.



Farm loan waivers

The contrast is bound to be made with the Congress's promise of farm loan waivers. No doubt this policy would lessen the burden on a hard-pressed social group, and lessen rural poverty, but it is a populist measure. It will be popular, but will not alter structures and is bad economics. Suppose the principle were generalised. If one type of loan could be declared non-repayable, why not others? Unless one can show that a debt is odious or illegal per se, it would be a dangerous precedent to declare that one type of debt and not others need not be repaid.

In the long term, financial institutions would be less likely to extend loans to small-scale farmers. Is that the aim? If the loans were made on fair rules, it would be better to enable the debtors to pay them back less onerously. That is why a basic income would be a more equitable and economically rational way of addressing what is undoubtedly an unfolding rural tragedy.

The beauty of moving towards a modest basic income would be that all groups would gain. That would not preclude special additional support for those with special needs, nor be any threat to a progressive welfare state in the longterm. It would merely be an anchor of a 21st century income distribution system. Will the politicians show the will to implement it? We need to see.

GS World Team...

Universal basic income

- 'Universal Basic Income' refers to one such 'minimum basic income' which is regularly provided by the government of any country or any public institution of that country, for the livelihood of the citizens or residents of the country without any conditions.

Why the universal basic income?

- Actually universal basic income is a type of unemployment insurance which can not be provided to everyone. Therefore, there is a need to set some special parameters to implement this.
- The main reason for this is that the government does not have the necessary funds to provide basic income to every citizen of the country, which is why the government attempts to present it as social security.
- It is very important to make it clear that developed countries for long have always expressed the desire that India should expand the provisions related to food security (procurement of foodgrains by the states and their subsidy distribution) through the public distribution system. So that it can open a path to resolve a universal basic income.

Challenges

- Many experts believe that the burden of basic income for everyone can only taken by a very developed economy where the government's expenditure is more than 40 percent of the GDP

and the tax-related earnings figure is similar to it. If we talk about India, then this ratio of tax and GDP is less than 17 per cent, i.e. we are barely able to bear the burden of the sovereign processes associated with security, internal security, currency and external relations, besides the basic health facilities and basic infrastructure.

- The biggest challenge in the path of basic income is that what will be the 'basic income' level, what is the amount which can meet the individual's basic needs? Suppose we take the scale of the poverty line, which is an average of forty rupees daily (thirty-five rupees in rural areas and forty-seven rupees in urban areas), then every person will have to be guaranteed approximately fourteen thousand rupees annually or Rs. 1,200 monthly.
- At first glance, this amount appears to be practical but if we look like this, that twenty five percent of your total population will need to be paid fourteen thousand rupees per annum and seven thousand rupees per year for other twenty five percent population and there is no need to give anything to the rest of the population. So, the cost of the scheme will be Rs 693,000 crore per year.
- Be aware that this amount is equal to thirty five percent of the government's payment budget in the financial year 2016-17. Of course, in the current circumstances, this allocation is not possible for the government.



Expected Questions (Prelims Exams)

1. Consider the following statements-

1. Universal Basic Income is a kind of unemployment insurance which is given to all individuals of the group.
2. Universal Basic Income was first brought in the Economic Survey-2017.

Which of the above statements is/are correct?

- (a) Only 1
- (b) Only 2
- (c) Both 1 and 2
- (d) Neither 1 nor 2

Expected Questions (Mains Exams)

Q. Discussing the Universal Basic Income, elucidate to what extent it will be helpful in poverty eradication.

(250 Words)

Note: Answer of Prelims Expected Question given on 12 Jan. is 1(c), 2(c).

