**UBI—Its Special Case for India**

**The idea of universal unconditional grant to all is an old idea in western countries. It has been associated with Thomas More (1516); Thomas Paine (1797); in the 19th century, Charles Fourier, the French ‘utopian’ socialist, and John Stuart Mill inspired by him; in the 20th, Bertrand Russell, Rev. Martin Luther King Jr., three Nobel Laureate economists--Friedrich Hayek, James Meade, Jim Tobin (the latter in connection with the McGovern presidential campaign of 1972,which included a promise of a ‘demogrant’), various Green Parties in Europe, and so on.**

**It has been often opposed by those who think the work disincentives (from income effect, though there is no substitution effect) may undermine the prevailing social contract.**

**Some voters also dislike the idea of giving public money to the rich as well.**

**Also, by the current standards, it may be too expensive for rich countries. For example, a $10,000 basic income for each citizen in the US (somewhat below the US poverty line) will exhaust the budget.**

**But now there are some new adherents in the West in view of the looming ‘take over’ of the workplace by AI and robots.**

**In India I do not take the work disincentive argument very seriously. Poor workers are, if anything, overworked, particularly women.**

**Also, poverty lines are so low, and regressive subsidies so large that a significant UBI may be potentially feasible.**

**There are four special reasons for UBI in India:**

* **Targeting the poor is so complicated, corrupt and controversial. Just to give an example from the case of BPL (below the poverty line) card, which is indispensable for many of the targeted welfare programmes in India. The India Human Development Survey data for all-India in 2011-12 indicate that about half of the poor do not have the card, while one-third of the non-poor have it.**
* **In a country where the politics of redistribution is often centred around group-specific or individual-specific patronage—like job reservation, and subsidized private goods (food, fuel, fertilizers, credit, etc.), the argument in favour of universality—UBI, universal health care, universal pensions, etc.-- has a special appeal, particularly if normatively one thinks of them as part of minimum citizenship rights, rather than clientelistic favours dispensed by politicians.**
* **In a country where when three-quarters of adult women do not earn any income, UBI can boost autonomy of women within the family.**
* **It can also be an escape ladder for people in stigmatized occupations in Indian society (manual scavenging, animal skinning, prostitution, etc.).**

**The idea of UBI often faces three kinds of opposition:**

1. **opposition from fiscal bureaucrats, as it may break the budget;**
2. **opposition from social activists who regard this as a ploy to undermine existing welfare programmes, which are working reasonably well;**
3. **opposition from both groups that any extra money should better be spent on education, health and infrastructure.**

**First a few points on the fiscal arithmetic**

* **Mundle and Sikdar have estimated that of the total subsidies of the central and state governments (both explicit and implicit) in 2011-12 what can be considered as ‘non-merit’ subsidies—i.e. mainly going to the better-off sections of the population-- come to about 5% of GDP.**
* **In the central budget alone what are called Revenues Foregone (mainly tax concessions to companies) come to more than 6%. Some of these concessions may be essential (for example, in the case of customs duty exemptions for re-exports), but it is not too unreasonable to take one-third of the total (i.e. 2% of GDP) as potentially available. This does not count the Revenues Foregone in state government budgets, for which we do not have good estimates.**
* **There is also considerable scope for fresh taxes. The tax-GDP ratio in India is substantially lower than in China, Brazil and some other developing countries. Our real estate and property tax assessments are absurdly low compared to their market value. We have zero taxation of agricultural income, of long-term capital gains in equity markets, and of wealth and inheritance. This is at a time when our wealth inequality is mounting --even from NSS household survey data which underestimate the wealth of the rich, the standard Gini coefficient measure of asset inequality rose from 0.66 in 1991-92 to 0.75 in 2011-12, which is now in the Latin American range.**

**All combined, there is a potential for mobilising about 10% of GDP, allowing for a significant UBI plus extra expenditure on health, education, and infrastructure, and no replacement of existing welfare programmes (if some wasteful ones among them are replaced, the potential can exceed 10% of GDP).**

**On health and education governance issues are even more serious than the paucity of funds that are officially allocated to them. On health, for example, it has been reported that in the nine poorest states of India (accounting for nearly half of India’s total population) even the paltry amounts budgeted for health goes substantially unspent by the end of the fiscal year. So just throwing more money into these accounts will not solve some of the recalcitrant problems.**

**I am against replacement of some major welfare programmes like ICDS, mid-day meals, MGNREGS, etc. Their economic rationale is independent of that for UBI. So I’ll be against UBI if it is to replace programmes like these. My search for alternative sources of funding is primarily motivated by my objective of NOT replacing them.**

**In any case I think the discussion of UBI is at such an early stage that it should be conducted at two levels of abstraction-- one is at the conceptual level of its acceptability in the Indian context, and the other at a more concrete level of the exigencies of its implementation. In this paper I do not discuss very much at the latter level—for example, I am not suggesting any particular rate of payment under UBI. Even though I have shown that about 10% of GDP is potentially mobilisable, if the social consensus is in favour of spending somewhat more in effective investment for health, education or infrastructure, and somewhat less for UBI, I’ll not seriously object.**

**I should note, however, that one argument for a relatively large UBI is that it may then succeed in weaning some of the small farmers and workers away from allying with the much richer beneficiaries of the current regressive subsidies.**

**Similarly, I am not here addressing secondary-level questions like if UBI should be indexed or not—my inclination is to suggest indexation, just as we do in a way for salary and pensions in the formal sector. Similarly, at the implementation stage, depending on the mobilization of financial and organizational resources in different states, one can start with some experiments with UBI at a pilot level.**

**For example, one may try it out on an experimental basis:**

1. **Only for women**
2. **Only in some states where the requisite fiscal, banking, and political capacity exists**
3. **Maybe first only in urban areas, where the informational and banking constraints may be less acute**

**At the general conceptual level I am often asked, do you want to pay this money even to the rich like the Ambanis? My answer is yes, primarily because normatively I want UBI as part of a basic right of every citizen to minimum economic security. Just as we recognise the right of Ambanis for police protection against crime as a basic right for them, even though they can very much afford their own private protection services, we should not deny them the right to a basic income. (Practically, if some asset threshold—car ownership, a threshold in income tax return, etc.-- can be transparently implemented to exclude the very rich, I’ll not object.). To the extent UBI is funded by taxes and withheld current subsidies to the rich, one should keep in mind that even without UBI the money otherwise is already going to the rich. Also, part of UBI paid to the rich will return to the government in the form of taxes.**

**I also want to emphasise the conceptual point that the idea of UBI is primarily for minimum economic security for all citizens. Poverty eradication is not the main goal. So I find some of the discussion on how good an anti-poverty measure UBI is somewhat irrelevant for the present purpose. Large numbers of people, even those above the poverty line, suffer from brutal insecurities of different kinds (arising from weather risks, market risks, health risks, etc.), and a floor basic income is part insurance against such risks, without the administrative costs of checking for the usual problems of moral hazard and adverse selection that commercial insurance projects involve.**

**If we are thinking of funding UBI from regressive subsidies, of course, the better-off in India – businessmen, rich farmers, the salaried class – will not easily give up on the subsidies and handouts they currently enjoy. This means we should think in terms of mobilising public opinion and activate social movements on a platform like UBI. In particular, as the workers in the informal sector will be the largest beneficiaries of UBI, it can provide a common bridge between them and the unionised formal sector workers, a divide which for many years has weakened the labour movement. Today about one-third of workers even in the organised sector are contract labourers deprived of most benefits. Unions have been demanding benefits for the latter for some time; their struggle will be strengthened if it now becomes part of a much larger movement for UBI.**

**One should have no illusion about the difficulties in the political process for implementing UBI. But one thing going in its favour is that it attracts support from people in different parts of the political spectrum, which may someday generate a winning coalition.**