

Concept of Universal Basic Income and its Feasibility in India

Rajेशha MG

HoD Economics, GFGC Anavatti, Soraba, Shimoga

Abstract: *Universal Basic Income or UBI is seen as a form of social security. UBI is a powerful idea and would be more effective at combating poverty than existing state benefits according to the India's recent economic survey. It is indeed necessary to examine this scheme.*

Keywords: Basic Income, UBIS, Social Security, Poverty Reduction, Cash Transfer

1. Introduction

A basic income or Universal basic income is a form of social security in which all citizens or residents of a country regularly receive an unconditional sum of money from a govt. or public institution in addition to any income received from elsewhere*1. Globally, the concept of a Universal basic income or UBI is seen as a non- targeted provision in addition to the existing services in health, nutrition, education and so on. But in India much of the talk around it is also directed at attacking "wasteful subsidies" and even the food security programme and the employment guaranteed programme*2. Universal basic income is financed by the profits of publicly owned enterprises (often called social dividend or citizen's dividend) are major proposed models of "market socialism" *3. Basic income schemes have also been promoted within the context of capitalist schemes, where they would be financed through various form of taxation.

2. Concept of Universal Basic Income Scheme (UBIS)

Socialist and left-wing economists and sociologists have advocated a form of basic income as a means for distributing the economic profits of publicly owned enterprises to benefit the entire population (also referred to as a social dividend), where the basic income payment represents the return to each citizen on the capital owned by society. These systems would be directly financed out of returns on publicly owned assets and are featured as major components of many models of market socialism. Erik Olin Wright, for example, characterizes basic income as a project for reforming capitalism into a socialist system by empowering labor in relation to capital, granting labor greater bargaining power with employers in labor markets, which can gradually de-commodify labor by decoupling work from income. This would allow for an expansion in scope of the "social economy", by granting citizens greater means to pursue activities (such as the pursuit of the arts) that do not yield strong financial returns*4.

Other theorists leaning towards different kinds of socialism have advocated basic income include James Meade, Bertrand Russell, Frances Fox Piven and Harry Shutt. Meade states that a return to full employment can only be

achieved if, among other things, workers offer their services at a low enough price that the required wage for unskilled labor would be too low to generate a socially desirable distribution of income. He therefore concludes that a citizen's income is necessary to achieve full employment without suffering stagnant or negative growth in wages. James Meade advocated for a social dividend scheme to be funded by publicly owned productive assets*5. Russell argued for a basic income alongside public ownership as a means to decrease the average length of the working day and to achieve full employment. Fox Piven holds the view that an income guarantee would benefit all workers by liberating them from the anxiety that results from the "tyranny of wage slavery" and provide opportunities for people to pursue different occupations and develop untapped potentials for creativity. Gorz saw basic income as a necessary adaptation to the increasing automation of work, but also a way to overcome the alienation in work and life and to increase the amount of leisure time available to each individual. Harry Shutt proposed basic income along with reforms to make all or most of the enterprises collective in nature, rather than private. Together, he argued, these measures would constitute the make-up of a post-capitalist economic system*6.

3. Georgist views

Geolibertarians seek to synthesize propertarian libertarianism and a geist (or Georgist) philosophy of land as unowned commons or equally owned by all people, citing the classical economic distinction between unimproved land and private property. The rental value of land is produced by the labors of the community and, as such, rightly belongs to the community at large and not solely to the landholder. A land value tax (LVT) is levied as an annual fee for exclusive access to a section of earth, which is collected and redistributed to the community either through public goods, such as public security or a court system, or in the form of a basic guaranteed income called a citizen's dividend.

4. Right-wing views

Support for basic income has been expressed by several people associated with right-wing political views. While adherents of such views generally favor minimization or abolition of the public provision of welfare services, some

have cited basic income as a viable strategy to reduce the amount of bureaucratic administration that is prevalent in many contemporary welfare systems. Others have contended that it could also act as a form of compensation for fiat currency inflation*7.

5. Feminist views

Feminists' views on the basic income can be loosely divided into two opposing views: one view which supports basic income, seeing it as a way of guaranteeing a minimum financial independence for women, and recognizing women's unpaid work in the home; and another view which opposes basic income, seeing it as having the potential to discourage women from participating in the workforce, and to reinforce traditional gender roles of women belonging in the private area and men in the public area*8.

6. Technological Unemployment

Concerns about automation and other causes of technological unemployment have caused many in the high-tech industry to turn to basic income proposals as a necessary implication of their business models. Journalist Nathan Schneider first highlighted the turn of the "tech elite" to these ideas with an article in *Vice* magazine, which cited figures such as Marc Andreessen, Sam Altman, Peter Diamandis, and others. The White House, in a report to Congress, has put the probability at 83% that a worker making less than \$ 20 an hour in 2010 will eventually lose their job to a machine. Even workers making as much as \$ 40 an hour face odds of 31 percent*9.

7. Criticism

A commission of the German parliament discussed basic income in 2013 and concluded that it is "unrealizable" because :

- It would cause a significant decrease in the motivation to work among citizens, with unpredictable consequences for the national economy.
- It would require a complete restructuring of the taxation, social insurance and pension systems, which will cost a significant amount of money
- It would cause a vast increase in immigration
- It would cause a rise in the shadow economy
- the corresponding rise of taxes would cause more inequality: higher taxes would translate into higher prices of everyday products, harming the finances of poor people
- No viable way to finance basic income in Germany was found *10.

The economist notes that raising the income floor would have no impact on the wealth gap. While cash transfers would make the most difference to those on the bottom of the pile, instead of existing welfare benefits 11*.

8. Universal Basic Income in India

In 2017 India's Chief economic Advisor Arvind Subramanian devoted a chapter in the annual economic

survey (January 31) to discuss unconditional Universal basic income as a tool for poverty reduction*12. Indian member of parliament Varun Gandhi has written in support of basic income *(13). Sarath Dorala, Renona Jhabvala and Soumya Kapoor Mehta conducted an extensive Basic income pilot project in India and Devala is the leader of India's Basic Income ThemeNetwork*14.

At the recent World Economic Forum in Davos, the CEO of NITI Aayog, Amitabh Kant apparently said the government was seriously considering a plan to provide cash transfers to around 20 million citizens. According to the Report. "The plan he supports would offer about Rs. 1000, a month and only to families below poverty line what is more the money would be structured as an interest free loan that would have to be paid back within three years, this is a complete travesty of the idea of basic income supported by its opponents *15.

UBI is a "powerful idea" and would be more effective at combating poverty than existing state benefits, according to the country's 2016-2017 Economic Survey. However if it were implemented now political challenges could "derail" UBI before it got off the ground, the survey found, suggesting the country is not yet ready for the scheme. The introduction of UBI is not expected to be announced in the Union Budget, which will be delivered in Parliament by Finance Minister Arun Jaitley but it could be tabled for discussion in the near future.

If implemented, India would join Finland in providing free money to citizens. Under a universal income system, citizens would receive a set amount of money from the state, forfeiting other benefits. India, which has an estimated population of 1.3 billion people, has a growing economy, but around 29.5 per cent of people live in poverty, according to a 2014 government report – particularly in rural areas*16.

Professor Guy Standing, a founding member of the Basic Income Earth Network, told *Business Insider* UBI trials in India had been "remarkably positive", giving people a sense of control over their money, reducing debt and empowering women. The Survey praised Universal Basic Income as "a radical and compelling paradigm shift in thinking about both social justice and a productive economy", saying it could be to the twenty-first century "what civil and political rights were to the twentieth" that they cannot take economic decisions relevant to their lives. An unconditional cash transfer treats them as agents, not subjects".

The concept of UBI received a boost recently when the government of Finland announced the introduction of a trial involving 2,000 unemployed people. The recipients will be given €560 (£480) every month for two years unconditionally, even if they find work.

In India, we have become adept at picking up on global policy fashions, but sadly we tend to implement them in our peculiar ways that often end up distorting both the practice and even the very vision of the idea criticizes economist Jayanti Ghosh *17. For example, an earlier Indian government was very keen the idea of conditional cash transfers, which were seen to have delivered some success in Latin American countries.

But the successful examples of such policies in those countries treated these as money delivered in addition into the expansion of the quality and coverage of essential public services in health, education, nutrition and so on. In contrast Indian attempt has been to use them to replace such essential public spending, which is already for low.

References

- [1] "History of Basic Income". Basic Income earth Network (BIEN). 21 June, 2008.
- [2] Ghosh, Jayati, A Universal basic income in India. Frontline, Feb. 17, 2017 P.45.
- [3] Marangos, John (2003), "Social Dividend Versus Basic Income Guarantee in Market Socialists" "International Journal of Political economy 34 (3) JSTOR – 404 70899.
- [4] Wright, Erik Olin. "Basic Income as a Socialist Project". Paper presented at the annual US-BIG Congress, 4-6 – March 2005, (University of Wisconsin).
- [5] Mcade, James Edward. Full employment regained ? Cambridge University Press, 1995, ISBN 0-521-55697.
- [6] Shutt, Harry, Beyond the profits system. Possibilities post capitalist era Zed Books P-124. ISBN 978-1-84813-1. – 15 March 2010.
- [7] Gordon, Noah "The conservative case for "Guaranteed Basic Income". The Atlantic - 6 – Aug. 2014.
- [8] <https://www.gcu.ac.uk/wise/media>.
- [9] www.whitehouse.gov/sites/default/files/dies/ERP2016.
- [10] Petitioner : Verwendung Von Cookies niet aktiviert.
- [11] "The Cheque is in the mail". The economist ISSN 0013-0613, July 2016.
- [12] Economic Survey –volume Jan 31 2017.
- [13] Gandhi Varun ,Why we need to talk about a basic income.
- [14] India:Sharath Devala starts Basic Income blog BIEW-2015-07-2016
- [15] Kant, Amitabh, Frontline feb -17, 2017, p46.
- [16] www.independent.co.uk –universal basic income.
- [17] Ghosh, Jayati, A Universal basic income in India. Frontline, Feb. 17, 2017 P.45.