

Symposium on Universal Basic Income: Overview of Deliberations

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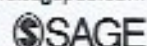
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Introduction

Universal Basic Income (UBI) has emerged as an important issue in advanced countries in the context of increasing robotization, the use of artificial intelligence and the possible obsolescence of work; in India, it has emerged as an important policy question for altogether different reasons. In the absence of social security systems as seen in the advanced countries, social programmes, income support and subsidies serve as the main vehicles for social protection. However, most of these programmes are inefficient and leaky, with mistargeting and errors of inclusion or exclusion. Hence, there is a view that a UBI entitlement should replace some of these schemes and subsidies. There is also a view which is sceptical about the whole idea of a UBI in India and points to the many risks and limitations of such a policy.

The symposium on UBI was organized in Delhi on 10 July by the Institute of Human Development, with support from the International Labour Organization, to bring together the proponents of these different points of view and discuss them in a free and frank ambience. The symposium generated a very rich discussion, as evidenced by the papers in this special issue. It was fortunate that almost all those who have actively contributed to this debate were able to participate. Those who could not attend also contributed significantly to the discussions. Jean Dreze sent a detailed note and Abhijit Banerji participated through a video presentation.

The symposium was structured around the three basic proposals that have been put on the table, namely, the Bardhan proposal, the Joshi proposal and the 2017 Economic Survey proposal, and some field experiments with UBI. Making a distinction between the broad principles and practical details of specific proposals, Bardhan suggested that the symposium could most productively focus on the broad principles of UBI, a suggestion which was also reiterated by Nitin Desai. However, much of the discussion in fact focused on fairly specific issues as will be evident from this overview of the deliberations. I have summarized here only some key 'takeaways' from the roundtable. The issues picked up possibly reflect my own biases on the subject, for which I apologize in advance.

Not unexpectedly, similar types of issues were raised in the case of all three proposals. These can be grouped into broadly three sets of issues: the fiscal arithmetic of UBI, issues of design and implementation, and the political dimension. This overview is summarized under these three heads.

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Fiscal Arithmetic of UBI

Bardhan and Joshi both argued that fiscal space of about 10 per cent of GDP could be made available through fiscal reforms such as rollback of non-merit subsidies, recently estimated at 5 per cent of GDP in 2011–2012 by Mundle and Sikdar, reduction of tax expenditures and some additional revenue mobilization. This would be just enough to finance a UBI scheme of an inflation indexed entitlement of ₹10,000 per head per year at 2014–2015 prices for all persons originally proposed by Bardhan some five years ago. The UBI requirement in the Joshi proposal is much more conservative, asking for an inflation indexed income supplement of ₹3,500 per head at 2014–2015 prices for all persons. This would amount to about 3.5 per cent of GDP. However, the Joshi scheme is embedded in a larger programme of ‘deep’ fiscal reforms, including reduction of the fiscal deficit, higher public investment and higher spending on social services like education and health, all of which also add up to about 10 per cent of GDP.

Though there are differences between their two proposals, both Bardhan and Joshi provided the arithmetic to show that fiscal space of about 10 per cent of GDP can be created without any reduction in the shares of social spending or existing income support programmes such as MNREGA. In fact Joshi’s UBI proposal is part of a package that also includes a 2.5 per cent GDP *increase* in social spending. However, Joshi’s proposal includes winding up the food public distribution system while Bardhan’s proposal retains it.

The UBI proposal in the 2016–2017 Economic Survey is somewhat different. Using the consumption expenditure distribution of the population below the poverty line (BPL), the Survey estimated that bringing the poorest 5 per cent of the BPL population above the Tendulkar poverty line would be prohibitively costly and would require a special programme. But an income supplement of ₹7800 per head per year could bring the other 95 per cent of the BPL population above the Tendulkar line. The survey further estimated that providing that income supplement to 70 per cent of the population, excluding the richest 30 per cent, would cost about 5 per cent of GDP. It went on to list the many large centrally sponsored schemes and central government subsidies that mainly benefit the middle class rather than the poor, implying that eliminating or trimming some of these could create the required 55 per cent of GDP fiscal space. The listed programmes and subsidies include those in the social sector as well as some that support the poor.

In a strict sense, the Economic Survey concept is not a UBI proposal but a quasi-UBI since it would exclude the richest 30 per cent from the proposed entitlement. Regarding its financing, leaving all the social spending and merit expenditure untouched, eliminating just the non-merit subsidies estimated by Mundle and Sikdar could save 5 per cent of GDP in public spending as indicated by both Bardhan and Joshi.

Two types of objections were raised regarding the fiscal arithmetic of these proposals. Many participants felt that rolling back existing programmes to save 10 per cent of GDP is not practically feasible; freeing up even 5 per cent of GDP would be difficult. So if any of the proposed UBI schemes were to be rolled out, this would either significantly raise public spending and the fiscal deficit or cut into existing programmes of social spending and other merit spending such as subsidised food distribution. The Economic Survey citing many such welfare or social expenditure schemes and the Joshi suggestion about winding up the public distribution system for food were cited to point out that such substitution is actually suggested in their proposals.

The other objection raised was that even if some fiscal space could be freed up, there is little justification for prioritizing the allocation of such savings to a UBI scheme when per capita public social spending, especially spending on basic education or primary health care, is so low compared to other developing and emerging market economies. It needs to be mentioned in this context that Joshi’s package of deep

fiscal reforms actually includes a significant increase in social spending amounting to 2.5 per cent of GDP, and Bardhan has suggested that if his proposal is considered too ambitious, a more modest start could be made with a quasi-UBI initially limited to clearly identifiable segments of the population such as women, the elderly or the urban population that is better reached by the banking system.

Design and Implementation Issues

There are fundamentally two reasons why existing welfare and anti-poverty programmes in India need reform. One is the problem of targeting, errors of inclusion as well as exclusion in many targeted welfare programmes. The other is administrative inefficiency. Even when targeting is not a problem, inefficiency and leakages lead to huge cost escalation and poor delivery of benefits.

As regards targeting, an interesting observation was made that mistargeting is inversely related to the size of the target population relative to the total. The larger the relative size of the target, the lower the mistargeting. At the limit, when the two are equal, as in UBI, there is of course no mistargeting because it is an entitlement for everybody. No discretion is required in deciding who should and who should not get the UBI income supplement. However, it was pointed out that eliminating discretion in the choice of beneficiaries does not necessarily imply UBI or unconditional cash transfers (UCTs) to everyone. Conditional cash transfers (CCTs) linked to, say, children's schooling or health care consumption can also eliminate discretion. But while reducing mistargeting, CCTs may not completely eliminate it since eligibility for CCTs, however transparent, still requires verification. It was also noted that unlike UBI, CCTs entail some paternalism in that the government decides what consumption is to be supported through cash transfers.

Regarding administrative inefficiency, it was noted that while it may appear a priori that UBI minimizes inefficiency, the reality could be different if it is actually rolled out. Unfortunately, there is very little empirical evidence on how UBI works. Results from randomized control tests (RCT) in many countries from around the world were reported, which show the efficiency and effectiveness of both UCTs and CCTs.

These are in conformity with the SEWA-led RCT experiment in Madhya Pradesh which showed that how UCTs of even small amounts, comparable to the ₹650 per head per month indicated in the Economic Survey proposal could have lasting benefits ranging from better nutrition and improved education for children to accessing better health care and a liberating empowerment of both women and men. However, discussants also cautioned against too easily drawing generalizations from such experiments and it was pointed out that results were actually mixed. Reference was made to pilot tests in Puducherry, Chandigarh and elsewhere where food distribution through the PDS was sought to be replaced by cash transfers. Beneficiaries reportedly preferred to continue with PDS.

One important aspect of UBI, particularly the Economic Survey version, is its dependence on the electronic cash transfer infrastructure. The Jan Dhan Yojana, Aadhaar, Mobile or JAM architecture is yet to be made functional in many parts of the country, especially in rural India. When there is no power or no network, such modern technological fixes do not work and the administrative system reverts to the discretionary intervention of local functionaries. The Madhya Pradesh SEWA experiment also points to this challenge. Given this context participants pointed out that rolling out an ambitious UBI programme may be premature.

While recognizing the widespread administrative failure of existing welfare and anti-poverty programmes, many participants also pointed out that the experience was not uniform across all states or regions of India or over time. These variations suggest that improvements in the functioning of existing

programmes are not altogether impossible. In the light of that, it was suggested that instead of rolling out a full-scale UBI scheme to replace existing programmes that are inefficient or mistargeted, it may be more prudent and practical to focus on strengthening the existing programmes, drawing in the experience of best practices observed in different states. As regards UBI, there seemed to be a consensus that it may be useful to start by rolling it out in a limited way as pilots in selected states and for clearly identifiable groups such as women or the elderly, which would leave very little room for mistargeting.

The Political Dimension

One of the most unfortunate distortions of welfare and anti-poverty programmes that has motivated the case for UBI is the politics of clientelism. Politicians favour schemes and programmes that enable them to direct benefits towards their client groups in return for political support. The challenge is to move beyond such clientelism to robust welfare and anti-poverty programmes. A non-discretionary UBI entitlement for everybody would finesse this challenge. However, this is precisely why politicians would not want such a programme to replace existing programmes, so, some participants argued, a UBI would simply be an add on to the fiscal burden of existing programmes. Both Bardhan and Joshi recognize the formidable political challenge to making the idea of a UBI acceptable. The same would apply to any other robust welfare programme that pre-empt clientelism. It is also recognized that the optics of a UBI entitlement for the rich, whatever its rationale, may be difficult to sell politically. But Bardhan also feels that trying to build a coalition in support of UBI, which would benefit huge segments of the informal sector working class, etc., may be possible. Renana Jhabvala, presenting the SEWA case study experience also felt that such political mobilization may be eminently feasible. Finally, while it is politically difficult to roll back existing benefits like subsidies, it is not impossible. As pointed out by Dreze, who is actually opposed to the idea of an UBI in India, we have in fact seen a significant reduction in hydro-carbon and fertilizer subsidies.

A Concluding Observation

The purpose of discussions like the UBI symposium is not to reach definitive policy conclusions but to raise questions, address them if possible and clarify issues. Hence, it was quite encouraging that a consensus did seem to emerge on the following: the roll out of an ambitious UBI programme at this stage may be premature in view of all the fiscal, administrative and political issues that had been raised. However, pilot experiments in selected states open to the idea, and initially limited to specific groups like women and the elderly, would be useful to assess how UBI would work and see what implementation challenges arise. While providing an empirical foundation for the political mobilization that would inevitably be required, it would also tell us whether such mobilization in favour of UBI is indeed desirable.