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Is UBI the USP of this year's Economic Survey?

The idea of a Universal Basic Income has emerged in India's Economic Survey 2016–17. Will UBI be the most significant economic outcome for the poor in recent times?

By Anupma Mehta

Does the recently released Economic Survey evoke the jingling sound of falling coins in your ears? On the face of it, the flagship annual document of India's Ministry of Finance, a serious analysis of the Indian economy over the last fiscal, is likely to have only a metaphorical connection, if any, with silver currency. But the analogy is not as far-fetched as it seems. The suggestion made in the Survey by the Chief Economic Adviser, Dr Arvind Subramanian, to introduce Universal Basic Income (UBI) in India actually takes one back to the momentous afternoon of 4 October 2013. On this day, members of the activist group Generation Grundeinkommen dumped 8 million 5-cent coins (representing each citizen of Switzerland) on the Bundesplatz, a public square in the Swiss capital, Bern. The episode was intended to draw attention to the widespread demand for incorporating the concept of an unconditional income guarantee for all adults in the Federal Constitution of Switzerland, compelling the Swiss Government to subsequently hold a referendum on the issue. Although the measure was eventually rejected in the referendum held in June 2016, with 76.9 per cent of the population voting against it, the idea of UBI has caught on across the world, most recently emerging in India's Economic Survey 2016–17.

Figure 1: 8 million coins dumped on a public square in Bern in October 2013 in support of UBI | Photo Courtesy: Author

Dr Subramanian argues, "UBI is a powerful idea whose time even if not ripe for implementation is ripe for serious discussion."

Albeit, the concept of UBI is not a new one. The idea of a guaranteed minimum income in the form of public assistance can be traced as far back as sixteenth-century Europe, when it was raised by the political theorist Thomas Paine, and re-appeared intermittently throughout the

nineteenth and twentieth centuries. Only now, however, does the idea appear to be entering the political mainstream in many parts of the world. Propounding it as a potential tool against poverty, Dr Subramanian argues in the Survey that "UBI is a powerful idea whose time even if not ripe for implementation is ripe for serious discussion." He goes on to say that Mahatma Gandhi, as the embodiment of universal moral conscience, "would have seen the possibility of UBI in achieving the outcomes he so deeply cared about and fought for all his life…" as long as macroeconomic stability would not be jeopardised.

Use of IHDS data

The Survey uses data from the IHDS to evaluate the value of public subsidies and the possibility of curtailing them through the provision of UBI.

While discussing the concept of UBI, the Economic Survey draws upon the National Sample Survey (NSS), and the India Human Development Survey (IHDS), a nationally representative, multi-topic survey of 41,554 households in 1503 villages and 971 urban neighbourhoods across India. The IHDS, which was conducted in two rounds, in 2004–05 and 2011–12, respectively, has been jointly organised by researchers from the National Council of Applied Economic Research (NCAER), New Delhi, and the University of Maryland. The Economic Survey uses data from the IHDS extensively to evaluate the value of public subsidies and the possibility of curtailing them through the provision of UBI. Highlighting the prohibitive costs of running the sheer number of Centrally Sponsored Schemes and programmes, such as the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), and Public Distribution System (PDS), the Survey estimates the targeting efficiency of these programmes.

With the data pointing to large-scale misallocation of resources, Dr Subramanian avers that the poorest areas of the country including many districts in Uttar Pradesh, Bihar, Chhattisgarh, Jharkhand, Maharashtra, Madhya Pradesh and Karnataka, receive a less-than-equal share of resources as compared to their richer counterparts. Such misallocation leads to "exclusion errors", whereby the genuinely poor are unable to access the benefits of programmes that are plagued by corruption and waste, and that have failed to lift 30 per cent of the population out of poverty even after two decades of high economic growth.

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Based on IHDS (2011–12), the Survey pinpoints the exclusion of 40 per cent and 65 per cent of the population falling in the lowest income deciles from the PDS and MGNREGS, respectively (see table below). It is also argued that historically, welfare schemes in India have tried to address poverty caused by the accident of birth instead of accidents of life such as natural disasters, disease and loss of livelihoods. The concept of UBI would thus represent a more efficient way of helping the poor by providing them not only direct resources but also the opportunity for sustenance with dignity. The Indian Government has a living example in the form of a pilot UBI programme launched in Finland by the federal social security institution, Kela, on January 1, 2017, for paying €560 (or $480) a month for two years to 2,000 unemployed persons.

Targeting Error	**PDS (for each of Rice, Wheat and Kerosene)**	**MGNREGA**
Out of system leakage	**Actual allocation minus Total quantity of PDS received by all beneficiaries** *Source*: **Economic Survey of India 2015-16**	**Imbert and Papp (2014)**
Incidence (top 60%)	**Incidence of total volume of PDS for each of rice, wheat and kerosene on top 60% in the survey** *Source*: **IHDS 2011-12**	**Share of MGNREGA income received by the top 60 % in the survey** *Source*: **IHDS 2011-12**
Exclusion error	**Proportion of those in bottom 40% in the survey who do not receive PDS item** *Source*: **IHDS 2011-12**	**Proportion of those in bottom 40% in the survey who do not have a MGNREGA Card** *Source*: **NSS 2011**

Economic repercussions of UBI

Using both waves of IHDS (2004–05 and 2011–12), the Economic Survey also calculates the fiscal implications of UBI and its effect on poverty and vulnerability. It concludes that the maximum bang-for-buck UBI figures for poverty reduction and vulnerability are Rs. 600 and Rs. 3,000 per capita per year in 2011–12, which go up to Rs. 840 and Rs. 4200, respectively, after adjusting for inflation in 2016–17. This translates to only about 2.2 percent of the GDP, falling further to 1.6 per cent of the GDP if the top 25 percent of the population is excluded. This level of UBI could reduce the poverty rate to 9 per cent and vulnerability to 7.5 per cent.

Practical considerations in implementation of UBI

However, given allegations of inefficiency in handling cash transfers, is India ready for the radical solution of alleviating poverty by offering the poor agency over their consumption choices?

In addition to funding questions, the implementation of UBI would pose other major challenges. Apart from the fact that many of those below the poverty line still do not have bank accounts despite the advent of Jan Dhan, there may be no foolproof way of preventing misappropriation of the resources by family members for self-aggrandisement or misuse. Critics of UBI also claim that for a country like India, which ranks an abysmal 130th on the human development index, the financial burden of such a policy would shift the Government's focus away from crucial sectors like health and education.

Taking such criticism head-on, however, the Economic Survey emphasises that the potent appeal of UBI stems from its promise of both individual liberty and equitable distribution of wealth. As the harbinger of a paradigmatic shift in theories of social justice and a productive economy in the 21st century, UBI could become one of the most significant economic outcomes for the poor. If and when that happens, the sound of jingling currency may resonate

as music to their ears, for they would then no longer have to beseech the rest of us to share either our sympathy or our savings with them.

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