

Need of a Nationwide Debate on Universal Basic Income for India

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[Abstract: The developed world is facing technology induced unemployment and fears that the resultant underconsumption will lead to market collapse. Even developing economies including India will not remain unimpacted by such a phenomenon. In developed economies, the idea of Universal Basic Income (UBI) has been mooted to address the issue of underconsumption and this idea has engaged the political space as well, leading to experimentation and even referendum. In India the concept of UBI is perceived to serve the twin objective of addressing the phenomenon of work obsolescence arising out of automation and artificial intelligence, and for extricating the populace from the scourge of poverty. The idea has been engaging the attention of academicians and political practitioners. Though some economists are dismissive of the idea, there are many who argue in favour and perceive it as an effective instrument to fight poverty. The idea has not only found expression in political space, but also it is likely to figure in the next Economic Survey of Government of India as stated by the Chief Economic Advisor to the Government. There are administrative, economic and political issues surrounding UBI which need to be debated amongst stakeholders to work out the best suitable UBI design for India. The inclusion of the concept in the Economic Survey will act as a trigger for such a debate.]

In a 2014 Discussion Note titled 'Future Technology and Economics' it was recalled that, according to Keynes, the Great Depression of 1929 was, amongst others, a result of technology induced unemployment. Though it started as an ordinary recession, the underlying shortcomings and significant policy mistakes caused a shrinking of the money supply, which worsened the economic situation, causing the recession to descend into the Great Depression. Once again, very few economists are looking into the dimension of relentless impact of rapidly advancing and more efficient economies on the economic system at the current point in history. A situation is fast approaching when average citizenry across the globe may seek absorption but the technology impacted systems may not give permission as expeditiously as the citizenry and governments may desire. Resultantly, the issue of balancing demand and supply for sustaining the market economy is on the horizon. The Note had expressed an increasing mismatch between the relentless march of

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technology and the response of economic and social systems to address the oncoming challenge of absorption of average citizenry on a global scale. The Note advocated that economists, social scientists and policy planners need to be prepared well in advance to tackle the impending impact of rapid technological changes so that the required adjustments are made with minimum pain.¹

The prospect of millions of jobs being decimated under the impact of relentless march of technology has become a reality. An Oxford University study 'estimates that 47 per cent of jobs in the US are "at risk of" being automated in the next 20 years'. Similarly, an Australian study has concluded that 40 per cent of the country's jobs are at risk of being decimated by technology, perhaps as soon as 2025. Even countries like India and China, including African nations, will not remain immune from technological upheavals. The World Bank has estimated that automation threatens to eliminate a stunning 69 per cent of all jobs in India, 77 per cent in China and 85 per cent in Ethiopia. Both blue- and white-collar jobs are at risk as Artificial Intelligence (AI) breaks new frontiers.² Thus, an upcoming scenario is that robot sized production systems will be capable of producing goods of mass consumption on an almost unlimited scale. However, it also has its disadvantage, that is, human workers who are no longer required or paid to do most jobs will lack the purchasing power to buy these goods of mass consumption. This is a sure recipe for the market to collapse, occasioned by underconsumption. In developed economies, the idea of providing a Universal Basic Income (UBI) has been mooted as a solution to address the emerging phenomenon of underconsumption. Though the idea is not unchallenged and is basically termed as flawed³, the academic discussion around it continues. The concept of UBI has spilled over into the political space. Recently, the Swiss electorate voted against the idea of a UBI, but Canada, Finland and the Netherlands are reportedly considering a referendum on the issue.⁴ Even in

¹ Sardana, M.M.K (2014), 'Future Technology and Economics,' ISID Discussion Note DN2014/06.

² Panda, B.J. (2016), 'Cash to All Citizens: Universal Basic Income Could Actually Work Better in India than in Rich Countries,' *The Times of India*, Blogs, October 27.

³ The Economist (2016), 'Rethinking the Welfare State: Basically Flawed,' June 04. Available at: <http://www.economist.com/news/leaders/21699907-proponents-basic-income-underestimate-how-disruptive-it-would-be-basically-flawed>

⁴ Mundle, S. (2016), 'Universal Basic Income: An Idea Whose Time has Come?' *Live Mint*, September

a relatively poor country like India, the idea of UBI is being widely debated within the academia; it has touched the political space as well. Baijayant 'Jay' Panda, Member of Parliament, has spoken and written about the applicability of UBI in the contexts of addressing poverty concerns and the spillover effect of the advancing technology on the phenomenon of work obsolescence both in India and today's competitive world.⁵ Ruling Party's M.P. Feroze Varun Gandhi has also advocated the need for a basic income in the context of India with a view to improve the living conditions of the poor and increase their productivity.⁶ He, however, places greater emphasis on a regular unconditional basic income, scaled up through pilots, than on the effects of technology, which has the potential to render much of the workforce obsolete. Thus in India, the objective of a UBI is perceived as two-fold, that is, of fighting poverty and addressing unemployment that may result from the negative effects of technology. The latter objective is as important in India as in an interconnected and competitive world. India cannot afford to keep the fast evolving technologies at bay and thus keep itself immune from the obsolescence of workforce in the face of incoming technologies.⁷

Academician Pranab Bardhan, who suggested the idea of a UBI for India about five years ago, has been reiterating the same in his later writings and most recently in his interview with *The Wire* where he spoke on Modi's government policies. He said that if a large part of the subsidies to the better-off can be waived off, then everybody can get a basic income, which will be an effective step towards poverty alleviation. In his scheme of UBI, each Indian citizen shall get a certain amount of money every month, no questions asked. Further, according to his estimates, if subsidies to the better-off are totally given up in India, then it will be possible to give Rs 10,000 a year to every person. A family of four will thus get Rs 40,000 a year which will bring a big change in poverty rate. Bardhan argues that if it

16. Available at: <http://www.livemint.com/Opinion/6KbaEPNHlpfdpOLOXwb69O/Universal-basic-income-an-idea-whose-time-has-come.html>

⁵ *Op cit.* 2

⁶ Gandhi, F.V. (2016), 'Why We Need to Talk About a Basic Income,' *The Hindu*, June 30. Available at: <http://www.thehindu.com/opinion/columns/Why-we-need-to-talk-about-a-basic-income/article14463390.ece>

⁷ *Op cit.* 2

is not practical to do away with subsidies to the better-off, there is enough room for utilising the taxable capacity available in the real estate sector.⁸ Elsewhere he has proposed that UBI funding can also come partly from replacing some egregiously dysfunctional current welfare policies without distributing the crucial current policies like public education, healthcare, pre-school child nutrition programmes or the MGREGA even though their administration leaves much scope for improvement.⁹ Many experiments have been carried out in different parts of the world on the use of unconditional cash grants, which show that most of the money is found to be spent on worthwhile goods and services discounting the apprehension that UBI will lead to work disincentives¹⁰.

Several academicians, including Abhijit Banerjee ('Universal Basic Income: The Best Way to Welfare'), Maitreesh Ghatak ('Is India Ready for a Universal Basic Income Scheme?') and Debraj Ray ('The Universal Basic Share'), have given expression to the idea of a UBI in India, largely to address poverty concerns. It is felt that the introduction of a UBI will be a way to minimise bureaucracy and impart efficiency to the welfare system. However, it sounds a note of caution that a UBI is not a silver bullet to eliminate poverty—it will be in addition to and not in place of other anti-poverty programmes and strategies.

S.A. Aiyar holds that a UBI is neither desirable nor practical though, according to him, many lefts welcome it as a right and an antidote to poverty, and the rightists see it as a way of demolishing and replacing wasteful, corrupt subsidies doled out by welfare bureaucracies¹¹.

The fact remains that the concept of a UBI has been engaging the attention of academicians and the political class not only in India, but also in the developed world. In fact, it has become a subject matter of referendum in Switzerland, and

⁸ Sen, J. (2016), 'Interview: Pranab Bardhan on What the Modi Government Has – and Hasn't – Done So Far,' *The Wire*, July 26.

⁹ Bardhan, P. (2016), 'Universal Basic Income for India,' *Live Mint*, October 12.

¹⁰ *Ibid.*

¹¹ Aiyar, S.A. (2016), 'Universal Basic Income is Neither Desirable Nor Practical,' *The Economic Times*, Blogs, August 31.

despite its failure the debate on basic income continues. There remains widespread concern amongst developed countries that the population of the permanently unemployed may swell enormously, where jobs will—and have—become superfluous because of automated and intelligent machines. Further, it is recognised that the current welfare systems—even in developed countries—are fragmented, bureaucratic and complicated. Finland, with a view to reshaping its social security system, is launching an experiment in 2017–18 on basic income which will be relevant for India¹² also.

In the context of applicability of UBI in India, Sudipto Mundle has looked into issues of administrative viability, fiscal affordability and political feasibility.¹³ According to his analysis, the introduction of a UBI in India to the extent and scale advocated by Bardhan and Joshi in their respective designs will be administratively feasible and fiscally within reach of the available resources. However, with regard to political viability it might be a tough call as the concept may involve elimination of existing benefits to stakeholders and interest groups. Thus, the matter will need to be weighed in the political space more acutely in order to recognise that when the Indian economy grows at a fast pace, the demographic challenges will need to be addressed with foresight and an out-of-the-box thinking.

In response to a question fielded by a student who wondered whether—given the growing popularity of basic income in Kenya, Switzerland, Finland, the Netherlands, Canada, and the US—India might be next to implement the UBI (particularly when some small pilot schemes in India have had positive outcomes), India's Chief Economic Adviser, Arvind Subramanian said that basic income will play a major role in the next Economic Survey¹⁴. Mr Subramanian said that people are dragged into poverty because of droughts, declining opportunities in agriculture, disease, and so on; therefore, it is imperative that the safety net provided by the

¹² Lytton, M. (2016), 'India: Economist Declares the UBI Debate Not Over,' Basic Income Earth Network (BIEN), July 12.

¹³ *Op cit.* 4

¹⁴ A flagship annual document of the Ministry of Finance, Government of India, the *Economic Survey* outlines the country's financial health and makes suggestions for the future.

government be wide enough. It is in this context that the idea of a basic income assumes merit. It will not only take care of those who are born poor, but also those dragged into poverty. A note of caution was also sounded by the Chief Economic Adviser when he mentioned that the idea of basic income still lives mostly in the world of hypotheticals as both in terms of politics and economics there is a whole range of issues which need to be looked into¹⁵.

As the idea of a UBI gets incorporated into the Annual Economic Survey as indicated by the Chief Economic Adviser, it would be towards sensitising the Indian Parliamentarians and to generate a wide debate whereby the concept may concretise into an implementable scheme after all the stakeholders have had their say.

¹⁵ Weller, C. (2016), 'India's Highest-ranking Economist Just Announced His Support for Universal Basic Income,' *Business Insider*, October 07.