

**NIPFP – ESCAP Symposium on Income Security for Older Persons in South Asia**  
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# **Universal Basic Income**

## **A Short Introduction**

**Sudipto Mundle**

- ❖ Why Universal Basic Income (UBI)
- ❖ The Bardhan Scheme
- ❖ The Joshi Scheme
- ❖ The Economic Survey Scheme
- ❖ Issues & Challenges

# UBI in Advanced Country Context

## ❖ In advanced countries political left & right have come together on UBI

- a minimum basic income for all unrelated to jobs. Even conservatives agree that in 21<sup>st</sup> century not acceptable that people should go hungry because they can't find a job.

## ❖ The left views UBI as protection against rising inequality

## ❖ The libertarian CATO institute proposal

- US Spending \$1 Billion on paternalistic welfare schemes
- But 16% population still below US Poverty line, system broken
- Replace by \$10,000 per year for all citizens above 21 years
- Cheaper, less paternalistic, less intrusive, less bureaucracy, hence less rent seeking

# UBI in Advanced Country Context

- ❖ **The hi-tech corporate view ( Mark Zukerberg etc.)**
  - Robotisation will progressively make human labour obsolete
  - No work no pay system implies no demand for consumer goods
  - Under consumption crisis of capitalism
  - Break work income link, therefore UBI
- ❖ **Issue being actively debated and voted on in several countries**
- ❖ **Experiments already ongoing or scheduled for 2017 in Kenya; Finland; Oakland, California; Utretcht, The Netherlands; Ontario, Canada; Madhya Pradesh, India; Italy; Uganda.**

# UBI in India Context

## ❖ **Fatigue about scores of ineffective welfare schemes**

- Over 950 central or centrally sponsored schemes + state schemes
- 50% resources of CS & CSS absorbed by 11 largest schemes
- Schemes inefficiently implemented, poorly targeted, high leakage
- Barring PDS food & MNREGA poverty impact mostly marginal

## ❖ **Bardhan Scheme, the most ambitious**

- Rs 10,000 per capita per year three-fourth of poverty line in 2014-15
- Provide that to 2014-15 population of 1.25 billion, no targeting
- Indexed to present, amounts to about 10% of GDP. How to finance?
- Our old subsidy estimate 14% of GDP. He assumes 2/3<sup>rd</sup> non-merit
- That yields about 9% GDP. Half of tax expenditures another 2.5% GDP
- Claimed his UBI scheme could be financed without more taxation or cutting food subsidy, MNREGA, or education and health spending

# UBI in India Context

## ❖ **Joshi Scheme, the least ambitious**

- Estimated poverty gap at Rs 3,500 in 2014-15
- This is the gap between poverty line and average income below poverty line
- Providing for this basic income to all would bring everybody above the poverty line
- This works out to 3.5% of GDP, 1/3<sup>rd</sup> Bardhan Scheme
- For financing he argued all subsidies (NIPFP estimate) should be eliminated but not MNREGA
- Adding reduced tax expenditure, PSU equity sale, etc. he too estimated expenditure savings over 10% of GDP
- Suggested carving out 3.5% of GDP for UBI

# UBI in India Context

## ❖ Economic Survey Scheme, moderate

- Target virtual elimination of poverty (poverty incidence <0.45%)
- Estimates Rs. 7620 per capita per year required at 2016-17 prices to push that population above Tendulkar poverty line
- Further estimates that quasi-UBI of Rs. 7620 for 75% of the population would cost 4.9% of GDP
- For financing cut central govt. expenditure on middle class subsidies (1% GDP), other non-food subsidies (1% GDP), top 10 centrally sponsored schemes (1.4% GDP), other 940 schemes (2.3% GDP), totalling around 5.5% GDP

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