

## Basic income - Merits and Demerits

### What is Basic Income?

\n\n

\n

- A basic income is also called unconditional basic income, Citizen's Income, basic income guarantee, universal basic income or universal demogrant.

\n

- It is a form of social security in which all citizens or residents of a country regularly receive an unconditional sum of money, either from a government or some other public institution, in addition to any income received from elsewhere.

\n

\n\n

### What are the merits?

\n\n

\n

- Economists are advocating universal basic incomes for fighting inequality, slow wage growth, advancing automation and fears that immigrants will take away jobs.

\n

- While free trade and technological advances have grown national incomes, not every individual is better off.

\n

- There are winners and losers. Redistributive government intervention is needed so that no one is left worse off.

\n

\n\n

### Pilot project in India:

\n\n

The 'transformative' potential of guaranteed unconditional incomes was demonstrated in Madhya Pradesh back in 2014, in a pilot project. The income supplements given amounted to less than a third of monthly expenditure for families living at the poverty line.

\n\n

## **What are the lessons from the pilot project?**

\n\n

- \n
  - One, nutrition intake rose. Specifically, consumption of pulses, fresh vegetables and meat was up 1,000%, 888% and 600% respectively.
  - \n
  - As a result, incidence of illness dropped. Enrolment and attendance, especially among female students, in schools improved.
  - \n
  - Two, it resulted in more equitable development.
  - \n
  - On receiving the payments, marginalised individuals began exercising agency within their households and the community.
  - \n
  - Three, there were also economic spin-offs as villagers worked harder than before, with a number of adults engaging in two economic activities (own-account farming with small business on the side).
  - \n
  - Four, indebtedness decreased as the propensity to save increased over the pilot period.
  - \n
  - The results dispel doubts such as whether ungrateful welfare abusers will buy alcohol with their new-found income, if welfare payments are dignity-destroying and other such apprehensions often expressed as 'don't just give them fish; teach them how to fish'.
  - \n
  - To those too weak, unwell or challenged physically to pick up skills and take up jobs, guaranteed incomes provide a safety net.
  - \n
  - Where people are skilled and employed, but receive low wages, as seen in the case of handloom weavers or in small enterprises, basic incomes can supplement earnings and support welfare.
  - \n

\n\n

## **What is the feasibility of Basic income in India?**

\n\n

- \n
  - A new universal basic income for all Indians won't be affordable unless it replaces the whole multitude of programmes and subsidies currently in

place.

\n

- That would rid the welfare system of all existing overlaps and gaps, but the simplicity will extract huge political capital.

\n

- A basic income scheme will be administratively easier and cleaner than National rural employment guarantee scheme and putting money into select Aadhaar- seeded Jan-Dhan bank accounts ought to be relatively simple.

\n

- If the basic income is introduced in addition to the two statutory income transfer schemes for food and wage jobs already in place, the government's deficit will increase.

\n

- Both will have to be reformed if the plan is to guarantee all three: food, basic income and wage jobs.

\n

- For basic income to be more feasible it should be targeted at the most deprived, using the socio-economic census.

\n

- Creating sustainable funding sources for it, whether by way of new taxes or by streamlining entrenched subsidies and incentives, will still be a challenge.

\n

\n\n

\n\n

**Category: Mains | GS - III | Economics**

\n\n

**Source: The Hindu**

\n\n

\n