Basic income – Merits and Demerits

What is Basic Income?

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- A basic income is also called unconditional basic income, Citizen's Income, basic income guarantee, universal basic income or universal demogrant.
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- 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.
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What are the merits?

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- Economists are advocating universal basic incomes for fighting inequality, slow wage growth, advancing automation and fears that immigrants will take away jobs.
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- While free trade and technological advances have grown national incomes, not every individual is better off.
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- There are winners and losers. Redistributive government intervention is needed so that no one is left worse off.
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Pilot project in India:

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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.

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What are the lessons from the pilot project?

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- One, nutrition intake rose. Specifically, consumption of pulses, fresh vegetables and meat was up 1,000%, 888% and 600% respectively.
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- As a result, incidence of illness dropped. Enrolment and attendance, especially among female students, in schools improved.
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- Two, it resulted in more equitable development.
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- On receiving the payments, marginalised individuals began exercising agency within their households and the community.
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- 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).
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- Four, indebtedness decreased as the propensity to save increased over the pilot period.
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- 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’.
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- To those too weak, unwell or challenged physically to pick up skills and take up jobs, guaranteed incomes provide a safety net.
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- 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.
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What is the feasibility of Basic income in India?

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- 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.
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- That would rid the welfare system of all existing overlaps and gaps, but the simplicity will extract huge political capital.
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- 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.
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- 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.
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- Both will have to be reformed if the plan is to guarantee all three: food, basic income and wage jobs.
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- For basic income to be more feasible it should be targeted at the most deprived, using the socio-economic sensus.
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- Creating sustainable funding sources for it, whether by way of new taxes or by streamlining entrenched subsidies and incentives, will still be a challenge.
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Category: Mains | GS - III | Economics

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Source: The Hindu

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