Universal Basic Income's Time has Come

What is the issue?

With large inequalities and rising concern that technology could widen these inequalities and change the nature of work, universal basic income (UBI) has come under more serious consideration.

What is UBI?

- A universal basic income (UBI) is an unconditional and universal right to a basic income to cover the needs of the people, just by virtue of being citizens.
- The main features of UBI are that it should be universal and not targeted, it should be unconditional and not tied to work or employment and it should be in cash.
- UBI is envisaged as a method of redistribution of resources from the rich to the poor.
- It is envisaged as providing all persons (especially, the poor) with an income to lead a dignified life, with basic needs taken care of.

What is the need for a UBI?

- **Social Justice -** UBI promotes many of the basic values of a society which respects all individuals as free and equal.
- **Poverty Reduction -** Conditional on the presence of a well-functioning fnancial system, a Universal Basic Income may simply be the fastest way of reducing poverty.
- **Agency -** The poor in India have been treated as objects of government policy. An unconditional cash transfer treats them as agents, not subjects.
- By taking the individual and not the household as the unit of beneficiary, UBI can also enhance agency, especially of women within households.
- **Administrative Effciency -** It is a way of ensuring that state welfare transfers are more effcient so that the state can concentrate on other public goods.
- **Widening inequality**- Inequality is at an all-time high that prompts UBI to become an integral part of fiscal policy.
- **Economic growth**- It seems clear that economic growth will likely be sustainably lower than over the past 50 years which stresses the need for a UBI.

What is the link between the global growth and UBI?

> *Economic growth = Population growth + Productivity growth*

- **Population growth-** Population growth has been slowing in China and India and the fertility rates are falling in most of the developed world.
- World Bank forecasts global population growth to fall from 1.03% this year to 0.5% in 2050 (and further to 0.03% in 2100).

- Thus, economic growth in the future will be **lower** than in the past, unless there is game-changing productivity growth.
- **Productivity growth-** Several technologies such as smart phones, smart homes, AI, block chain technology, etc. might increase the productivity.
- Over the past 50 years or so, productivity enhancing technologies such as personal computers, the internet and mobile phones have made us three times more productive than each individual was in 1961.
- While it is impossible to assess whether productivity gains in the future will be higher, lower, or same as in the past, it is important to note that gains from productivity appear to reduce in time.
- The running average of annual productivity gains has fallen from 3.47% in 1966 to 1.90% today.
- Both economic growth and productivity growth have been quite volatile, but population growth has been declining steadily.
- If average productivity growth in the future is assumed to match that in the past, the global growth will likely be lower than this about 50% of the time.
- Recessions (or recessionary conditions) will be much more frequent than in the last 50 years.
- During recessions, growth slows down, people lose jobs, companies fold, interest rates fall and inequality increases.
- The public policy needs to recognise which is why UBI is an idea whose time has come.

How can the UBI be implemented?

- Implementing UBI will require both sensible planning of existing benefits and higher taxes to ensure sustainable government surpluses.
- Many governments are already grappling with effective ways to raise taxes.
- The best way to implement UBI without harming growth is to increase taxes sharply on assets and capital-based income while actually reducing direct and indirect taxes.
- Since the growth is currently strong with more job openings and most companies in the organised sector doing well and with the interest rates rising, the timing for introducing UBI couldn’t be better.

Reference

1. https://www.financialexpress.com/opinion/universal-basic-income-ubis-time-has-come/2396494/

SHANKAR IAS PARLIAMENT
Information is Empowering