

Article Title: “Cash To All Citizens: Universal Basic Income could actually work better in India than in rich countries”

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The idea of a Universal Basic Income (UBI), that is a standard minimum cash subsidy to all citizens, is gaining traction in policy circles around the world. While the welfare state roots of this idea go back to the 18th century, new 21st century technologies have rekindled the debate.

Though most of the discussion so far has been in high income countries, several Indian economists have also started to study and comment on UBI. Of course, the rationale, objectives and resources available vary widely between developed and developing nations. But whether our instinct is to agree or disagree with such an idea, it is time Indian politicians began debating it.

The prospect of millions of jobs being eliminated by automation is very real. An Oxford University study “estimates that 47% of jobs in the US are ‘at risk’ of being automated in the next 20 years.” Similarly, an Australian study concludes 40% of that country’s jobs are at risk of being eliminated by technology, perhaps as soon as 2025.

Other such studies have policymakers worried in high income nations throughout Asia and Europe. The jobs at risk are not just blue collar ones in manufacturing, but also white collar jobs as artificial intelligence (AI) breaks new frontiers. For instance, IBM’s Watson AI platform is already outperforming many human doctors in diagnosing cancer.

Developing nations should worry even more. Any casual notion that India can somehow buck a seismic shift in global technology trends would be foolhardy.

For those thinking that our cheaper labour is somehow immune, or at least more protected, against technological upheaval, there are rude shocks in store. The World Bank has estimated that automation threatens to eliminate a stunning 69% of all jobs in India, 77% in China and 85% in Ethiopia.

Technologies like driverless vehicles will drastically disrupt transportation economics, and the millions of jobs associated with it. While there is disagreement about how soon that might happen, there are several ongoing field trials and billions of dollars backing them. The first commercial rollouts are claimed to start within this decade.

If the past is anything to go by, some Indian politicians’ first instinct will be to try and prevent the adoption of such new technologies here in the name of preventing job losses. But this isn’t the 1980s anymore, when bank computerisation could be put off for more

than a decade due to pressure from the unions. Today, any restrictions on new technologies would likely buy much less time for the status quo, not to mention hurting India in a brutally competitive world.

Lest you think UBI is being touted only by utopian socialists without a clue how the real world works, consider that this time around it is also being championed by some in that bastion of capitalism, Silicon Valley. In fact, startup incubator Y-Combinator is going beyond advocacy, with a planned UBI pilot project in California.

That is not to say the idea has reached a tipping point in the developed world. Last June, even the egalitarian Swiss decisively rejected a proposed constitutional amendment to initiate a UBI of \$2,500 per month. Nevertheless, Finland is launching a trial programme, where several thousand citizens will receive an unconditional grant of \$600 per month in lieu of their existing benefits.

Much of the debate on UBI revolves around its affordability and the effect it might have on people's motivation to work. There is disagreement about how to make the arithmetic work in developed, welfare-state economies, which have a high burden of public expenditure that would need drastic cuts. The Economist, a leading fiscally conservative magazine, shares those doubts, but also reckons that UBI could eliminate the poverty trap without denting the incentive to work.

Interestingly, several eminent economists like Pranab Bardhan of the University of California, Vijay Joshi of Oxford, and Maitreesh Ghatak of the London School of Economics have argued that the arithmetic of UBI's affordability would actually work better in a country like India.

The reason is simple. In developed countries, funding UBI while keeping total social sector expenditure within reasonable limits would require brutal cuts to existing programmes that benefit the poor, the disabled and so on. In India, however, existing social sector spending is grossly inefficient, corruption-ridden, misdirected towards the better-off, and thus unable to achieve stated objectives.

Redirecting that wasteful expenditure, as well as some corporate tax exemptions, towards UBI could well make it viable in India. This view is supported by research undertaken by the National Institute of Public Finance and Policy (NIPFP), an autonomous institute under the ministry of finance.

While the Indian economy has bounced back from its recent lows, it is also increasingly clear that an 8% GDP growth rate today creates far fewer jobs than it did in earlier decades. But NIPFP's Sudipto Mundle echoes many economists who worry about political hurdles to UBI, since restructuring public finances to accommodate it would affect many powerful interest groups.

In the past, India missed many opportunities as other developing nations passed us by. Today, while the developed world is increasingly diffident, India is being celebrated as the fastest growing large economy. That still won't be enough to meet our demographic challenges, unless we are ready to think out of the box.