Empirical Work to Support a Long-Run Universal Basic Income and Rationalizing Welfare Programs

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Recent discourse on basic income is needed as:
- COVID-19 exhibited Irrefutable importance during adversity. (Banerjee et al., 2020)
- Multiple fragmented transfer income schemes – 552 million people receive some form of cash transfer as per the World Bank (Banerjee et al., 2019)

Facets of UBI:
- Visibly increasing income insecurity. (Painter, 2019)
- Necessary for maintaining a sufficient level of Consumer Demand (Pulkka, 2017)
- Diminish food insecurity (Gunderson, 2021)
- Mental health benefits (Painter, 2019)

History of Universal Basic Income:
- During World War I, Dennis and Mabel Milner proposed a “scheme for a state bonus”. (Szreter, 2022)
- Warring period brought on terms such as “Social Dividend” and “Social Credit”. (Szreter, 2022)
- Friedman’s Capitalism and Freedom – coined the term “Negative Income Tax”. (Szreter, 2022)
Relevance of UBI in context of India

• Example of UBI:
  • Madhya Pradesh in India, Namibia and Iran cash transfer programs (Banerjee et al., 2019)
  • Dauphin, a small Canadian Town (Painter, 2016)
  • Finland (Pulkka, 2017)

• Universal Basic Income is relevant as:
  • It is based on the principle of default inclusion rather low to negligible exclusion. (Economic Survey, 2017)
  • Citizens have varied preferences and requirements for nutrition, health and education. (Banerjee et al., 2019)
  • A society that fails to guarantee a decent minimum income to all citizens will fail the test of justice. (Economic Survey, 2017)
  • The technological support necessary to support a widescale sustainable UBI is feasible with the tech stack JAM Trinity.
Theoretical Review

• There are several basic income frameworks:
  • Target Income transfers
  • Unemployment Cash benefits
  • Direct Benefit Transfers

• Evidentially, there are several basic income frameworks, but most lose the distinctive conceptual idea of universal basic income.

• The distinctive conceptual idea of universal basic income: (Parolin and Siöland, 2019) & (Economic Survey, 2017)
  • Purely Universal in Nature
  • Poverty Reduction
  • Liberates citizens from paternalistic and clientelistic relationships with the state.
  • Guarantees a minimum standard of living
  • Do not vary with variation in income
Scope of Research

• Limitations of Current Welfare Programs:
  • Acute deficiency in the administration (Economic Survey, 2017)
  • Social Stigmatization – failures just because of receiving the benefits (Raventós, & Wark, 2007)
  • Limited inclusion rates (Economic Survey, 2017)

• Rationalising the Welfare Programs:
  • Eliminate all existing centrally sponsored welfare schemes except a few critical programs mentioned as follows:
    • Primary & Tertiary Healthcare
    • Education
    • PDS
  • Funds free from the elimination of centrally sponsored schemes are as follows:
    • Aggregate funds allocated to these central sector schemes & centrally sponsored schemes
    • The administrative expenses such as salaries, infrastructure and other expenses incurred to run these schemes.

• In this paper, the focus is only on the funds allocated to these central sector schemes & centrally sponsored schemes to be sufficient for a long-run sustainable UBI in India.
• Any empirical work requires the creation of a specific framework that defines its scope and boundaries, which is crucial in any economic study. The scope of this study is as follows:
  • Stage 1: Conduct a preliminary assessment and rough analysis to provide support for such work.
  • Stage 2: Conduct a comprehensive empirical analysis considering all known economic variables required for a working UBI.
  • Stage 3: Conduct a political analysis of such UBI, whether government and citizens would support or oppose the policy.

• Stage 1: Preliminary Assessment:
  Objective:
  • To provide evidence in support of universal basic income in the case of India
  • To showcase the redundancy in the existing centrally sponsored schemes and their inability to reduce the fiscal burden
  • To develop an empirical model for long run feasibility of universal basic income
Framework of Work

• Sources of data:
  • Budgetary allocation from Expenditure Profile, Government of India 2023-24
  • GDP Per Capita of India, World Development Indicators (WDI Dataset)
  • Inflation, World Development Indicators (WDI Dataset)
  • Adult Population Growth Rate
  • GDP Growth Rate

• This work focuses only on the preliminary empirical work to build a discourse for a long-run sustainable UBI in India. As such, some of the limitations of the work are as follows:
  • Distinction between capital and revenue expenditure has not been considered
  • Changes in income inequality as a result of UBI are not considered
  • Figures for the reduction in administrative expenses are not considered.
• **Funds allocated by Central Government:**
  • Central Sector Schemes:
    • 1,467,879.99 Crores INR (allocated in Budget 2023-24), equivalent to 179,196,734,147.21 USD (179 Billion USD), INR to Dollar values as 1 INR = 0.012 USD (as per the rate on July 27, 2023)
  • Centrally Sponsored Schemes:
    • 476,104.59 Crores INR (allocated in Budget 2023-24), equivalent to 57,878,178,198.40 USD (57 Billion USD), INR to Dollar values as 1 INR = 0.012 USD (as per the rate on July 27, 2023)

• **Preliminary Statistical data:**
  • GDP Per Capita:
    • India – 2,388.6 USD (2021) – GDP Per Capita (Current USD) (Source: World Development Indicators)
  • Population Growth Rate:
    • India – 0.7% - Population growth (annual %) (Source: World Development Indicators)
  • Adult Population:
    • India – 960 Million (Adult Population, total) (Source: World Development Indicators)
  • Inflation:
    • India – 6.7% (Inflation, consumer prices (annual %) (Source: World Development Indicators)
  • GDP Growth Rate:
    • India – 6.2%
Data & Empirical Work

- Deriving the valuation for aggregate value for UBI:
  - Per Capita UBI – 12,000 INR (annually), equivalent to 145.88 USD, INR to Dollar values as 1 INR = 0.012 USD (as per the rate on July 27, 2023)
  - Aggregate fund necessary for UBI:
    - \((12,000 \times 960,804,385) = 140,161,490,336.82\) USD i.e. 140 Billion USD
  - Combined funds for Welfare Schemes:
    - \((179,196,734,147.21 + 57,878,178,198.40)\) USD = 237,074,912,345.61 USD i.e. 237 Billion USD

- Model for long-run UBI:
  - Structural framework:
    - \(UBI = \text{Existing UBI} + \text{Adult Population Growth Rate} \times \text{Existing UBI} + \text{Inflation Rate} \times \text{Existing UBI} - \text{Economic Growth Rate} \times \text{Existing UBI}\)
    - Where,
      - Adult Population Growth Rate = Population Growth as a proxy for adult population growth
      - Inflation Rate = CPI as a proxy for Inflation
      - Economic Growth Rate = GDP Growth Rate
Results & Inferences

• No additional fiscal burden:
  • Since the amount for UBI can be sufficiently funded by rationalising the existing welfare programs, there won’t be any requirement to make any changes in the existing tax regime.

• Fiscally sustainable UBI is possible:
  • No changes in the tax regime
  • Significant reduction in government expenses on welfare programs & administration
  • Tracing of welfare funds would be more transparent.

• Technology is the key essential ingredient:
  • Massive amount of funds – requires advanced technological support
  • To make UBI effective, it must be inclusive at a mass level.
  • The JAM stack (Aadhaar UID, Jan Dhan Yojna, & UPI)
  • Direct Benefit Transfer
Conclusion

• **Improved welfare for the people:**
  • UBI will lead to large-scale inclusivity
  • Freedom to prioritise the individual need

• **Increased state efficiency:**
  • Decrease in Bureaucracy red tapes (Pulkka, 2017)
  • Shift from Parentilistic Relationship to Agency Relationship (Economic Survey, 2017)

• **Recognising challenges to implement UBI:**
  • Utilisation of distributed fund
  • Technological and financial inclusion – a compulsory component
Thank You!
Do you have any questions?