

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

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Introduction

- 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.

Framework of Work

- 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.

Data & Empirical Work

- 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:
 - $UBI = Existing\ UBI + Adult\ Population\ Growth\ Rate * Existing\ UBI + Inflation\ Rate * Existing\ UBI - Economic\ Growth\ Rate * Existing\ UBI$
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?