EDITORIAL

No Panacea: Basic Income Schemes in India

Recent announcements of new income transfer schemes, Pradhan Mantri Kisan Samman Nidhi (PM KISAN) by the NDA government and Nyuntam Aay Yojana (NYAY) by the Congress Party, have been welcomed by many academics and by commentators in the media. The schemes have been characterised as radical departures from prior policy in India and in line with international proposals on universal basic income. In point of fact, however, certain features of the new schemes contradict the idea of universal basic income. Further, unless there is clarity, first, on the continuation or replacement of other subsidies and transfers – such as health, education, rural employment guarantee (NREGA) and benefits from the public distribution system (PDS) – available to the people, and, secondly, on the means of resource mobilisation, the new proposals are unlikely to result in any redistribution.

The PM KISAN scheme, announced on February 1, 2019, in this year's pre-election budget, promises to provide "income support to all small and marginal landholding farmer families" by offering them Rs 6,000 a year in three equal instalments, with the first instalment to be paid in February-March 2019. The election manifesto of the Congress Party promises NYAY, a scheme that offers a minimum income of Rs 72,000 a year to the poorest 20 per cent of households in India. The argument is that the desirable minimum income of a family is Rs 12,000 a month, whereas the current mean income of a household in the poorest quintile is Rs 6,000, hence a monthly transfer of Rs 6,000 a month (or Rs 72,000 a year) to such households.

Do these two proposals meet the basic criteria of a universal basic income?

Universal basic income is a fixed and unconditional income transfer provided by the state to all citizens on an individual basis. The philosophical justification for universal basic income is that it provides a "fair distribution of real freedom to pursue the realisation of one's conception of the good life" as Phillipe van Parijs states in his book *Real Freedom for All* (Parijs 2005). There are three associated features of universal basic income in the European approach.

First, income transfers are not to be seen as a replacement for any existing in-kind transfer (such as public education or health care) but as a substitute for unemployment-related cash benefits or the negative income tax, that is, in lieu of specific cash transfers. Secondly, a fundamental feature of universal basic income is that it is not targeted or means-tested. Thirdly, it is assumed that "the comparatively rich would need to pay both for their own basic income and for much of the basic income of the comparatively poor" either through progressive taxation or any other method. Whichever way you look at it, the bottom line is that the rich have to pay for this universal provision, and the "higher the average rate of income tax, the greater the redistribution from the comparatively rich to the comparatively poor" (Parijs 2005). In short, the manner in which the basic income is funded *has to ensure that society transfers resources from the rich to the poor.*

Let us turn to the Indian proposals. Both schemes are targeted and involve the identification of beneficiaries in the target group, that is small and marginal farmers for PM KISAN and the poorest quintile of households in the country in the NYAY proposal. Identification of the poor or target group is no easy task, as we have learned from the experience and voluminous literature on the errors of wrong exclusion associated with the targeted public distribution system (TPDS).

Secondly, the new income transfer schemes are silent on whether they replace or supplement existing in-kind and cash transfers (say the fertilizer subsidy in the case of PM KISAN or housing subsidies in the case of NYAY). Praveen Chakravarty, the head of the data analytics department of the Congress Party, in an interview to Karan Thapar, mentioned the more than 950 central and state government subsidy schemes identified in the *Economic Survey* of 2017, and said only that 11 core schemes would be unaffected by NYAY. He was non-committal on the remaining 900 odd schemes. If the proposed income transfers eventually replace all current subsidies, then there may be no additional benefits at all!

Thirdly, and most critically, who is going to pay for the income transfer schemes? As of now, there is little detail on the means of resource generation for the new schemes, but they do not seem to entail any redistribution via additional mobilisation of resources from the rich. The *Economic Survey 2017* had actually asserted the contrary: "Universal basic income is not framed as a transfer payment from the rich to the poor." Praveen Chakravarty rejected the idea of a wealth tax on the super-rich, a proposal made by the Paris-based World Income Inequality Lab to raise resources required for NYAY (estimated at 2 per cent of GDP).

To conclude, both PM KISAN and NYAY, if viewed as targeted programmes of poverty alleviation, are flawed with respect to methods of identification of beneficiaries and are likely to exclude the needy, for example, all tenant farmers in the case of PM KISAN and wide sections of the income-poor in the case of NYAY. Secondly, the actual benefits received (as well as the question of who loses and who gains) will depend on which existing transfers and subsidies are going to be replaced by the new cash transfers. Thirdly, without major changes in taxation, specifically, without additional taxes on rich individuals and corporates, the proposed income transfers cannot address even a fraction of the problem of growing inequality in incomes and wealth that has accompanied economic liberalisation.