

THINK UNIVERSAL BASIC CAPITAL

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

India's GDP is growing quite well, though there are disputes about whether it grew faster under the present or previous governments. There can be no dispute though that India needs to do much better to improve overall human development, in which it continues to be compared with countries in Sub-Saharan Africa. Even its poorer sub-continental neighbours are improving health and education faster. Benefits of India's economic growth must trickle down much faster to people at the bottom of the pyramid: to poorer farmers, landless rural labour, and hundreds of millions of workers living on the edge in low-paying, 'flexible' forms of employment with no social security.

Economists seem to be offering three solutions to the economy's structural problems. One, that there is no problem. Two, more privatisation. And, three, a universal basic income (UBI) to be provided by the state.

Many economists are juggling with statistics to prove that the Indian economy is doing quite well. It is providing enough jobs, they say. And, statistically, poverty has reduced a lot. However, even these economists admit that a lot more must be done to improve education and health care, and to address the persistent informality and small scale of enterprises that are providing most of the employment in the country.

An ideological solution, accompanied with evidence that the government is unable to provide them, is more privatisation of public services. As U.S. President Ronald Reagan said, government is not the solution, it is the problem. However, the private sector is structurally not designed to provide affordable public services equitably. Milton Friedman, who too is often cited, said, the business of business must be only business. Businesses must be run with a profit motive. They cannot take on the burden of subsidising citizens who cannot pay for their services.

Structural forces within the global economy have been driving down wages and creating insecure employment while increasing the mobility of capital and increasing incomes from ownership of capital. Thomas Piketty and Oxfam have also drawn attention to increasing economic inequalities around the world. 'Industry 4.0', which has not yet spread too far, is expected to worsen these problems. An economic consequence of declining growth of wage incomes will be reduction of consumption. Which will create problems for owners of capital and automated Industry 4.0 production systems. For, who will buy all the material and services that these systems will produce? Therefore, the UBI has appeared as a silver bullet solution. It will be an income provided to everybody by the very state that the capitalists say should get out of their way, and to whom they are unwilling to pay more taxes.

The beauty of a 'universal' basic income, its proponents say, is that it avoids messy political questions about who deserves assistance. It also side-steps the challenge of actually providing the services required: education, health, food, etc. Just give the people cash: let them buy what they need. However, if the cash will not provide citizens with good quality and affordable education and health, because neither the government nor the private sector is able or willing to, this will not solve the basic human development problems that must be solved.

Some economists who were proponents of UBI, such as Arvind Subramanian, the former Chief Economic Adviser to the Government, have begun to dilute their simplistic concept of UBI to

make it financially and politically feasible. They propose a QUBRI (quasi-universal basic rural income), targeted only at poorer people in the rural areas. Their scheme is no longer universal. First, it will exclude the not-so-poor in rural areas as morally it should. Political questions about who should be included will have to be addressed. Second, it will not cover the masses of urban poor working for low and uncertain wages. Therefore, some other schemes will have to be drawn up for the urban sector, and entitlement and measurement issues will have to be addressed for these schemes too. All the schemes, rural and urban, could be cash transfer schemes, which Aadhar and the digitisation of financial services will facilitate. However, this still begs the question about how to provide good quality public services for people to buy.

A simplistic UBI will not solve the fundamental problems of the economy. An unavoidable solution to fix India's fundamental problems is the strengthening of institutions of the state to deliver the services the state must (public safety, justice, and basic education and health), which should be available to all citizens regardless of their ability to pay for them. The institutions of the state must be strengthened also to regulate delivery of services by the private sector and ensure fair competition in the market. The building of state institutions, to deliver and to regulate, will require stronger management, administrative, and political capabilities, not better economists.

Some economists say that inequality does not matter so long as poverty is being reduced. In fact, some even say that inequality is necessary to reduce poverty. So long as the people have bread, why should they complain if the rich are eating more cake, they imply. However, economic inequality does matter because it increases social and political inequalities. Those with more wealth change the rules of the game to protect and increase their wealth and power. Thus, opportunities for progress become unequal. This is why economic inequality must be reduced to create a more just society.

In the present economic system, people at the top can make more profits by driving down prices and wages for people at the bottom. They may then recycle a small portion of their profits back as philanthropy, or corporate social responsibility. Or, if they were willing to, which they are not, pay the state more taxes to provide services, and even a UBI, to people at the bottom. Tiny enterprises have very little clout compared with large capitalist enterprises; and individual workers have little power compared with their employers. Therefore, terms of trade remain unfair for small enterprises, and terms of employment unfair for unorganised workers. The solution is the aggregation of the small into larger associations, cooperatives, and unions. Aggregations of small producers, and unions of workers, can negotiate for more fair terms.

A better solution to structural inequality than UBI is universal basic capital, or UBC, which has begun to pop up in international policy circles. In this alternative approach, people own the wealth they generate as shareholders of their collective enterprises. Amul, SEWA, Grameen, and others have shown a way. Some economists go further and also propose a 'dividend' for all citizens, by providing them a share of initial public offerings on the stock market, especially from companies that use 'public assets', such as publicly funded research, or environmental resources.

To conclude, three better solutions to create more equitable growth than the ones on offer are: one, focus on building state capacity beginning with implementation of the recommendations of the Second Administrative Reforms Commission. Two, strengthen the missing middle-level institutions for aggregation of tiny enterprises and representation of workers. Three, the creativity of economists could be better applied to developing ideas for UBC than UBI.

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