



# Think universal basic capital

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## **A simplistic universal basic income will not solve the fundamental problems of the economy**

- 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.

## **Ground still to be covered**

- Many economists are juggling with statistics to prove that the Indian economy is doing quite well. It is providing enough jobs, they say.
- An ideological solution, accompanied with evidence that the government is unable to provide them, is more privatisation of public services.

## **Disruption and basic income**

- 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.
- 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.
- 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.

### **Economic inequality matters**

- 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.
- 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.
- Aggregations of small producers, and unions of workers, can negotiate for more fair terms.

### **An alternative approach**

- 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.
- 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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