

# 13 SUNDAY STORY

## Why everybody loves UBI

The Budget has promised an assured income to farmers, Rahul Gandhi a minimum income guarantee, and Sikkim a universal basic income by 2022.

Back in 2016-2017, the Economic Survey said UBI was an idea whose time was ripe for discussion. As that talk picks up in the run-up to the Lok Sabha elections, ANKITA DWIVEDI JOHRI parses the debate, starting from India's only two pilot projects

FINANCE Minister Piyush Goyal on Friday unveiled the Pradhan Mantri Kisan Samman Nidhi promising "assured supplemental income" to disadvantaged farmers. The government has assured a universal basic

income to its 6.10 lakh people by 2022. In more constrained terms, the Telangana government's Rythu Bandhu scheme and Odisha's KALIA also assure a fixed amount to farmers. Months to go for what would be a bitterly fought general election, basic income, which once seemed likely to remain a matter of debate — and stay in the pages of an Economic Survey — now appears a real possibility.

Eight winters ago, the first ever pilot in India to test the feasibility of a basic income programme was carried out in a West Delhi slum — prompted by complaints over a "clogged" PDS scheme. The participants had Rs 1,000 transferred to their accounts per month for 2011, to spend anyhow they liked. Soon, nine villages in Madhya Pradesh were picked for the Madhya Pradesh Unconditional Cash Transfers Project, the 18-month trial the only large-scale basic income programme conducted in India.

In the first, recipients were given money in exchange for PDS. In the second, 6,000 people (all members of a household) got money over and above the schemes. The results, in both cases, the organisers say, were "positive".

Sitting outside her two-room shanty in West Delhi's Raghuraj Nagar slum, Leelaben says when she was first told she would be given Rs 1,000 per month in exchange for her ration, she was apprehensive. "But the quality of the grains at the PDS shops was so poor, I decided to go ahead," says the 67-year-old.

Leela, a widow, was one of the 100 women in the area who voluntarily opted for the 'Delhi Cash Transfer' pilot study, organised by the NGO Self Employed Women's Association (SEWA). "I earn about Rs 2,500 per month. Apart from the wheat from PDS shops, with the extra Rs 1,000, I could buy sugar, oil, spices. I didn't have to stand in queues outside PDS shops or government hospitals," says the mother of 10, all of whom are married.

Also, says Leela, who now stays with one of her sons, "for the first time, I could save some money". "I got my grandchildren enrolled in tuition classes," she beams. SEWA Bharat Chairperson Renana Jhabvala says they approached then deputy chairman of the erstwhile Planning Commission, Montek Singh Ahluwalia, sometime in 2009. "We told him about a basic income pilot in exchange for PDS. He liked the idea and said why don't we start from Delhi."

One of the charges against the universal basic income (UBI) idea is that people would waste the money. Jhabvala says their findings were opposite — "Most households spent the money well." The pilot study also found that "cash transfers did not adversely affect food security", and the basic income allowed households to "spend more on healthcare".

The Economic Survey 2016-17 that first stirred a serious UBI debate in India cited the MP study, which was also run by SEWA, with funding from UNICEF, and in coordination with the state government. "One of the major findings of the study is a shift from wage labour to own cultivation... the study also shows that if the right amount is given as a basic income, the positive effect is disproportionately higher than what the monetary value is. In other words, the emancipatory value of basic income is several times greater than its monetary value," the Survey said.

The 40-page chapter in the Survey that dealt with the issue was titled 'Universal Basic Income: A Conversation With and Without the Mahatma' — the discussion centring around whether Mahatma Gandhi would have endorsed UBI. It called it "a powerful idea whose time even if not ripe for implementation is ripe for serious discussion... It could be to the twenty-first century what civil and political rights were to the twentieth."

What works Over the years, in the face of poor allocation, leakages and corruption in government schemes, the idea of a UBI has found resonance with political parties and economists. The failure to tackle poverty and unemployment has added more force to the pro-UBI argument

Theoretically, the idea is simple: an unconditional, regular, periodic cash payment to



Ramkanya (left), family in Mali Badodia village. Many villagers bought goats with what they saved from the money received. These have multiplied. Gopal Verma

### MILINDGHATWAI

IN 2011, when villagers of Mali Badodia in Indore district of Madhya Pradesh were asked if they were ready to be part of a pilot project on unconditional transfer of money, Ramkanya Kevat refused to sign the papers. "Many of us ran away from the surveyors. We thought after giving us money, they would either take away our homes or land," recalls the 60-year-old, petting her goats.

Her village was part of the Madhya Pradesh Unconditional Cash Transfers Project, a pilot project by SEWA, with funding from UNICEF.

The only such large-scale basic income project to be conducted in India, the Madhya Pradesh pilot was organised in nine villages over nearly 18 months. Twelve villages, similar in demography and income to the nine villages under the pilot study, were selected as 'control villages' — they did not receive the basic income. At the end of the pilot, the 'outcomes' of the nine villages were compared to the control villages, and the results were seen as "positive".

Back then in Mali Badodia village, a day's wage was a little more than Rs 100. Under the pilot, every adult member was given Rs 200 a month and children Rs 100 each for a year, between June 2011 and May 2012. Between July 2012 and November 2012, the amount was hiked to Rs 300 for an adult and Rs 150 for every child.

Amid the debate over Universal Basic Income, the Kevats are among the few Indians who know what an assured minimum income entails. "Paisa mila tha (we got the money)," they all say.

Annapurna Prajapati, a volunteer from Indore, recalls that only when villagers got money regularly, were they convinced that their belongings would not be taken away.

While Kevat likes the idea of an assured income, she says she would not want UBI to

replace subsidies such as ration. "Who will give us wheat and rice at Re 1? Even now, we have to buy grains from the market because the subsidised ration doesn't last a month. We pay Rs 125 for 5 kg of wheat from the market," she says.

For Mangubai, 45, the "scheme" meant that at least during those 18 months, the family did not have to go to moneylenders, who lend at exorbitant rates — 5 per cent per month, sometimes even 10.

Bavsinh Kevat, 58, says the money helped him get treatment for his wife Lilabai, who had suffered a paralytic stroke. He had to take her to Mhow for treatment regularly. Given that the family owned less than two bigha, daily wages were the main source of income. "I don't know what I would have done if not for this extra money," he says.

Most people in Mali Badodia go in search of work to nearby places because they are either landless labourers or own small plots of land. Many of them say they used the money to buy goats, whose numbers have now multiplied. Also, it helped them over-

come their inhibitions about visiting banks. Further away, Ghodakhurd, a tribal hamlet with 120 houses that's about 50 km from Indore in Mhow tehsil, has only recently got a road. Here, between January and December 2012, each adult got Rs 300 a month and the children Rs 150.

Tulsabai Dawar gushes about the scheme, saying it changed everything for her — it helped her buy goats and then buffaloes and cows. In her backyard are nearly a dozen cattle. She not only sells milk but also the mawa she makes at home. Her husband Bhavarsingh, who worked as a daily wage earlier, now takes care of their cattle.

Though almost self-sufficient now, Dawar thinks the scheme, if started again, would bring more stability to her family. She claims her two sons, guest teachers in a nearby school, have not received any payments over the last few months. The family owns a television and a sewing machine.

Some months, Radhabai Dawar, in her 40s, works at a potato wafer factory nearby. "We get work only for a few months in the

## 'We thought this project would last forever'

In 2011, nine villages in Madhya Pradesh were made part of a pilot study, where villagers were given a basic, assured sum for close to 18 months. While some say it changed their lives forever, others say they worried a little less over basic needs, even if briefly

replace subsidies such as ration.

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Some months, Radhabai Dawar, in her 40s, works at a potato wafer factory nearby. "We get work only for a few months in the

factory. And when we do, there is always the fear that if we don't report to work because of illness, we will be replaced. So we go even when we are ill," she says.

The family owns a couple of cattle and a few goats, and a two-bigha land on which they grow maize. While they earn Rs 6,000 a month, their monthly expenditure is around Rs 4,000, and she feels a regular extra income would be a boon. "But the PDS ration should continue. We can then use this money elsewhere," she says.

"When the scheme started we thought it would continue forever," says Shardabai Dawar, another villager.

While both Mali Badodia and Ghodakhurd are villages where SEWA works actively on projects for women, Shahawada village in Depalpur tehsil of Indore, which was also part of the pilot, knew nothing of SEWA or assured income until their volunteers approached them.

"Everyone thought something would be taken away. But once they were convinced they could only benefit from it, there was a scramble for opening bank accounts," says Ranjit Chaudhary, one of the first persons to sign up for the project.

Talking of how they were happy to get the cash, Mansingh Keshav Chaudhary, 50, says, "Farmers are always short of money, so we welcomed the money."

Unlike in Mali Badodia and Ghodakhurd, here in Shahawada, there are few claims of how the scheme "transformed" lives, yet many acknowledge that the pilot left them with some extra money to supplement their meagre income.

"It helped us pay school fees on time, buy medicines," says Radheshyam Chandel.

"The first thing farmers or the poor do when they are short of money is put off buying new clothes. That's why you see so many of us in torn clothes. That changed when we had extra money," says Narayan Chandel, another villager.

### EXPLAINED

## Good in theory, but will it work on the ground?

AT ONE level, the idea of UBI is simple: an unconditional, regular, periodic cash payment to all citizens, without any requirement of work, with 'universality' and 'unconditionality'. But it is these factors itself that complicate the UBI discussion, ranging from how much to give and to who all, to who will pay for it and what to take away.

Subramanian and his co-authors suggested transfer of about Rs 18,000 annually (Rs 1,500 per month) per household to cover 75 per cent of the rural population, at a total fiscal cost of about 1.3 per cent of GDP or about Rs 2.64 lakh

crore, except the "demonstrably well off". QUBRI, the paper said, would bank on the 2011 Socio-Economic Caste Census (SECC) to identify the rural poor.

On how they arrived at the Rs 1,500 per month figure, Subramanian says, "There is no magic number that will appeal to all. Plus, there are trade-offs because of budget constraints. We looked at various combinations of coverage, benefit per household, and fiscal costs. It seemed that a 75 per cent coverage of rural households with a transfer amounting to about 1/3rd of the current consumption of the poorest could be affordable. To qualify as 'basic' it must be a reasonable enough amount, and the 1/3rd number (higher for the poorest households) was reasonable."

Arguing that QUBRI would be better than Rythu Bandhu and KALIA, he notes that it also includes non-farm rural households. "Rythu Bandhu and KALIA, while laudable, require onerous identification requirements, land titling, proof of tenancy etc. Our proposal aims to simplify it, to identify only the relatively small portion who will not be eligible."

But, while a large part of the debate is centered around 'who gets the money' and 'how much', it has also been about who bears its fiscal burden. Subramanian's QUBRI paper proposes that the amount be shared between the Centre and states.

For QUBRI, Subramanian suggests cutting down farm subsidies and pruning Centrally

sponsored schemes. "QUBRI should not be financed from RBI resources, not least because they are one-time and cannot finance a permanent QUBRI entitlement, and by the states or Centre breaching their existing fiscal commitments," the QUBRI paper says.

Subramanian adds that as per their proposal, MNREGS and PDS would stay, as would old age pensions and maternity benefits. "We have identified other schemes that might be removed, such as interest rate subsidies, price deficiency, and fertiliser subsidies."

Milan Vaishnav, Director and Senior Fellow, South Asia Program, Carnegie Endowment for International Peace, says that instead of scrapping schemes, states could be given "greater untied funds from the Centre". "Scrapping a flagship social scheme like MNREGS is a blunt instrument, when not all states will face the same requirements," he says.

But Vaishnav also points out that a "truly universal UBI" would mean "an income top-off to all households, which would do nothing to reduce inequality". "If, on the other hand, India pursues a quasi-UBI (which only targets poor households), this would have a salutary impact on inequality."

Economist Banerjee, however, says that "in the medium run, the idea would be to scrap PDS and MNREGS, but not before UBI is up and running. For that reason and others, the amount paid should probably go up over time."

Both Banerjee and Vaishnav also dismiss the argument that a guaranteed income will impact labour participation. "Our research suggests that making poor people richer does not make them lazier, if anything the opposite," says Banerjee. "And, if they refuse to clean the sewers manually because they are not so desperate, great. The government needs to be forced to upgrade these services."

The concerns Over the years, various basic income pilots have been conducted across the US, Europe, Asia and Africa. In 2017, battling high unemployment, Finland handed out €560 (Rs 48,835) per month to 2,000 jobless people as a trial, without requiring them to work or seek employment. Last month, the government stopped it, against opposition, saying it wanted to explore alternative welfare measures, and without revealing the trial's results.

Brazil has an 'anti-poverty' programme called 'Bolsa Familia', involving a cash grant to families below a certain income level, provided they meet conditions such as overseeing their children's school attendance.

"Basic income programmes have been piloted in Canada, Finland, southern Africa, Kenya. Alaska has a great scheme in which royalties from oil are deposited in an investment fund, and every citizen receives an annual dividend. As far as I am aware, all these have been successful," says Standaert.

However, Jayati Ghosh, professor of economics at the Centre for Economic Studies and Planning, School of Social Sciences, at Jawaharlal Nehru University, cites the example of Iran, where the government is struggling with its 'targeted subsidy plan' because of inflation. Arguing against UBI, she says, "Nobody has clarity on who will get what amount, and what happens when prices go up. Any form of UBI will only be useful when it comes on top of guaranteed Universal Basic Services (UBS), which includes health, education. In India, we are looking at UBI as a substitute to UBS. It is problematic and obscene."

Ghosh also questions Subramanian's plan of using the SECC to choose beneficiaries. "The SECC says nothing about a person's income. Also, no one has given any information on the schemes that will be scrapped for UBI."

Following the release of the Economic Survey 2016-17, former Planning Commission member Bhalchandra Mungekar wondered whether "dismantling the existing schemes would compensate for their present benefits, once these are converted into direct cash transfers". "The MDM offers hot, cooked meals to more than 150 million school children... The MNREGS gives 60 to 70 days employment annually to about 200 million unskilled persons... The dismantling of the PDS will adversely affect the bottom 50 to 60 per cent of poor consumers," he wrote in *The Indian Express*.

SEWA's Jhabvala also stresses that UBI should not depend on 'poverty-testing' for its implementation. "The core idea of UBI is universality. If we get into who is poor and who is not, the idea will crumble," she says.

There are also concerns that the very nature of Indian politics could muddy the UBI waters. Experts argue that ahead of polls, parties might want to increase the basic income amount or re-introduce certain subsidies. "On the one side I think it would be great if the political competition focuses on giving away money rather than towards reservations and creating jobs in the Railways. On the other hand I worry that opening an efficient pipeline would encourage irresponsible promises, which will now be more credible, which will then cause problems for those who manage to over-promise and win," says Banerjee.

Standing suggests the government should begin on a small scale. "I would start with low-income rural communities, perhaps all tribal communities, and gradually roll it out further."

The UBI chapter in Economic Survey 2016-17 concluded by saying the scheme would have Gandhi's approval. "The Mahatma as astute political observer would have anxieties about UBI as being just another add-on government programme. But on balance he may have given the go-ahead to UBI."



ACROSS THE AISLE



P CHIDAMBARAM

Despite Mr Gadkari's utterances, the BJP leadership has not said a word in public. The RSS also has not rebuked him. Presumably, no one is clear how the situation should be handled. I suspect the hesitation to act is because the party leadership knows there are many more leaders — especially MPs from Chhattisgarh, MP, Rajasthan and UP — who are apprehensive about the outcome of the Lok Sabha polls and own political future

# The importance of being Mr Gadkari

MR NITIN Gadkari is an uncommon politician. By his own admission he is a foodie, he wears chic clothes and seems to enjoy life. He enjoys speaking at public functions and he speaks as if he does not have a care in the world.

At the same time, he is a *swayamsevak*. He is believed to be a favourite of the RSS. He nurses his constituency, Nagpur (Maharashtra), and keeps the RSS, his party leaders and his party workers in good humour.

Mr Gadkari and Mr Devendra Fadnavis belong to Nagpur and draw their support from the same region and the same political base of leaders and workers. The talk in Maharashtra is that Mr Gadkari wanted to be chief minister of Maharashtra but Mr Narendra Modi scuppered the plan. Mr Modi chose Mr Devendra Fadnavis, a loyalist. It was supposed to be a smart move to check Mr Gadkari's ambitions, if any. However, the irrepressible Mr Gadkari has cut loose and carved out a path for himself.

## GADKARI GEMS

Mr Gadkari is known for his focused attention to his portfolios — highways and road transport, water resources, river development and Ganga rejuvenation. He has a mixed record of performance as a minister. Good in highway construction, hype about Ganga rejuvenation, underperformance in water resource development and woefully behind on irrigation projects.

Outside his office, he is blunt and forthright in his utterances. In March 2018, at a media-organised conclave, he said, "Media has in the past trapped us over the question of *achche din*. Please don't misinterpret what I say. There is no such *achche din*... *Achche din* is a belief, if you believe, it is there." Again in August 2018, when the agitations for reservation were gathering strength, he said, "Even if reservation is given, there are no jobs. Jobs in banks have shrunk because of technology. Government recruitment is frozen." Many people suspected that Mr Gadkari's target was not the agitators (for demanding reservation) but the Modi government (for its failure to create jobs).

In recent times, he has been creating minor storms by his cleverly crafted statements. The election results of Chhattisgarh, Madhya Pradesh and Rajasthan gave Mr Gadkari a great opportunity. He didn't mince words. He said, "Success has many fathers but failure is an orphan as, when there is success, there will be a race to take credit, but, in case of failure, everybody will start pointing fingers at each other. Leadership should have the *vrutti* (inclination) to own up defeat and failures. Loyalty of the leadership towards the organisation will not be proven till the time it owns up responsibility for defeat."

On Republic Day, 2019, he was more outspoken: "People like political leaders who show them dreams. But if those dreams are not fulfilled, the people will

thrash these leaders."

## PREPARING TO CHALLENGE

There was no doubt in anyone's mind that the target was Mr Narendra Modi. If the BJP does not win an absolute majority or finds itself unable to form the government, it is believed that Mr Gadkari will challenge Mr Modi for the leadership of the party.

Earlier, Mr Gadkari had obliquely targeted Mr Amit Shah, the president of the BJP. Delivering the annual IB Endowment lecture on December 24, 2018, Mr Gadkari said, "If I am the party president and my MPs and MLAs are not doing well, then who is responsible? I am." At the same event, he threw a challenge to the prime minister as well: "Tolerance is the biggest asset of the Indian system. You can't win elections only because you speak well... you might be a *vidwan* (learned person) but people may not vote for you. One who thinks he knows everything is mistaken — people should refrain from artificial marketing."

Mr Gadkari has said all that a dissident in the BJP could say or all that an Opposition politician would say. He has virtually called the prime minister a failed dream merchant and chided him for lacking in *vrutti* to own responsibility for defeat; he has accused the prime minister of being intolerant and one who indulges in artificial marketing. Strong

words indeed from a Cabinet colleague!

## LEADERSHIP FLUMMOXED

Despite these utterances, the BJP leadership has not said a word in public. The RSS also has not rebuked Mr Gadkari. Presumably, everyone is baffled and not clear about how the situation should be handled. I suspect the hesitation to act is because the party leadership knows that there are many more leaders — especially MPs from Chhattisgarh, Madhya Pradesh, Rajasthan and Uttar Pradesh — who are apprehensive about the outcome of the Lok Sabha elections and their own political future. In 2014, the BJP and its ally in UP (Apna Dal) won 135 of the 145 seats at stake in these four states. By any calculation, the BJP is poised to lose at least 80 of those 135 seats. That is the outcome that Mr Gadkari and his supporters would devoutly wish for. The murmurs are growing louder every day and that should be music to Mr Gadkari and his merry band of followers!

More and more voices (the latest is Mr Ram Vilas Paswan) are predicting that the BJP's individual tally in the elections may slide from the 2014-high of 282. As the slide continues, you can be certain that the frequency of Gadkari gems will rise!

Website: pchidambaram.in  
@Pchidambaram\_IN

FIFTH COLUMN



TAVLEEN SINGH

# Confusion better than certainties

THERE WAS a time when Rahul Gandhi's political and economic ideas were so mysterious that they confused our finest pundits. When he spoke of the "velocity of Jupiter" to solve the Dalit question, most political pundits were bemused. When he said India was a beehive and not a country, it left us even more mystified. And, he handed Narendra Modi his trump card in the 2014 general election. Beehive is a word that translates badly into Hindi and Modi had much fun mocking him for calling "our beloved Mother India" a beehive. Recently, things have changed.

The man who the Congress party hopes will replace Narendra Modi has started articulating his economic and political ideas with startling clarity. Politically, he sees India as divided between "the rich and the poor" and charges Modi with being interested only in pleasing "15" rich Indians. It has never been clear which 15 Indians he is talking about, but this is a charge he has been making for the past four years, most memorably when he made that sneery comment about Modi's government being a "*suit-boot ki sarkar*". A government of the suited and booted.

What is now very clear is that the Congress president sees himself as a man who is against rich Indians and on the side of those who are poor. Even so, his announcement before last week's Budget, that if the Congress won in 2019, it would ensure that India implemented an economic policy that guaranteed every poor Indian a basic minimum income, was over the top. His India, he declared grandly, would become a country in which "not one person would be hungry and not one person would be poor".

As I watched him make this speech, against an opulent backdrop of marigold and jasmine streamers, memories of his grandmother's "*Garibi Hatao*" election came back. It was Indira Gandhi's defining election. She became in the popular mind the prime minister who would eradicate poverty. Other memories came back. Of elections, much after that one in 1971, in which she would assure the barefoot, hungry, desperate people who flocked to her rallies that she was their saviour. Standing among them, I would gaze with their eyes at the chopper that brought her and see that they saw her as not just their champion but as a goddess.

She never managed to "eradicate poverty" but she succeeded very well in setting up a vast infrastructure to redistribute it. There was nothing else she could have done because she despised private enterprise so much that she created a licence raj that entrusted the job of creating wealth to officials, while fining entrepreneurs who dared produce more than their quotas. With the exception of China, there is no country where officials have succeeded in creating wealth. So it was only after a prime minister who did not belong to our imperial dynasty took charge, that India stopped being a country of starving millions.

As soon as Mrs Gandhi's daughter-in-law became India's de facto prime minister, she returned to economic policies that served once more to redistribute poverty. Modi did not reverse these 'poverty alleviation' schemes, so the price Indian taxpayers pay for food security and job guarantee schemes is already beyond calculation. Add on to this astronomical bill the cost of a programme to guarantee income to the poorest Indians, and there will not be any money left to build the infrastructure that could actually make India rich. Taxpayers' money will be spent entirely on the infrastructure to redistribute poverty.

In keeping with Rahul Gandhi's economic vision, his Chief Minister in Rajasthan has already announced plans to provide a generous dole to the unemployed. Would it not be better to try and create the jobs they need? Would it not be better to build roads to villages that have none? And drinking water facilities and schools and hospitals. In the process of building this desperately needed rural infrastructure, would there not inevitably come jobs? I believe so, but then I am not only not a socialist, I take a very dismal view of socialism. I believe that it serves only to redistribute poverty while demonising those who create the wealth to make this redistribution possible.

Perhaps the Congress president would have done better not to begin articulating his economic and political ideas so clearly just before a general election. Perhaps he would have done better to just bang on about the "*chowkidar*" being a "*chor*", because then we would not have discovered that his ideas are so obsolete and unfeasible that his own party was forced to abandon them. In that brief period in which they were abandoned, India began to take baby steps towards becoming a country with the hope of prosperity, instead of being an economic basket case. What we do not need is another leader who believes in redistributing poverty.

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INSIDE TRACK



COOMI KAPOOR

## HOLES IN THE NET

Despite gloomy reports of its prospects in the 2019 elections, the BJP puts up a brave face. The party brains trust assumes that even if the NDA is well short of the half-way mark, there is a safety net because neutral parties in four states, Odisha, Andhra Pradesh, Telangana and Tamil Nadu, will eventually back the single-largest party. But, by unnecessarily poking its nose in Tamil Nadu politics, the BJP may have lost the support of the two main political contenders in a state which contributes 39 Lok Sabha seats. True, the DMK is now with the Congress, but by propping up the weak AIADMK government led by E K Palaniswami and O Paneserselvam, the BJP has alienated the main inheritor of Jayalalithaa's mantle, TTV Dhinakaran, who has popular support even if he doesn't have the party symbol.

## AAP KI PASAND

The Congress high command has a problem convincing its party state units in Haryana, Delhi and Punjab regarding a tie-up with AAP for 2019. It fears that if it doesn't tie up, the BJP stands to benefit. This happened in the Jind Assembly by-election last week, when the Congress's Randeep Surjewala came third, behind Digvijay Chautala's new party that teamed up with AAP. The Congress's local units are reluctant for the tie-up since they fear that their clout will diminish in seat distribution. The high command, on the other hand, fears that the BJP could win all seven Lok Sabha seats in Delhi, for example, if there is no alliance with AAP. Incidentally, in talks with potential allies in states, the Congress's position is that seat-sharing agreements cannot be based only on the party's performance in the last parliamentary polls, when its popularity was at its nadir, and that its performance in the last three parliamentary elections must be taken into account.

## PROXIMITY PAYS

Many high-flyers in the Congress were eyeing the key post of general secretary in charge of organisation after Ashok Gehlot's departure to Rajasthan. But to everyone's surprise, Rahul Gandhi picked the relatively unknown K C Venugopal, an MP from Kerala, who carries some baggage.

## OUT OF MY MIND



MEGHNAD DESAI

RAHUL GANDHI has proposed a Minimum Income Guarantee (MIG). It is the first serious economic proposal he has made since he became president of the party. Until now, he has only made personal attacks on the Prime Minister. But MIG is not new. The Congress has always proposed some scheme to make poverty tolerable rather than remove it. There is a saying: "Don't give a hungry man fish.

Venugopal's performance as in-charge of the Karnataka Assembly polls was lacklustre and he has faced allegations of sexual misconduct in his home state. Venugopal's strength is that he does not belong to the old-guard faction, nor is he one of the high-profile young heirs of political dynasties. But Venugopal's biggest plus point is that he was allotted a seat in the Lok Sabha right next to Rahul. Venugopal used this proximity to his advantage. He makes it a point to attend Parliament regularly and stands unobtrusively beside his party chief whenever possible.

## BELATED AWARD

When the late journalist Kuldip Nayar met Manmohan Singh for the first time, Singh, then economic adviser to the government, told him: "You deserve the Bharat Ratna". His remark was in appreciation for Nayar's work in trying to bridge the gulf between Hindus and Sikhs post-1984. However, when Singh became Prime Minister, far from recommending an award for Nayar, he never even invited him for a cup of tea during his 10-year tenure. Nayar felt that he probably did not want to risk annoying Sonia Gandhi. Ironically, Nayar was posthumously awarded the Padma Bhushan last month, though the well-known journalist had often written critically of Modi. Nayar's recollections of his meetings with Singh and other key figures of India's political history — Gandhi and Jinnah to Indira Gandhi, Vajpayee and Modi — are featured in his latest book, *On Leaders and Icons*, which will be released posthumously this week. Among the many interesting anecdotes, Nayar recounts that Sanjay Gandhi informed him after the Emergency that he had assumed his mother would not call elections for three to four decades.

## KICKED UPSTAIRS

While Priyanka Gandhi's induction as AICC general secretary in charge of eastern Uttar Pradesh was greeted with euphoria, many are puzzled by Jyotiraditya Scindia's appointment as general secretary of western UP. The Madhya Pradesh royal has little association with the region. In this strange work allotment, Congress workers are also curious to know who gets control of Awadh in central UP. Scindia's selection was perhaps an attempt to mollify him since the party could not make him president of the Madhya Pradesh unit, although he had earlier been denied the chief minister's post. The seasoned Kamal Nath, backed by the shrewd Digvijaya Singh, ensured that Scindia was totally cut off from state politics. Nath continues as MPCC chief, at least till the polls. By elevating Scindia to the same status as Priyanka, the Congress felt it could smooth Scindia's ruffled feathers.

HISTORY HEADLINE

# India's story, through its Budgets



SHAJI VIKRAMAN

IN the opening note of his book *A View From the Outside: Why Good Economics Works For Everyone* (2007), a collection of columns he wrote for *The Indian Express* between August 2002 and March 2004, former finance minister P Chidambaram noted that Budgets, which once had inviolable sanctity, had over time become a bag of tricks for governments, and the figures they contained had lost much of their meaning. And interim budgets now go beyond just spending allocations for the first four months of the new fiscal before a new government takes over.

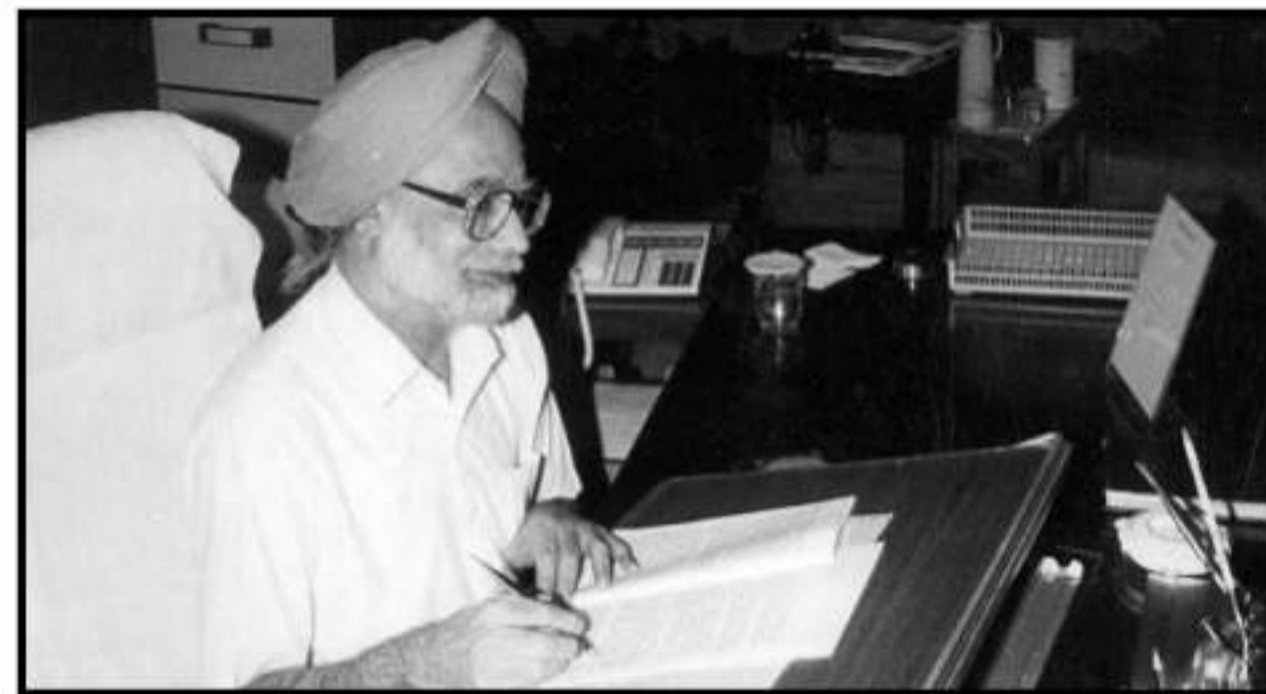
Over the seven decades of the Republic, the presentation of the Budget has remained one of the most important events in the country's economic calendar. Unlike in Western countries that have shrunk the Budget to just a statement of annual revenues and expenditure, India, with its federal structure and wide disparities, has abided with a lengthy and complex procedure that offers a broad indication of the policy direction of the government.

Besides the expenditure and revenue budget — which is among the earliest to be printed in the captive press in the basement of North Block that houses the Finance Ministry — there is the speech of the Finance Minister, a receipts budget, and a medium-term fiscal policy statement.

Because much is at stake in the Budget, both politically and in terms of the economy, finance ministers have a series of meetings with the Prime Minister to first get a broad direction and to then discuss the major proposals, especially the ones that can be politically sensitive.

The breadth and depth of intervention differs from PM to PM. Ahead of the so-called 'Dream Budget' of February 1997, when finance minister Chidambaram went to the United Front prime minister H D Deve Gowda with his radical proposal for three tax rates — 10 per cent, 20 per cent and 30 per cent — Gowda just said, "Let's do it. Don't (be) afraid!" As Chidambaram put it later, it was a policy equivalent of slog overs in cricket — going for broke.

With the country teetering on the brink of an economic precipice, prime minister PV Narasimha Rao threw his political backing behind his finance minis-



Dr Manmohan Singh giving finishing touches to the 1991 Union Budget. Express

ter's historic July 24, 1991, Budget. Manmohan Singh famously invoked Victor Hugo — "No power on Earth can stop an idea whose time has come... Let the whole world hear it loud and clear. India is now wide awake" — and announced proposals that began the unshackling of the Indian economy.

As the Budget proposals for 1999-2000 were being finalised, prime minister Atal Bihari Vajpayee underlined to finance minister Yashwant Sinha the importance of following the principles of a rule-based, non-discretionary tax system — "*siddhant se kariye*".

A year earlier, he had advised Sinha to give priority to the rural sector and farmers, and to ensure that the Budget proposals were non-inflationary.

The ideas of the finance minister and prime minister have not always been aligned. In the Budget of 2011-12, for example, finance minister Pranab Mukherjee announced a retrospective capital gains tax on Vodafone despite serious resistance from most top government functionaries. The damage this inflicted forced Finance Minister Arun Jaitley to provide an assurance in his first Budget in July 2014 that the NDA government would not in ordinary course bring any change retrospectively, which would create a fresh liability for companies.

Budget proposals have sometimes put finance ministers in a spot. In 1998, excise duty on petrol was proposed to be raised by Re 1 in the Budget, but a miscalculation by another arm of the government led to the levying of a higher duty at the stroke of midnight when the new rates became effective. Finance minister Sinha was forced to scramble to undo the damage in Parliament.

Jaswant Singh, who succeeded Sinha

as Vajpayee's finance minister, had to beat a hasty retreat after proposing a modest increase in the price of urea in his Budget proposals for 2003-04.

Sinha piloted a significant change in Budget conventions. Until 1999, the Union Budget was presented at 5 pm — a carry-over of tradition from the Raj. Sinha and his top officials felt it would be sensible to move to a morning timing, which would lead to a far more rational and informed debate on the Budget, and better analysis. Also, Sinha has said, the countless interviews that followed the presentation of the Budget would leave him exhausted late in the night. Prime minister Vajpayee, the Lok Sabha Speaker and Rajya Sabha Chairman, and all political parties quickly came on board, and on February 27, 1999, Sinha rose to present the Union Budget for 1999-2000 at 11 am.

Over the last three decades, starting with 1991-92, federal Budgets in India have reflected the rising graph of the economy. By 1997, Chidambaram could say that "Our beloved India is far stronger today than she was six years ago", and then predicting in 2004 that "this century will be India's century". In 1998, Sinha said a strong, prosperous India that was keen to deal with the world as equal partners was in the process of being built; in 2003, Jaswant Singh said there was palpable impatience in the country for progress and growth; not responding swiftly ran the risk of the world "passing us by". Last year, Arun Jaitley said India stood out among the fastest growing economies of the world, and that he was sure that "the New India which we aspire to create now will emerge".

All these pronouncements by successive finance ministers in their Budget speeches will be put to test in the years to come.

# Income guaranteees

Give him a fishing rod." The Congress has never subscribed to that. The idea of giving a bit more to the poor has been the perennial policy of the Congress. It amounts not to *Garibi Hatao* but *Garibi Nibhao*. It also gives the recipients perverse incentive to stay poor. In this, it is similar to loan waivers to farmers, which give them an incentive not to repay loans. In 2018, loan waivers cost Rs 2,23,638 crore for 34 lakh farmers, or Rs 77,000 per farmer, most of them rich. To remove, rather than alleviate, poverty, spending on education and health would have been more effective than food subsidies.

Universal Basic Income (UBI) was part of the Economic Report of then Chief Economic Advisor Arvind Subramanian.

UBI has the advantage of being universal like the franchise. Everyone gets it. MIG is selective. The issue with either UBI or MIG is the affordability. There already are subsidies and entitlements for BPL households.

The Indian government collects less than 20 per cent of GDP in tax. It has a deficit of 3 per cent plus. We have to ask, what proportion of the population receives the benefit and what proportion of the per capita income will the beneficiary receive? UBI would go to all adults, who are two-thirds of the population. Per capita income is about Rs 1.5 lakh, just under Rs 3,000 per week per person or Rs 4,500 per adult. What fraction of Rs 4,500 can you afford to give to each? If

the government collects only 20 per cent, then you have to ask how much of Rs 900 can you spare from all other expenses to give as basic income? One per cent will be Rs 45 per person per week, around 5 per cent of the GDP. That is unaffordable.

Rahul Gandhi's scheme may cover only 20 per cent of the population. If it gives Rs 1,000 per household — two adults and three children — per week, the cost for five crore households is about Rs 2.1 lakh crore. It comes to around 1 per cent of GDP. But the problem of perverse incentives, avoided by universal payments, remains. But UBI is expensive.

Arvind Subramanian has proposed a quasi-universal scheme for rural India, which covers 75 per cent of the rural pop-

ulation. It gives Rs 1,500 per month per household and at 1.3 per cent of the GDP, he has worked it out to Rs 2.64 lakh crore. The advantages of the scheme are greater coverage and no disincentive effects.

The Budget has proposed a relief scheme for subsistence farmers at Rs 6,000 per year. This is a modest sum to begin with, but will be increased in the future. The problem is that it keeps the subsistence farmer on the land rather than giving him a chance to move out of a precarious existence.

It looks like India will not have UBI but a patchwork quilt of partial income support schemes. The problem is of improving the incentives from consumption to productive growth.