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The best way to welfare

Swiss voted against the idea of a Universal Basic Income. But the debate continues

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Realistically, that was not going to happen — for example, because it would require privatising the expensive and excellent Swiss public education system — and therefore, new taxes would be needed. (Source: Reuters file photo)

We in India tend to associate Switzerland with fresh-faced girls in dirndls on a

beautiful hillside, or with a cabal of silent bankers, but it is in fact a much more interesting country than those clichés might imply. For one, they decide on policy by referendums — if a hundred thousand Swiss sign up to request that there be a vote on a particular reform, the results of the vote are binding on the government.



The most recent round of referendum included one that was widely watched across the world — the proposal was to guarantee every adult citizen and long-term resident 2,500 Swiss francs (Rs 1.75 lakh, give or take a few) per month as a Universal Basic Income, irrespective of any other earnings they might have. In other words, it's money you are entitled to, whether you are rich or poor, whether or not you have a job that pays you enough to live on. It is what some people call an unconditional transfer — there are no strings attached. You can spend it on beer for your buddies, just as you can spend it on milk for your children. It is your money.

This is an old idea, going back at least to the 1970s, when, interestingly, it drew support both from right-wing libertarians like Milton Friedman and centre-left Keynesians like John Kenneth Galbraith. For people on the right, its attraction is two-fold: First, being unconditional, it does not create any direct disincentives for those who want to work more and live better. Second, by just letting people have the money and decide what they want to do with it, it gets away from the “nanny state” that so many libertarians despise. On the left, the support comes from the sense that it makes a certain minimum standard of living a right rather than a reflection of the munificence of the state. This is something that I personally find very appealing: If you think of the mother (or the father) who stays home to take care of the children, it is not clear why we would think of her as doing nothing, rather than sacrificing herself to do one of the most important jobs that we do in society.

Yet the Swiss people absolutely did not go for it. Three-quarters of them voted against. The reasons varied — some were against the principle of giving people money for “doing nothing”. Fiscal conservatives were worried about the budgetary implications; Milton Friedman wanted the basic income transfer to be budget-neutral, essentially replacing all other forms of social transfers. Realistically, that was not going to happen — for example, because it would require privatising the expensive and excellent Swiss public education system — and therefore, new taxes

would be needed. Then there were those who were worried, mostly in the teeth of the evidence, that people will stop working — why would you clean houses for a living, if you have a cushion of 2,500 Swiss francs to live off? Finally, there was the right-wing paranoia that is everywhere these days — the fear of the migrant hordes coming to drink at the Swiss honeypot.

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But even in Switzerland, polls conducted after the referendum suggest that the debate is not over. The reason, in part, is that everyone in the West is very worried about the future of the labour market, with automatisisation growing apace and robots starting to take over many manual and non-manual occupations. In particular, those who believe that we are headed to a future where only a small elite will be employable, are obviously very interested in how we can break the currently intimate connection between work and the standard of living, so that people are free to find something useful and pleasant to do with their time without the compulsion of feeding their families. Universal basic income, of course, is one way to get there.

But even before we get there (if we do), there is the question of whether the current, multifariously fractured system of welfare, where multiple authorities give out different subsidies (money, food, housing, travel, education, healthcare), guided by their own priorities and targets (the young or the old, the mother or the child, the poor or the indigent), makes any sense. Why not have one universal basic subsidy that covers everything (perhaps except health and education) and let people decide how they will spend it, rather than trying to target subsidies based on our imperfect knowledge of what people need and deserve.

This is the main motivation behind Finland's basic income pilot experiment that is about to be launched, and it is one that is clearly relevant for us in India. Renana Jhabvala from SEWA claims that the number of extant government "welfare schemes" exceeds 350, though most of those programmes are not much more than a name, an office and a few underemployed bureaucrats. Moreover, many of our bigger schemes, like MGNREGS or PDS, are far from being well targeted or well run. The former was meant to be income on demand, but in fact, to benefit from the programme you need to be lucky enough to live in a village where the sarpanch has organised a work programme. In most villages the work programme only runs for



some months in the year and in any case the money usually arrives several months later. The PDS, despite recent evidence of improved delivery, is still a hugely clunky scheme beset by corruption and mistargeting. Why not replace both of them (and another 300 or so others) by a single Universal Basic Income of, say, Rs 250 a week, which entitles every adult resident to a minimum weekly income as long as they verify their identity using Aadhaar (or in some other way) every week. The verification process will serve the dual purpose of making sure there is no fraud and discouraging the rich, who will find it unpleasant and a waste of time, from claiming a subsidy they don't need.



At the very least, this will reduce poverty and free up the bureaucracy to do other things. But potentially, the benefits could be much larger. For example, the poor, liberated from having to worry about where their next meal or school fee will come from, might plan their lives better and invest more effectively in their children and their businesses. There is a privately financed pilot experiment covering several thousand poor households in Kenya run by the NGO GiveDirectly starting in the next few months that will offer us a chance to learn whether these hopes are well-founded. If you care about social policy, these are exciting times.

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