

RETHINKING SOCIAL PROTECTION:

The Case for a Universal Basic Income

Abbas Moosvi

Over the past decade or so, a mushrooming of social protection programs has been observed in the developing world seeking to redress market failures in areas of education, healthcare, nutrition, livelihood, and others. On the other hand, two salient pitfalls have consistently cast a shadow over these programs: a) corruption and elite capture, whereby the bulk of resources are appropriated by management/administration rather than funneled down to end consumers, and b) incentive structures, which prompt beneficiaries to orient their behavior in a manner that guarantees future rewards rather than a graduation from these welfare schemes.

According to Abhijit Banerjee, Nobel laureate in Economics for 2019, Universal Basic Income (UBI) can be a powerful tool for social uplift particularly in the developing world. With limited state capacity, weak governments find it costly to constantly update data on poverty figures and monitor beneficiaries on an ongoing basis to determine whether to approve or reject subsequent transfers. Furthermore, targeted initiatives fail to account for inequality at the micro level – for instance within families – and therefore their benefits risk being appropriated by whomever happens to be the most powerful in that context, most commonly the patriarch.

Besides their allocative inefficiency, conditional protection programs have also been demonstrated to elicit feelings of dehumanisation on the part of recipients. Vulnerable people are compelled to fill countless forms, present documentary evidence of stated claims, and navigate a complex and time-consuming bureaucratic maze in order to prove that they fall within eligibility criteria. This humiliating process prompts significant numbers of potential beneficiaries to opt out, choosing silent suffering instead.

As a response to this, the concept of a universal basic income has been proposed – with the objective being to minimize bureaucracy, eliminate rent-seeking, and place beneficiaries at the heart and center of the initiative.

UBI is characterized by five primary facets:

- **Universal:** all registered citizens over a certain age, usually 18, are eligible to receive a certain monthly payment – there are no prerequisites, including paperwork, to demonstrate ‘need’.
- **Unconditional:** UBI comes with no strings attached – and recipients are free to utilise it however they please, without having to offer justifications.
- **Cash based:** recipients are invariably paid in cash.
- **Individual:** rather than targeted at defined groups/communities, the UBI is for singular individuals.
- **Periodic:** payments are recurring, and follow a certain predefined time schedule - usually a month.

The fundamental idea animating UBI is that the nature of knowledge is diffuse, intuitive, largely unarticulated, and extremely context specific (as argued by Friedrich Hayek, another Nobel Laureate in Economics) – in other words, the constraints facing one person are always different from those of another. The consequence of this is that social protection programs that are geared to filling gaps in the market in a top-down fashion are destined to fail, as they lack adequate specificity. Indeed, pilot projects have indicated that recipients of UBI tend to adopt a wide range of expenditure choices – with benefits incurring in the form of enhanced savings, investment, borrowing, education, healthcare, marriage, reduced domestic violence, lower rates of child labor, and many more.

This suggests that individuals make decisions based on unique personal preferences and requirements – shaped by a multiplicity of factors including culture, psychology, value-systems, living conditions, and others. UBI allows them the opportunity to do so.

One of the counterarguments for UBI is the notion that poor people tend to squander the money they are given – spending them on ‘temptation’ goods such as drugs and alcohol. This is demonstrably untrue, as a comprehensive study – a literature review of 30 pieces of academic literature on the matter – has illustrated. The emergent conclusion was that contrary to spending more on these indulgences, “on average cash transfers have a significant negative effect on total expenditures on temptation goods, equal to -0.18 standard deviations.” The economics literature confirms this, and several notable scholars – including yet another Nobel Laureate, Amartya Sen – have pointed out that the process of ‘development’ can only take place if and when people have the freedom to actually participate in markets rather than merely reacting to them. This is impossible when the vast majority is stuck in a vicious cycle of economic precarity, in which it hardly has time to think about anything other than how it is going to survive until the end of the week or (if lucky) month. Genuine autonomy in this regard refers to a situation where decisions relating to employment, expenditure, investment, etc. are made not out of compulsion, in which one has to compromise on their true interests/desires at every turn, but actual free will.

Another point of contention with regards UBI, particularly for poor nations, is funding. The question of ‘who will pay for it’ is a common and reasonable one. Assuming Pakistan’s population currently stands at 250 million, of which half are over the age of 21, a total of 125 million people would be entitled to UBI. However, not all of these would ‘opt in’ – a certain proportion, say the top 50%, would not find it worth their while to travel to distribution spots (e.g. Easypaisa/Jazzcash kiosks) for the payment. That leaves around 60 million. Setting the payments at Rs. 5000 would mean a total cost of Rs. 300 billion per month. Pakistan’s fiscal budget for the year 2023-24 stands at Rs. 14,460 billion – or an average of Rs. 1,205 billion per month. Assuming the government of Pakistan is covering 50% of monthly UBI expenses, with the rest coming from external parties such as corporations, civil society, foreign donors, and the armed forces, it would have to contribute Rs. 150 billion per month to this cause. The Benazir Income Support Programme’s (BISP) annual budget for the 2023-24 period stood at Rs. 400 billion – meaning an average of Rs. 33 billion per month. Adjusting (or redirecting) this into the UBI, total monthly allocation comes down to approximately Rs. 120 billion – amounting to a mere 10% of the government’s monthly budget. This certainly falls within the ambit of possibility: especially considering that returns are virtually guaranteed in the form of accelerated GDP growth as increasing numbers of citizens have more economic breathing space. In fact, there is so much evidence for the direct relationship between cash payments and the productivity of their recipients in terms of the net effect (income generated exceeding cash transfers via increased entrepreneurship and other commercial activity) that proponents of the much respected Modern Monetary School (MMT) go so far as arguing that UBI can be entirely supported by simply printing the money, in which case it would have no

adverse impact on either inflation or the annual fiscal budget – and although promising, it must be mentioned that this idea is still in its nascent and experimental stages.

While Rs. 5000 may seem trivial, it would be a much greater amount than what is currently disbursed to families under the BISP initiative – which amounts to Rs. 8,750 per quarter, or approximately Rs. 2,915 per month. With UBI, households would be entitled to Rs. 10,000 per month – with each parent receiving Rs. 5,000 and assuming no child is over the age of 21. Programs that have been proven to be ineffective and non-conducive to structural reform – such as brick and mortar projects under the PSDP, unjustifiable levels of perks and privileges for civil bureaucrats, and runaway non-combat, non-development defence expenditures – should ideally be suspended, and their budgets reallocated to UBI. Finally, if the UBI is linked to inflation – as it ought to be – there will naturally be added pressure on the central bank to keep its rates controlled so as not to disrupt the country’s fiscal account position. On the question of funding, a careful agglomeration of key stakeholders – including government ministries, the private sector, foreign donors, and the armed forces of Pakistan – ought to devise a strategy to raise resources and direct them to the UBI pool.

An important point about disbursements of these funds is that they ought not to be placed in the category of ‘charity’ – but rather as fundamental rights for all citizens that offer a safety cushion against extreme poverty. No different to basic rights to association, free speech, and fair trial, all of which are considered necessary preconditions for a dignified life and community, UBI must be seen as a tool that raises the floor of society: uplifting the most disenfranchised and offering them the opportunity to graduate from the endless cycle of economic destitution they are trapped in. This is in line with the thoughts of eminent political philosopher John Rawls, who defined true ‘justice’ as a situation where the lowest tiers continually experience improving conditions due to socioeconomic policy being geared towards their betterment first and foremost. He presented his thoughts via the thought experiment of imagining oneself behind a ‘veil of ignorance’ – in which no information is known about one’s own identity or their place on the economic ladder. Rawls argued that most people approaching this hypothetical predicament in a rational manner would naturally assume the worst, i.e. that they were born into the most adverse conditions and lend strong support for policies geared towards addressing their grievances and allowing them a platform to climb the social ladder via grit, creativity and innovation.

UBI will also democratise the process of development and rebuild the damaged sovereignties of nation states in the developing world – which have fallen prey to the sociopolitical and economic agendas of international financial institutions and multilateral donor agencies in pursuit of aid. As people are economically empowered through UBI, a strengthening of civil society will be observed: triggering a shift away from top-down policies

in favour of bottom-up variants that are more in line with ground realities rather than theoretical considerations or the opportunistic objectives of those in power. For instance, it is fairly well established that the process of urbanisation in Pakistan today takes a perverse, borderline coercive form in which people are compelled to abandon their deep roots (cultural, familial, communal, etc.) in favour of big cities, largely as a result of rural poverty via exploitation from big landlords who they are frequently in bonded labour for. UBI can, and likely will, address these entrenched systems of oppression and allow for more choice for landless peasants and the larger labouring class in the countryside. It is also well known that one of the primary reasons for women tolerating abusive behavior from their husbands is due to direct dependency on them for resources/income. UBI will disrupt these unequal relations within the household, offering mothers more of a role in decision making and increasing aggregate expenditure on education for children – triggering a cycle of long-term investment in human capital. Also, UBI will directly curtail population growth in Pakistan. One of the primary reasons for high birth rates is poverty – whereby couples continue to have children in response to high infant mortality (due to lack of access to healthcare) and the desire to supplement household income via child labour, both of which will no longer remain relevant in the presence of UBI. A controlled, and eventually shrinking, population will naturally mean less stress on aggregate resources – and also reduce the number of people choosing to opt into the UBI program over time. In any case, however, increasing numbers of people will obtain official registration in the form of CNICs (which they are required to present while receiving their payments), which will lead to a cascading effect in the form of enhanced trust in the state, higher levels of participation in electoral cycles, and much more effective public policy that is based on more accurate census figures. This will function to lay the groundwork for bottom-up, sustainable reforms that not only protect the most vulnerable but incentivise them to leverage their human capital for self-empowerment as they are freed of sustenance-related concerns.

Initial phases of this idea can take the form of conducting pilot tests in select districts that are identified as the most ‘vulnerable’ by using certain metrics such as out-of-school children, pervasiveness of extreme poverty, women labour force participation rates, etc. A national think tank such as the Pakistan Institute of Development Economics can be made in charge of running these assessments, monitoring them, and evaluating their impact on a monthly basis. Once certain patterns have been established in terms of how recipients are utilising their payments, the program may gradually be rolled out to regions that are relatively better-off – until the entire nation is covered under its ambit.

Effective socioeconomic policies are always those that trigger the initiation of positive feedback loops, in which the benefits in one domain inevitably spill over into others. UBI will disproportionately benefit the most vulnerable, allowing them to quit dead-end jobs that are hampering their development, allow for more

leisure time to spend on creative hobbies, improve general mental health across society, and foster a happier, more stable polity in which citizens are not constantly pit against one another in a hyper-competitive, cutthroat economy. The fulfilment of basic needs will offer them the time to reflect upon their interests, desires and aspirations – in turn allowing for a reorientation towards self-actualisation, whereby their unique talents and cognitive acumen are cultivated. When individuals focus on what they are competent at and genuinely enjoy, they are in a much better position to make substantive contributions to society. All this is even more important in the context of emerging technologies around the globe such as artificial intelligence, which are certain to trigger the total annihilation of a plethora of jobs in the future: leading to mass unemployment. A well-thought out and effectively executed UBI program can not only act as a safeguard against these dangers but also foster the social and intellectual capital to generate dynamic solutions to them as they arrive.

None of this is a pipedream. Indeed, countless regions across the world have experimented with various forms of unconditional cash transfers – including Manitoba in Canada, Alaska in the United States, Brazil, Mexico, Namibia, Kenya, Uganda, Iran, India, and even Pakistan – all with significant (and measurable) positive outcomes that disprove all the common myths about UBI. These include the notion that money will be squandered, aspirations will be killed, inflation will skyrocket, the government will fail to fund it, and so on. For further reading on the topic, readers may enjoy an extensive Subreddit¹ dedicated to it which covers everything from success stories and counterarguments to funding strategies and ideological positions on the phenomenon.

With Universal Basic Income, the sky truly is the limit.

The author is a Faculty Member and Research Fellow at the Pakistan Institute of Development Economics (PIDE), Islamabad – and currently serves as the Managing Editor of the Discourse Magazine. He can be found on Twitter as @AbbasMoosvi.

¹The Basic Income Community on Reddit
https://www.reddit.com/r/BasicIncome/wiki/index/#wiki_that.27s_all_very_well.2C_but_where.27s_the_evidence.3F