

Universal Basic Income and Ecological Economics

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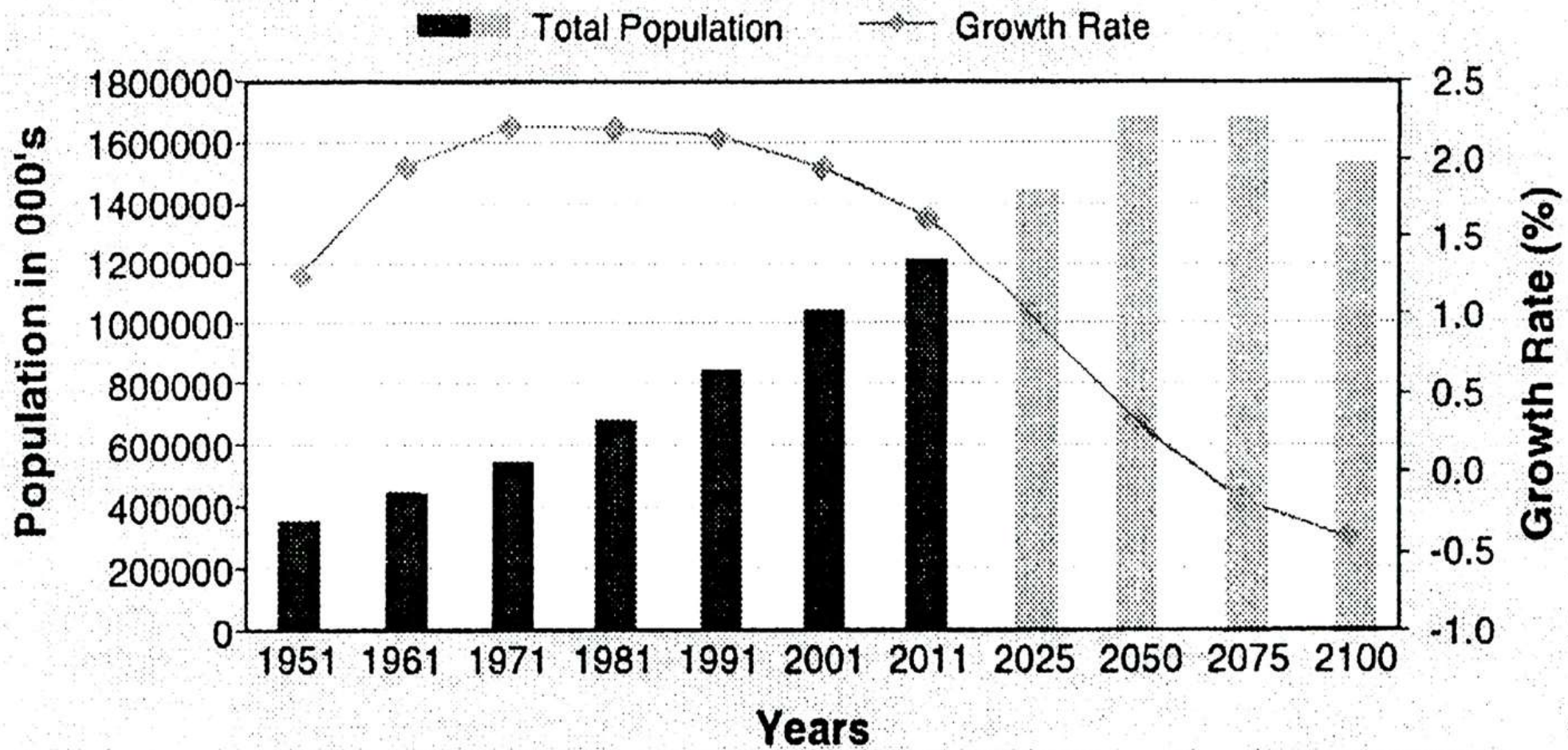
Universal Basic Income (UBI) is directly about money only. It could help solve the problem of excessive monetary inequality, but it is not directly related to the current and forthcoming problem of an increasingly strained relationship between humankind's material needs and the Earth's natural material resources.

The most immediate indirect effect of UBI on the material relationship between humankind and the rest of nature here on Earth would be to *worsen* the strain, as the formerly destitute folks would begin to consume more and probably also to discard more waste. Let us tag such effects as entailing “environmental damage” and hence “ecologically negative”.

However, a combination of three kinds of countervailing indirect “ecologically positive” consequences of UBI might outweigh the negative ones. We will describe them with reference to India (which both of us are familiar with).

Here is a useful preliminary point: Macro-ecologically, (*a*) population density and (*b*) rate of per-capita consumption and waste are of *equal* weight as factors causing strain in the relationship between humankind and its ecological niche. It’s a case of $a \times b = c$ (where *c* is nowadays correlated with environmental damage), not $na \times b = c$ with $n \neq 1$.

(1) In India in the latter half of the last century, increases of environmental damage were due mainly to increased population-density, and even as the Great Indian Middle Class is now despoiling the country at a saliently increasing per-capita rate, the population density will further increase by about 1/3rd in the next few decades (unless there are big fatal plagues or the like). This is indicated in the following demographic chart (prepared five years ago):



Population size and its annual growth rate in India for 1951–2100

The growth in population density has been due not just to *machismo* among the men and to illiteracy among their wives (which is now declining because of a Constitutional amendment (2002) declaring that primary and secondary schooling is a children's "fundamental right"). It has been due also, to a significant extent, to couples wanting to have two or more sons, in the hope that one of them might eventually become affluent and rescue the parents from the prospect of destitution in their economically unproductive old age. (Pensions are not a widespread feature of the economy.)

FOOTNOTE: In this essay, the word “destitution” means a degree of poverty such that even material “absolute needs” (as defined as follows by Keynes) cannot be met: “[T]he needs of human beings ... fall into two classes – those needs which are absolute in the sense that we feel them whatever the situation of our fellow human beings may be, and those which are relative in the sense that we feel them only if their satisfaction lifts us above, makes us feel superior to, our fellows.”

It seems to us that if a UBI adequate to cover the absolute needs commodity-wise of the destitute were implemented in India, and if the citizens trusted the government to maintain it, then more couples would be content to have one child only (or maybe two), and thus the decline in average size of families (which has already

been taking place for more than 15 years now) would accelerate and tend to cause sooner a moderate rate of decline of population-density.

We would like a sociological researcher to conduct in India a survey asking young adults of modest means the following two questions in the following order: (1) How many children do you feel would be the ideal number for you to have? (2) If you trusted the government to provide you with a basic income sufficient to guarantee that you would have no prospect whatever of destitution in your old age, then in that case how many children do you feel would be the ideal number?”.

If couples in India would indeed beget fewer children with than without UBI, the resulting accelerated transition from increase to mild decrease of population density would be a rather long-term ecologically positive consequence. Any short-term positive consequences of UBI would have to be due to trimming the current growth-rate of per-capita consumption and waste (exemplified in India by more and more cars and air-conditioners, and less vegetarianism).

(2) However, there does exist in India today, notwithstanding the actual increases in the rates of per-capita consumption and waste, a lot of worry about the declining environmental conditions. A lot of people (including school teachers) talk the talk even if very few walk the walk. Given this fact about the cultural milieu, it seems to us possible that *if* poor people were freed by UBI from worry about destitution, and if opportunities for labor (i.e. paid work) remain far fewer, as has always been the case in the Republic of India, than the number of people who would like to be hired to do it, then a significant number of the non-laborers, no longer destitute or even frightened by the prospect of destitution, might find fulfilment in praiseworthy *unpaid* work. The praise and the

belief that they deserve it could conceivably prove to be adequate compensation in the land of Gandhi. And, some of that good work would be intended to improve not just the social conditions but also the actual material environment.

The ecologically positive result (if some of the intended improvements of the material natural environment were achieved) would complement the psychological and social benefits which UBI advocates have been hoping for.

Substantial psychological and social benefits have been reported from a set of Partial-Basic-Income experiments conducted in India a few years ago by the Self-Employed Women's Association. The

amount of money given to the lucky individuals among those studied in the experiments (i.e. the people who were given money unconditionally) was calculated to be “not high enough to substitute for [gainful] employment”, but only “enough to make *some* difference for basic needs” (our italics). “This amount was roughly calculated as between 20% and 30% of the income of families in the lower-income scales; [i.e.] at, or just above, the current poverty line.”

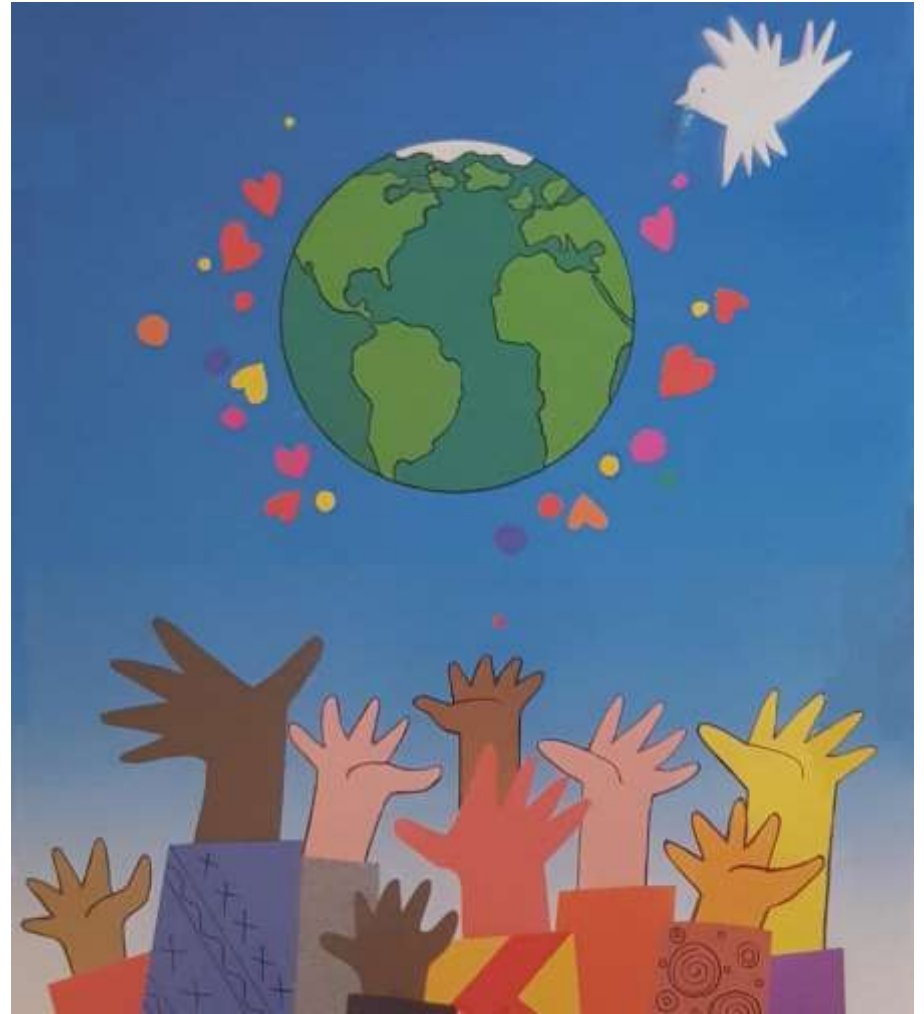
FOOTNOTE: The following were some of the reported outcomes of the experiments: • increase in gainful employment, especially in own-account work on small farms (this effect was notably strong among women and in tribal communi-

ties; • promotion of other new income-earning activity (households that received the cash grants were three times more likely to start a new business or production activity than were households that did not receive the grants); • increased spending, by small and subsistence farmers, on agricultural inputs (resulting in better agricultural yield and improved food security), • improved nutrition (entailing a significant reduction in the proportion of malnourished female children in the villages that received the cash grants), • reduced incidence of illness (*An ounce of prevention is worth a pound of cure*); • more regular medical treatment (*A stitch in time saves nine*) and better implementation of medical prescriptions, • improved school attendance and greater household expenditure on schooling of the family's children, • no increase in alcohol consumption (and indeed there was reduction of alcohol intake in the tribal village where one of the probes was conducted); and, as one might readily expect, • a significant reduction in indebtedness and a significant increase in savings.

The fact that those lucky poor folks behaved well (by and large) does not tell us how people given a full and not merely partial basic income (i.e. enough to rescue even the poorest citizens from the prospect of destitution) would behave. If they would indeed behave well, however, then some of that good behavior would counterbalance and could even outweigh the ecologically negative consequences of UBI, given *(a)* the fact that the culture is beginning to become permeated with concern about environmental degradation, together with *(b)* the likelihood that this concern will intensify as the degradation worsens in the coming decades.

In our opinion a basic psychological point about improving people's behavior with regard to community and Commons is that love of Humankind as an "imagined community" (merely imagined to be a community since you don't know most of the people in it even though you identify with it) is *not* a strong enough motivation to induce lots of people to find fulfillment in trying to relieve the strain between humankind and its ecological niche. Love alone is not enough. Additional motivation due to fear of "**Angry Mother Nature**" would be required to induce people to do the needful environment-wise.

The precept of universal human brotherhood (“*Alle Menschen werden Brüder*”) could not suffice by itself:



Fright as well as joy would have to be operative:



(3) Every economist knows, however, that a barrier to implementing UBI is the problem of creating “fiscal space” for it. How can the government afford to make the payouts?

Saksham Khosla has recently warned the Indian government to avoid “*indiscriminate* culling [our italics] of existing [government] welfare schemes” in order to be able to pay for UBI. The warning resonates with a concern expressed to one of us by Jean Drèze (the most expert on-the-ground economic observer in 21st-century India); Drèze says, “I like the idea [of UBI] as far as Europe is concerned, but in India today it strikes me as a bull in the china shop.”

Drèze fears that the notion of UBI would indeed “be used mainly to dismantle whatever is already there [in India] by way of social security programmes”. We share the concern. But we also see the wisdom of the following argument in Herman Daly’s and Joshua Farley’s textbook, *Ecological Economics: Principles and Applications* (revised and expanded edition, 2011):

“[S]hould we tax energy and raise its price for the sake of inducing more efficient use, or should we subsidize energy and lower its price to help the poor? One instrument (price of energy) cannot serve two independent goals (increase efficiency, reduce poverty). We need a

second instrument, say an income policy. Then we can tax energy for the sake of efficiency and distribute income (perhaps from the tax proceeds) to the poor for the sake of alleviating poverty.”

In other words, and putting it more broadly: Just as it is fiscally costly to *subsidize* ecologically negative activities (such as using electric current from the grid), so also, levying Pigouvian taxes (i.e. *taxing* ecologically negative activities, or, as Guy Standing puts it, levying payments in return for excessive private appropriation of the Commons) could help create fiscal space for UBI.

FOOTNOTE: “Pigouvian taxation” is named after A.C. Pigou because of the following passage from his seminal book, *The Economics of Welfare* (1920):

“Sometimes people use methods that, as against the future, cost much more than they themselves obtain. Fishing operations so conducted as to disregard breeding seasons, thus threatening certain species of fish with extinction, and farming operations so conducted as to exhaust the fertility of the soil, are instances in point.... It is the clear duty of Government, which is the trustee for unborn generations as well for its present citizens, to watch over, and, if need be, by legislative enactment to defend the exhaustible natural resources of the country from rash and reckless spoliation.”

If looming environmental conditions are such that nearly all the decades of more and more aggregate material throughput (causing improvements in billions of people's material living conditions) are now behind us, and if governments meanwhile have to address the problem of destitution dogging a billion or more *other* people and thus causing grave social concerns, then the affluent folks will have to tone down their consumption of commodities in order to give governments *somehow* the fiscal wherewithal to perform this task: the affluent folks will have to pay more taxes *of some kind or other* – and, given the environmental crisis, Pigouvian taxes would be the best choice.

A fact inimical to such a strategy is that taxpayers do tend to vote against political parties proposing to increase tax rates. This is a political concern rather than a concern of ecological economics *per se*, and is therefore, strictly speaking, beyond scope of our topic in this presentation; but even so, we would offer the following remarks about it:

It seems to us conceivable that three motivations functioning together – (1) “ecological fear”, (2) “social fear” of the 21st-century destitute and potentially-destitute precariat behaving like the proletariat did a hundred years ago in some countries, and (3) natural

human love for Humankind as an imagined community – might induce a large part of the taxpaying Great Indian Middle Class to join with the poor (who are more than a quarter of the national electorate) in voting for a political party that promises to help fund a hefty UBI by means of hefty Pigouvian taxation.

We are envisaging here a UBI high enough to enable the formerly destitute to bear their share of the hefty Pigouvian taxation, thus motivating *them*, as well as the lower-middle-class folks, to consume sparingly such commodities as electricity, cooking fuels, and meat.

FOOTNOTE: If we were to refer to specific governments, we might mention that the current Finance Minister has suggested that the sales tax on air conditioners ought to be reduced. (It seems to us that an air conditioner should be regarded as a precious kind of machine and should be used carefully when needed! And indeed likewise for lighting....)

We admit that UBI at such a rate might well amount to some 10% of GDP; but we think that the hefty Pigouvian taxation needed to help fund it would be, *per se*, good in the long run for India since she is very vulnerable to destructive vicissitudes of global warming, exhaustion of aquifers, etc. Our 10% rough guess is related in a rough way to the fact that in the *Economic Survey 2016-17* tabled

in the Indian national parliament by the executive branch of the government, a chapter entitled “Universal Basic Income: A Conversation With and Within the Mahatma” proposed for discussion a scheme for unconditional but not universal UBI (only people certified as “poor” would get it) estimated as likely to cost some 5% of India’s officially acknowledged GDP. (We say “officially acknowledged” because the “black”, untaxable part of the economy is vast.)

A high UBI financed partly by Pigouvian taxes would be like a sugar-coated bitter pill to the taxpayers. The bitter but necessary (in the 21st century) economic medicine would be higher commodity-prices due to the Pigouvian taxation; the sugar would be com-

pounded of (1) relief, or at least hope of relief, from the “social fear” of Revolution, (2) indiscriminate brotherly love (competing with fascist tendencies), (3) some degree of relief from “ecological fear”, and (4) the fact that Pigouvian-slanted sales taxes would be indirect rather than direct like personal income taxes.

Any strong economic medicine, however, is likely to damage the body politic less if the eventually necessary dosage is built up gradually. A series of moderate reforms with regard to (a) increasing Pigouvian taxation, (b) building up UBI and (c) winding down misdirected or eventually unnecessary government subsidies would be, in our opinion, more advisable than a grand reform all at once.