

“Experimental evidence shows that when people are given unconditional cash they will by and large spend it on worthwhile things” – Pranab Bardhan

blogs.lse.ac.uk/southasia/2016/11/21/experimental-evidence-shows-that-when-people-are-given-unconditional-cash-they-will-by-and-large-spend-it-on-worthwhile-things-pranab-bardhan/

2016-11-21

*Professor Pranab Bardhan recently participated in the Ideas for India [Symposium on Universal Basic Income for India](#) with [academics from LSE](#) and other leading institutions. During Professor Bardhan's recent visit to LSE, **Sonali Campion** asked him to elaborate on how he envisions basic income interacting with existing welfare provisions.*



SC: You've talked about the feasibility and desirability of universal basic income but you noted it should not be thought of as a substitute for other key welfare policies. Where do you see basic income replacing welfare, and where you see it complementing existing efforts?

PB: That's an important question. To start with an anecdote: basic income is something that has been discussed in the west and there is literature dating back at least 20-30 years, and the ideas have been traced to some 19th century thinkers in the west as well. In 2010, I proposed basic income for India at a conference in Delhi. At that time I don't think anyone had proposed it for India, so to most of my audience it was a weird idea. Aruna Roy, who has been a leading activist on Right to Information, Right to Work and Right to Food, was in the audience and immediately interrupted to ask "are you thinking of getting rid of programmes like NREGA?" I said "Calm down – I'm not thinking of that!"

You will also see in the Ideas for India symposium there are also differences of opinion. To give you an example, Abhijit Banerjee's piece indicated he is thinking of basic income primarily as a substitute. He says except for some health and education measures, he wants to get rid the other welfare support. I said no, I want to keep not just health and education – most people agree that should be kept, this is true in western discussions as well – but in addition I mention in India you should not get rid of the pre-school child nutrition programmes, NREGA and so on.

Even if I give money to the poor people I believe in their autonomy, they should be free to spend on whatever they like. Some people say the man in the family will blow it up on booze, drugs and gambling, although there is not much evidence for this. Most of the experimental evidence – not just in India but in Africa and Latin America – shows that when people are given unconditional cash they will by and large spend it on worthwhile things. In India people say, in a way that might be considered patronising, "don't give it to men, just give it to women" or "put the money in the women's bank account". I'm not against that but on the other hand I don't find this paternalistic thing very comfortable. But most importantly we don't have any evidence that men do misspend unconditional cash, what we do have suggests it's not a big problem. For example, in India SEWA (Self Employed Women's Association) carried out some experiments of unconditional grants in some villages in MP. They didn't find funds were much misused.



Image credit: [indicpeace](#) CC BY-NC-ND 2.0

Even if it is misused, that is one reason I'm in favour of keeping NREGA. Suppose there's some feckless man who drinks away the money. At least for that man NREGA is a fall back option – he has to be able bodied of course. He can then survive by breaking stones and digging ditches via the NREGA programme. Basic income does not stop you from doing work. It gives you the choice of looking for better jobs. One of the examples that I give in India of a job that nobody wants to do but some people will do because they have no other source of income is scavenging. Manual scavenging is a huge problem in the caste relations in India. The people who do it do so because they don't have a minimum income. If you have a basic income, this would be an escape ladder. You might ask, who will do this scavenging then? The society or the government need to come up with technological solutions.

So NREGA offers a safety net option. The other thing is, even if poor people use the money well my experience is health, education, nutrition and a few other things, they don't spend enough. This is particularly true of health and nutrition. Even if poor people get a lot of money, they do not spend enough on their children's nutrition, in part because they don't have the knowledge or awareness, this is true in health too – people don't pay enough attention. On education people are somewhat more conscious, because education connects to jobs. So these are my reasons why I want to keep these welfare programmes in.

Note: This article gives the views of the author, and not the position of the South Asia @ LSE blog, nor of the London School of Economics. Please read our [comments policy](#) before posting.

About the Author

Pranab K. Bardhan is Professor Emeritus of Economics at the University of California, Berkeley. He was the chief editor of the *Journal of Development Economics* for 1985-2003. He was the co-chair of the MacArthur Foundation-funded Network on the Effects of Inequality on Economic Performance for 1996-2007. He also held the Distinguished Fulbright Siena Chair at the University of Siena, Italy in 2008-9, and was the BP Centennial Professor at London School of Economics for 2010 and 2011.



He has authored 12 books and more than 150 journal articles, and edited 12 other books. He has conducted theoretical and field studies research on rural institutions in poor countries, on political economy of development policies, and on international trade. A part of his work is in the interdisciplinary area of economics, political science, and social anthropology. His current research involves theoretical and empirical work on decentralised governance, and the political economy of development in China and India.

Sonali Campion is Communications and Events Officer at the South Asia Centre. She holds a BA (Hons) in History from the University of Oxford and completed her MSc in Comparative Politics at LSE.



- Copyright © 2016 London School of Economics