

**CDSSES 2020****IV International Scientific Conference "Competitiveness and the development of socio-economic systems" dedicated to the memory of Alexander Tatarkin****DISTRIBUTION PROPORTIONAL TO NEEDS AS A POTENTIAL ELEMENT OF UNCONDITIONAL BASIC INCOME**

Vyacheslav Bobkov (a)\*, Alexander Zolotov (b), Marina Zolotova (c), Sergey Zolotov (d)

\*Corresponding author

(a) Russian Economic University named after Grigoriy Valerievich Plekhanov, 36, Stremyannyy per., Moscow, Russia, bobkovvn@mail.ru

(b) Lobachevsky University, 23, Gagarina Av., Nizhny Novgorod, Russia, zoav6@iee.unn.ru

(c) Lobachevsky University, 23, Gagarina Av., Nizhny Novgorod, Russia, mviazolotova@gmail.com

(d) Lobachevsky University, 23, Gagarina Av., Nizhny Novgorod, Russia, szolotov96@gmail.com

**Abstract**

The article examines the relationship between the idea of distribution in proportion to the needs and the concept of universal basic income (UBI). Arguments are presented in favor of the fact that distribution in proportion to needs is not a specifically communist principle and is realized in the system of a modern market economy, primarily through the free provision of educational and medical services and the payment of social transfers. The authors reveal the characteristic of modern society contradiction between the tendency towards the prevalence of the principle of distribution in proportion to the needs in the areas that directly ensure human development and the linkage of material well-being to factor income. It is noted that the resolution of this contradiction requires the introduction of a universal transfer in order to ensure the primary conditions of human development. The identity of such a transfer and UBI is shown. The historically transitory nature of the UBI concept formation in isolation from the idea of distribution by the needs is revealed. It is substantiated that UBI, as the initial form of the universal implementation of the principle of distribution in proportion to needs, complements factor income generation and is not the primary source of welfare for each member of society. A model of targeted social support for low-income families with children, which can be considered as a transitional form of UBI, based on the redistribution of income in proportion to the minimum needs is shown.

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*Keywords:* Distribution in proportion to needs, unconditional basic income, well-being



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## 1. Introduction

The problem of introducing an unconditional basic income (UBI) has been discussed in Western socio-economic literature for several decades: the periodization of the formation and development of this concept is being carried out, an idea of the essential characteristics of UBI is being formed, its potential effectiveness in solving the problems of overcoming poverty and achieving a balanced offer and demand on the labor market are investigated (Gentilini et al., 2020); (Parijs & Vanderborght, 2017); (Specianova, 2018); (Widerquist, 2018).

The exploration of this problem by Russian researchers has begun relatively recently but is already moving from a general acquaintance with the problem (Zolotov & Shilov, 2016) to its in-depth analysis (Davydov, 2017; Gontmakher, 2019; Kuznetsov & Meteleva, 2018; Zhavoronkov, 2019).

Despite significant advances in the development of the problem, there are numerous debatable questions (about the objective prerequisites for the introduction of UBI, the relationship between UBI and the existing social protection system, UBI size, ways of its introduction, etc.). This testifies, in our opinion, to the incompleteness in the development of the conceptual foundations of UBI.

The formation of the UBI concept is characterized by a certain isolation from the theoretical potential of Marxism, associated with the idea of its adherence to the view that labor is necessary to generate income (Standing, 2017), which contradicts the idea of unconditional income. Meanwhile, a well-grounded position has already been expressed that Marxism is not incompatible with the idea of the BBD (Howard, 2005). Although this assessment is directly related to the analysis of the problem of employment, it seems that the statement about the compatibility of these theories applies to the consideration of distribution problems as well. To do this, one should take into account the Marxist interpretation of distribution in its entirety, taking into account not only the principle of distribution according to work, but also according to needs. At the same time, the principle “according to needs” also appears as a result of the evolution of the principle “proportional to needs”.

## 2. Problem Statement

The idea of distributing goods in proportion to needs is a concretization of Marx's approach to the problem of distributing consumer goods. Considering the distribution of such benefits produced within the entire society, Marx singled out that part of them is intended for joint satisfaction of needs (schools, health care institutions, etc.) and funds for the disabled.

The rest of the consumer goods - namely, individual consumer goods - according to Marx's thought, under socialism is distributed in proportion to the labor delivered by the producers (according to labor), and under full communism - according to needs (Marx & Engels, 1961).

Practice has shown that after a century and a half, spending on social goals in economically developed countries has increased many times in both relative and absolute terms. As for the second component, its distribution is carried out in proportion to factor income, and labor income is not the only one.

The progress of distribution in proportion to the needs in modern capitalist society covers such spheres as health care and education, the services of which almost everyone uses, regardless of

participation in labor. While, as before, the period of free education covered only childhood and adolescence, the modern practice of lifelong learning goes beyond this age range. Services in the form of treatment of diseases are complemented by regular mass medical examinations of both working and non-working people.

In such spheres of economically developed countries as secondary education and health care, the predominance of the principle of distribution in proportion to needs has become established. Obviously, in these areas, it is not the only one; along with it, a commercial approach is being implemented. Thus, free secondary education characterizes all economically developed countries. Higher education is not yet universal, and in the USA, for example, it is provided mainly on a paid basis. In the medicine of these countries, the commercial sector of medical services is significant. And yet, there is no doubt a tendency towards the dominance of the principle of distribution in proportion to the needs in these areas, which are key from the point of view of human development.

Funds for joint satisfaction needs satisfaction are designed to ensure such needs' satisfaction at a level not lower than socially necessary. Undoubtedly, the socially necessary level is not the same as full satisfaction of needs. This gives grounds to speak of distribution "proportional to needs" (similar to how the principle "according to work", in reality, appears as "proportional to the labor used"). Distribution in proportion to needs does not exclude the acceptance of benefits through the use of money or their substitutes in the form of coupons, vouchers, etc. Gratuitousness is realized here by providing free funds and documents mentioned above.

It is necessary to take into account the presence of disabled people (children, the elderly, people with disabilities) inevitable for any society. These members of society cannot be excluded from the distribution according to (proportionally) needs. In this sense, participation in labor is not mandatory for the implementation of this principle. Funds for the disabled are also distributed free of charge, with a focus on the needs of the life support of the relevant socio-demographic groups. The amount of some transfers of this type (pensions, sick leave, etc.) is determined taking into account the amount of earnings. And yet, one should distinguish between gratuitous provision of funds, taking into account value of funds, and the actual earnings as factor income. It is about the influence of one distribution principle on another, not about replacing one with another.

This method of distribution is undergoing a certain evolution, and its historically previous forms of implementation are not identical to the subsequent ones. So, in its starting point, distribution in proportion to needs appears in the form of social assistance to those in need. Need and its concentrated expression - poverty, was generated, most often, either by disability or loss of work. "In proportion to needs", thus, can be combined with the unconditionality of income, implying that aspect of unconditionality, which implies the absence of a relationship between income and participation in labor.

If for socially significant services the implementation of distribution in proportion to needs has reached a universal and unconditional character or is approaching it, then the situation is different when meeting the needs for material goods (consumer goods, housing, etc.). This principle continues to apply mainly to the needy, who are defined according to clearly defined criteria and are generally limited to a minority of the population. Here, as well, the system of forms of social support is very diverse: from the provision of social housing to the payment of benefits for children. Some social transfers, in particular

"maternity capital", are close to reaching most families. And yet, in terms of their total volume in total income, such transfers are significantly inferior to factor income. Accordingly, the situation is reproduced when the material well-being of the members of society majority is determined by factor income.

Thus, there is a contradiction characteristic to modern society between the tendency towards the predominance of the principle of distribution in proportion to the needs in areas that directly ensure human development, and linking material well-being mainly to factor income. This contradiction, like any other, gives rise to two opposite tendencies: progressive - towards the development of the principle of distribution in proportion to needs, including in relation to consumer goods, and regressive - towards curtailment of this principle and the dominance of factor income in meeting all the needs of society members.

The current situation in the movement of this contradiction is, in a sense, a milestone. The distribution in proportion to the needs in relation to material benefits applies today to significant categories of the population, but unlike, for example, secondary education, it does not cover all members of society. Giving it a universal character in this respect is a prospect of an implementation of such an idea.

The noted prospect is a leap from the existence of transfers, each of which is addressed to a certain category of the population, to the appearance of payments for everyone. By itself this does not mean, however, that a single transfer appears, replacing all the others. It is reasonable to assume that this transfer will initially exist along with others, focused on the specific needs of certain socio-demographic groups.

The noted leap in the implementation of the distribution of material benefits suggests a revision of the concept of social transfer about social transfer as a form of social support. In its original understanding, social support was addressed to those in need in connection with a difficult life situation. To consider all members of society as similar needy is inappropriate, of course. The distribution of benefits in proportion to needs is an objective requirement to ensure the development of all society members. In this context, the division of society into those who provide assistance and its recipients is denied. There is a mutual assistance that gives such a transfer the quality of a universal social guarantee.

Thus, there is a need for a social transfer in modern society that ensures the implementation of the principle of distribution of material wealth in proportion to needs as universal. It is such transfer, in our opinion, that the UBI concept is about. This allows an unbiased comparison of the idea of distribution in proportion to UBI's needs and concept.

### **3. Research Questions**

This publication examines the impact of one of the transitional forms of UBI, which is a payment that raises per capita household income to a guaranteed minimum income (GMI) to meet the primary needs of low-income families with children.

#### **4. Purpose of the Study**

It is to show that the idea of the distribution of wealth in proportion to the priority needs of low-income families with children is significant for the development of the UBI concept.

#### **5. Research Methods**

The research uses methods of forming representative sample sets of households, sociological survey, analysis and synthesis, expert assessments.

#### **6. Findings**

The key characteristics included in the UBI definition: versatility and provision of the basic conditions for human development are in line with the principle of proportionate needs. It is also obvious that UBI is a specific form of implementing this principle, since, unlike, for example, the provision of free educational services, it has a monetary form. The identification of a general principle with one of the forms of its implementation would be unjustified. Pilot projects aimed at implementing the UBI idea in conjunction with distribution in proportion to needs are widely represented in world practice (Akresh et al., 2016); (Gentilini et al., 2020); (Kwong, 2013).

In Russia, such a pilot project “Improving the targeting of social support and economic sustainability of families with children” was carried out in 2018 on the territory of the Vologda Region by the Vologda regional public organization “Association of Large Families ‘Big Family’” under Agreement No. 17-2-010241 with the Presidential grants for the development of civil society. The partners of the project were the Federal State Budgetary Scientific Institution “Institute of Social and Economic Problems of Population” of the Russian Academy of Sciences (ISEAPN RAS) and the Department of Social Protection of the Population of the Vologda Region (Bobkov, 2019).

A reference group was identified, including 70 low-income families with children, corresponding to a representative sample of low-income families with children in the Vologda Oblast. After a survey of the financial situation of these families, who have already received state social support, it was revealed that their per capita income was approximately 35% of the regional subsistence minimum (SM). This meant that these families did not have enough funds even to meet the basic (minimum) food needs. The essence of the pilot project was to justify the need for additional regular payments to increase the per capita monetary income to the GMI. The regional administration was offered three threshold values of the GMI: 1) the cost of food products in the consumer basket of the regional PM (50% of the PM), 2) the cost of food plus the cost of a set, including funds to pay for a computer, Internet, mobile phone and mobile communications (it was assumed that funds for their purchase or replacement would be accumulated within 1 to 2 years, and the GMI would be approximately 65% of the PM), and also 3) the amount of the regional differentiated subsistence minimum for each of the types of families included in the reference group. A methodological toolkit was developed for identifying per capita income prior to the implementation of an additional cash payment, and a differentiated additional cash payment was carried out within three months. In the experiment, the size of the GMI was taken at the level of the second

threshold value, which was determined by the limitations of the regional budget for targeted social support. A survey of the reference group, carried out after the completion of the pilot project, showed that the redistribution of income allowed low-income families to allocate additional funds to solve the following problems (in% of the number of families surveyed, participants in the Pilot Project): to improve nutrition - 56.8%; solving problems with clothes and footwear - 54.1%; for medical treatment 21.6%; for the organization of recreation / entertainment for children - 13.5%, other -13.5% (payment for additional developmental activities for a child, children's furniture, etc.). Thus, a significant part of the additionally paid funds made it possible to more fully meet the priority needs of low-income families with children. At the same time, 56.8% of families used part or all of the additional payments to solve debt problems. This shows that the high debt burden of low-income families with children does not allow most of them to fully use the additional payment for the purposes that were set for it. The time limits of supplementary payments were too short (three months) to normalize minimum consumption in low-income households. With the proliferation of such experiments, they should be carried out for several years, and the threshold value of the GMI should be set at the level of the differentiated regional PM for the corresponding types of families with children, which would make it possible to bring the structure of consumer spending in low-income families in line with the structure of expenditures provided for in regional PM consumer baskets. Despite all this, the Vologda pilot project showed, although not fully, its effectiveness and is a prototype of the unconditional receipt of an additional payment, in which there is no connection between income and participation in labor.

The given understanding of the basic nature of the minimum needs allows us to define UBI's value as focused on the ability to purchase the necessary consumer goods. Needs for intellectual development, for maintaining health are of a higher order, their satisfaction in proportion to the minimum needs in modern Russian society, as a rule, is not mediated by the form of purchase and sale (free general education, compulsory health insurance programs). Therefore, such needs should not be taken into account when determining the value of UBI.

Accordingly, the basis for the reproduction of factor income remains, in relation to which the UBI acts as an addition, which makes it legitimate to link its size to the subsistence minimum. This, in our opinion, is natural for that stage of socio-economic development when the preconditions for the implementation of more developed forms of UBI have not yet been formed. At the same time, the total value of UBI within a family is proportional to the number of children, which distinguishes this method of distribution from labor income, which, if its value is equal for different individuals, puts them in an unequal position with a difference in the number of family members.

## **7. Conclusion**

The analysis performed suggests that the principle of distribution of consumer goods according to Marx's needs can become one of the significant elements of UBI concept. Taking it into account allows us to characterize the evolution of the prerequisites of UBI more accurately, consisting in the spread of this principle to an even wider circle of members of society. This trend will end in the emergence of a universal transfer that provides basic human development conditions.

Transitional forms of UBI act as the initial form of a universal transfer that implements the principle of distribution in proportion to needs, and in its developed form, such a transfer can become identical to UBI as a source of welfare for each member of society.

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