

45

---

**proudly small** / 45<sup>th</sup> st. gallen symposium / 7–8 may 2015  
Leon Schreiber – Small yet BIG:  
The Basic Income Guarantee

## SMALL YET BIG: THE BASIC INCOME GUARANTEE

Leon Schreiber is placed second in this year's St. Gallen Wings of Excellence Award. He studies at the *Freie Universität Berlin* and will attend the 45<sup>th</sup> St. Gallen Symposium as a Leader of Tomorrow.

---

**LEON SCHREIBER (ZA)**, Ph.D. Candidate in Political Science, *Freie Universität Berlin*.



Leon Schreiber is a Ph.D. Candidate in Political Science at the *Freie Universität Berlin* and a Visiting Doctoral Fellow at Princeton University. Originally hailing from the rural Namaqualand region of South Africa, Leon Schreiber went on to earn his Bachelor's degree, a Bachelor's degree with honours and a Master's degree from Stellenbosch University. He enrolled for doctoral studies in 2011 and is currently completing his dissertation on the comparative political economy of social assistance provision in South Africa and Brazil. Schreiber's work has been recognized through numerous grants and awards from Stellenbosch University, the European Commission, the German Academic Exchange Service and the Berlin Consortium for Germanic Studies. He has previously worked with a range of social impact organisations across four different continents, including think tanks, local government, political parties.

### A SILENT REVOLUTION

From the thirsty plains of the Namib to the seemingly impervious jungles of the Amazon and the cramped slums of Seemapuri, a revolution is quietly brewing. A small idea that appears almost self-evident has taken root in some of the world's forgotten corners. In contrast to the convoluted development theories of structural adjustment, economic convergence, and trickle-down – all of which ultimately aim to ensure that everyone has enough money – this idea offers but a single proposal to help address the destitution of so many millions: If we want to live in a world that is free from poverty and where the poor are able to become wealth creators, then by definition, everyone needs to have at least some money.

This once utopian vision is gaining ground, fast. A global network of academics, activists, non-governmental organisations (NGOs) and private groups

are working towards the implementation of Basic Income Guarantees (BIGs)<sup>1</sup> in some of the world's most impoverished regions.<sup>2</sup> It is a small idea, both in terms of its simplicity and in terms of the sums of money involved. But it is having a big impact. In addition to reducing poverty and inequality, assessment results from pilot projects overwhelmingly indicate that providing a monthly income of only \$10 to every person in some of the poorest communities on earth is good for business. By ensuring a basic level of social security, these programmes simultaneously boost demand and operate as a public source of seed funding that enables beneficiaries to make the vital capital investments required to start businesses. Politicians and policymakers are starting to catch on, and the rapid recent spread of these programmes has the potential to fundamentally transform the landscape of development policy through a single

small idea: just give money to the poor.<sup>3</sup>

### SARAH'S BIG BREAK

Sarah Katangolo's already brisk walk quickened even more as she approached the corrugated structure on the street corner. In her left hand, she tightly gripped the very symbol of wealth in the modern world: a plastic debit card proudly emblazoned with her personal details. Sarah was on her way to withdraw money from an ATM machine, an act so numbingly habitual in the developed world that it has become all but invisible. The ostensible banality of the entire scene was further enhanced by the fact that she was on her way to withdraw a measly \$80. But here on the dusty streets of Otjivero, 100 kilometres east of the Namibian capital Windhoek, Sarah was engaging in an act amounting to nothing less than a personal revolution.

She was one of the first beneficiaries of a pilot project administered by Namibian NGOs that had introduced a BIG in Otjivero.<sup>4</sup> For the past year, Sarah, whose husband had passed away a few years earlier, had been receiving a monthly payment of \$10 for every person in her household. The money was primarily going towards school fees and food for her seven children, but she had used \$5 from her very first BIG payment to purchase two chickens. After only twelve months, Sarah had become the proud owner of 40 chickens, which she was now selling for as much as \$30 each. After deducting the cost of feed, this amounted to a potential profit of \$1,000. Sarah Katangolo, a single mother who had never managed to find work in a country with a female unemployment rate of at least 30%<sup>5</sup> and where more than two-thirds of the population lives on less than \$1 a day,<sup>6</sup> had become an entrepreneur.

She wasn't the only one. The eminently small act of providing every person in the village with a mere \$10 every month had transformed the lives of its 930 residents. Using the food poverty line as a measurement proxy, the project assessment<sup>7</sup> found that household poverty had dropped from 76% to 37% in a single year. Among households that were not affected by in-migration, the rate dropped to 16%. Child malnutrition fell from 42% to 10%, while average household debt was reduced from \$121 to \$77. Perhaps most significantly, the

BIG generated a significant increase in economic activity by enabling people like Sarah to make the necessary investments to become small business owners.

As a result, the rate of people who were engaged in income-generating activities (above the age of 15) increased from 44% to 55%. By simultaneously expanding the purchasing power of beneficiaries, the project also spawned a market for these new products. Far from sapping people's motivation to work, the small act of introducing a dependable monthly income of \$10 had provided beneficiaries with the collateral, basic social security and market incentives needed to participate in the local economy. Through acting as both a supply- and demand-side intervention, the BIG had served as seed funding for unleashing Otjivero's budding entrepreneurs. And, like Sarah Katangolo, most of them eagerly took advantage of the opportunity.

#### BIG PROGRESS

Although it has always been scarcely more than a peripheral idea, the notion of providing a universal basic income is in fact not a novel proposition, as philosophers from Thomas Paine to Thomas More and John Stuart Mill speculated about the potential it had for addressing the social ills of their times.<sup>8</sup> But the last decade has produced powerful signals that it is an idea whose time may finally have come. Eclipsing a long tradition of philosophical onticating in the developed world, the most

powerful of these signals have come from places like Otjivero. It is in developing countries that the biggest moves towards the implementation of BIGs are being made.

The last few decades have already witnessed the profound proliferation of non-contributory cash transfers throughout much of the developing world. In contrast to the contributory social insurance schemes popular in developed countries, these programmes transfer money from the state to the poor directly for a specified period of time on the basis of need and their rights as citizens. Prior contribution to a social insurance fund (and, by extension, formal employment) is not a prerequisite. They are generally aimed at the most vulnerable population groups, including the impoverished elderly, children, unemployed adults and people with disabilities.<sup>9</sup> The implementation of cash transfers in developing countries has been hailed as a 'development revolution from the global South',<sup>10</sup> and their growth is largely contextualised by pointing to the changing dynamics of development discourses.<sup>11</sup> This ideational shift also lays the foundation for the possible future implementation of BIGs in some of these countries. Figure 1 illustrates the global spread of cash transfers.

While these recent schemes have extended social security to many of the most vulnerable people on earth, they largely do not yet amount to universal income guarantees. But the political



Figure 1: Cash transfers in the world: (a) 1997 and (b) 2008 (Source: Adapted from Fiszbein, Schady, Ferreira, Grosh, Keleher, Olinto & Skou 2009: 4)

momentum they have generated by denying access to income as a social right instead of an earned privilege appears likely to culminate in the introduction of BIGs in some developing countries within the next few decades. In addition to the pilot project and associated lobbying efforts in Namibia, official inquiries or actual BIG projects have been initiated in Iran, Brazil, South Africa and India.

The only country in the world where a national BIG is currently being implemented is Iran. The government introduced the policy in December 2010 as a compensatory measure for the cancellation of costly price subsidies.<sup>12</sup> It pays a monthly cash transfer of \$40 to every citizen residing in the country,<sup>13</sup> 'enough to pull a big proportion of the 10% of Iranians who live on less than \$2 a day above that bar'.<sup>14</sup> The programme differs from the models adopted by the other cases under discussion in terms of its conception: It emerged by default in response to the end of the subsidies as a *de facto* BIG, and was not designed as a development programme. Nevertheless, the Iranian national BIG amounts to a powerful falsification of the notion that such schemes are 'only affordable and likely to arise first in more developed countries, particularly of the European variety'.<sup>15</sup>

Although it is not being implemented on an equivalent scale, Brazil became the first country in the world to adopt, in 2004, a law calling for the creation of a national BIG.<sup>16</sup> It immediately rolled out the now-famed Bolsa Família cash transfer 'as the first step in implementing this minimum citizen income by extending universal coverage'.<sup>17</sup> The Bolsa Família currently provides income support to the 57 million most impoverished Brazilians; equivalent to 28% of the country's total population.<sup>18</sup> Additionally, the residents of the Quatinga Velho community in São Paulo

state have been the beneficiaries of a privately funded pilot project for the last three years, where all residents are paid \$15 per month. Although the coordinators of the programme have varied a range of positive effects generated by the BIG, they have made it clear that the aim of the project is not to study its impacts; they are already convinced. Instead, the goal is to further stimulate progress towards the full implementation of the 2004 federal BIG law.<sup>19</sup>

South Africa has also recently seen a tremendous expansion in the provision of non-contributory social security. Its system currently covers 15 million beneficiaries; 29% of the total population.<sup>20</sup> Additionally, the 2002 government-sponsored Taylor Committee of Inquiry into a Comprehensive System of Social Security for South Africa officially recommended the implementation of a BIG to the value of \$10 for every person in the country.<sup>21</sup> The proposal was to have it phased-in over a period of 13 years in order to plug 'the coverage gaps within South Africa's social security system', thereby making it 'a general social assistance grant for all South Africans'.<sup>22</sup> Despite these official proposals, ongoing lobbying efforts, and the continued expansion of social security provision, the government has not yet comprehensively endorsed the BIG.

Two research-focused BIG pilots have also been underway in India since January 2011. Directed by the Self-Employed Women's Association (SEWA), the project was initiated in eight rural villages in Madhya Pradesh and eventually expanded to cover an urban section of Delhi.<sup>23</sup> Families participating in the urban scheme receive \$22 per month, while adults in the rural pilot receive \$4.40 and children under 14 years of age are paid \$2.20.<sup>24</sup> Researchers will

compare the consumption, expenditure, and nutritional outcomes of the participants to residents of 12 *control* groups residing in other villages, with the aim of studying the village-wide effects of the BIG transfer.<sup>25</sup>

#### SMALL INVESTMENT, BIG RESULTS

This steady proliferation of cash transfer programmes makes it likely that BIGs will be implemented in at least some developing countries within the next decade. But important questions continue to swirl, with critics rightfully voicing concerns<sup>26</sup> about the affordability of extending social protection to the impoverished. The experience of the last decade has, however, gone a long way towards allaying such fears, as new evidence suggests that providing basic social protection to all of the world's poor would cost no more than 2% of global GDP.<sup>27</sup> Policy proposals such as the one developed in South Africa further aim to recoup a part of the cost through the tax system from everyone above a certain basic income level.<sup>28</sup> Advocates additionally claim that a significant percentage of the costs associated with a BIG could be sourced from existing foreign aid budgets (including the \$31.2 billion spent on aid by the United States alone in 2012)<sup>29</sup> and by replacing the costly and inefficient means-tested welfare programmes currently in existence.<sup>30</sup>

Judging from the small amounts involved, the fundamental aim of the BIG model of development is certainly not to create a world where everyone gets rich of handouts. Instead, the BIG should be regarded as a public source of seed funding for the type of investments that enable people to create their own wealth. By guaranteeing a basic level of subsistence, it empowers the destitute to 'pull themselves up by their bootstraps'<sup>31</sup> – simply by providing them with a pair of

boots. In addition to combating poverty and inequality, the available evidence serves as a testament to the affordability and effectiveness of such policies in bolstering demand and enabling beneficiaries to make capital investments through the expansion of social citizenship.<sup>32</sup> Just as it empowered Sarah Katangolo to invest in creating wealth in Otjivero, the BIG's silent revolution has the potential to unleash the entrepreneurial power of millions of the world's most marginalised people. And calls for it are getting louder.

#### REFERENCES

1. BIEN (Basic Income Earth Network). 2014. 'Frequently Asked Questions' on BIEN [online] Available at: <http://www.etes.ucl.ac.be/bien/BI/FAQ.htm> [Accessed 17 January 2015].
2. Fiszbein, A., Schady, N., Ferreira, F. H. G., Grosh, M., Keleher, N., Olinto, P. & Skou, E. 2009. *Conditional Cash Transfers: Reducing Present and Future Poverty*. Washington: World Bank.
3. FRB (Federative Republic of Brazil). 2004a. *Institui a renda básica de cidadania e dá outras providências, 10.835/2004*. Brasília: *Diário Oficial da União*.
4. Haarmann, C., Haarmann, D., Jauch, H., Shindondola-Mote, H., Natrass, N., Van Niekerk, I. & Samson, M. 2009. *Basic Income Grant Pilot Project: Assessment Report*. Windhoek: Friedrich Ebert Foundation.
5. Hanlon, J., Barrientos, A. & Hulme, D. 2010. *Just Give Money to the Poor*. Sterling: Kumarian Press.
6. Krahe, D. 2009. 'A New Approach to Aid: How a Basic Income Program Saved a Namibian Village' on *Der Spiegel* [online] Available at: <http://www.spiegel.de/international/world/a-new-approach-to-aid-how-a-basic-income-program-saved-a-namibian-village-a-642310.html> [Accessed 11 January 2014].
7. Liesering, L. & Barrientos, A. 2013. 'Social citizenship for the global poor? The worldwide spread of social assistance' in *International Journal of Social Welfare*, 22: S50-S67.
8. Lindert, K., Linder, A., Hobbs, J. & De la Briere, B. 2007. 'The Nuts and Bolts of Brazil's Bolsa Familia Program: Implementing Conditional Cash Transfers in a Decentralized Context' in *World Bank Social Protection Discussion Paper*, 0709: 1-143.
9. RSA (Republic of South Africa). 2002. *Report of the Committee of Inquiry into a Comprehensive System of Social Security for South Africa*. Pretoria: Department of Social Development.
10. SASSA (South African Social Security Agency). 2013. *Statistical Report: Issue No 12 of 2013 – 31 December 2013*. Pretoria: Republic of South Africa.
11. Shrinivasan, R. 2011. 'Social insurance is not for the Indian open economy of the 21st century' on *The Times of India* [online] Available at: <http://www.timescrest.com/opinion/socialinsurance-is-not-for-the-indian-open-economy-of-21st-century-5775> [Accessed 16 January 2015].
12. Suplicy, E. M. 2006. *Citizen's Basic Income: The Answer is Blowing in the Wind*. Brasília: Programa Brasil. Tabatabai, H. 2012. 'From Price Subsidies to Basic Income: The Iran Model and its Lessons' presented at 14th BIEN Congress. Munich, 14-16 September 2012.
13. Tanner, M. D. 2014. 'The Basic Income Guarantee: Simplicity, but at what Cost?' on *Cato Unbound* [online] Available at: <http://www.cato-unbound.org/2014/08/26/basic-incomeguarantee-simplicity-what-cost> [Accessed 17 January 2015].
14. The Guardian. 2011. 'Social security is necessary and globally affordable, says UN' on *The Guardian* [online] Available at: <http://www.theguardian.com/global-development/povertymatters/2011/feb/21/social-protection-innovation-un> [Accessed 17 January 2015].
15. USAID (United States Agency for International Development). 2014. 'Program and Account Reports' in *U.S. Overseas Loans and Grants*. Washington: USAID.
16. Widerquist, K. 2011. 'India: Basic Income Pilot Projects are underway' on *BIEN* [online] Available at: <http://binews.org/2011/09/india-basic-income-pilot-projects-are-underway/> [Accessed 16 January 2015].
17. Widerquist, K. 2012. 'USBIG Newsletter' on *USBIG* [online] Available at: <http://www.usbig.net/newsletters/64Spring2012.html> [Accessed 16 January 2015].
18. World Bank Data. 2014. 'Unemployment, female (% of female labour force) (national estimate)' on *World Bank* [online] Available at: <http://data.worldbank.org/indicator/SLUEM.TOTL.FE.NE.ZS> [Accessed 11 January 2014].

