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"Would They be Lazier or Work Harder Given Free Money?": The Namibia BIG Pilot Project and the Possibility of Basic Income as a Strategy of Social Cooperation

Masahiko Suzuki

Abstract

This article charts the impact research conducted in the Namibia Basic Income Pilot Project from 2008-2009 and draws a complementary report on the success of BI schemes, particularly highlighting the issues of human capital development. The discussion goes on as follows. First, a profile of current Namibia is reviewed. Second, the article follows how the civil society of Namibia produced Namibia BIG Coalition and its pilot project initiative. The rest of this article looks in to the results of the project on the basis of impact research conducted by the Coalition. In conclusion, the problem of sustainability of BI is addressed. The possibilities of social cooperation mediated by BI schemes will also be explored.

I. Introduction

The idea of basic income (BI) is simple: everyone has the unconditional right to *ex ante* and regular cash transfer from the government. But this simplicity of BI has been a source of suspicion. The first suspicion is that BI, allowing people not to work, violates the principle of reciprocity and leads to exploitation of the industrious by the lazy (Elster 1987: White 1997). The second is that such a scheme does harm to people's work ethic and, for lack of sustainability, will squander welfare resources (Galston, 2001). Last but not least, those who value welfare paternalism favorably cast doubts on BI because it allows too much freedom. So BI would impair the welfare levels of citizens, give rise to a new forms of exclusion, and eventually undermine a sense of social duty and solidarity (Bergman 2004).

The underlying assumption behind these inseparable criticisms is an idea of *workfare* or the social model called "activation," both of which view welfare as human capital development and as a useful tool to combat social exclusion. From this point of view, BI lacks this potential in a sustainable way. Naturally, this sounds utterly unsatisfactory to those who favor BI, including hard libertarians who want to scrap the welfare state, since they in their own ways take account of its potential to enhance human capital (Offe 2008: Widerquist & Lewis 2006: Murray 2008). So for example, Van Parijs goes on to argue that BI would increase the "commodification" of people (Van Parijs 2006 163). Even Milton Freedman, when he speaks of a Negative Income Tax (NIT), highly values the positive impact of the guaranteed income on the *activation* of the poor (Freedman 1980).

Nevertheless, this sort of pros and cons inevitably remains an open question, since the question calls for a more down-to-earth, pragmatic approach rather than a normative, principled approach, as Brian Barry puts it (Barry 1997). It is for this reason that some advocates have argued for empirical research to explore what would happen if BI should be introduced. Some of them actually proposed or launched plans like "a BI experiment" (Groot 2006; Widerquist 2006; Altenkamp 2010), "a hypothetical lottery question study" (Paulsen 2008), "an empirical study concerning real lottery winners" (Marx & Peters 2004, 2006) and "a lottery financed social experiment"(Marx 2005). And in fact, albeit in the context of NIT, the large experiments (NITE) were officially initiated in the late 1960s and 1970s in four regions of the U. S. and one region in Canada, whose scientific results, especially after the Nixon administration's Family Assistance Plan was legislatively aborted, have fallen into unfortunate oblivion (Hum & Simpson 2001; Widerquist, 2005, 2005; Kornbluh 2009).

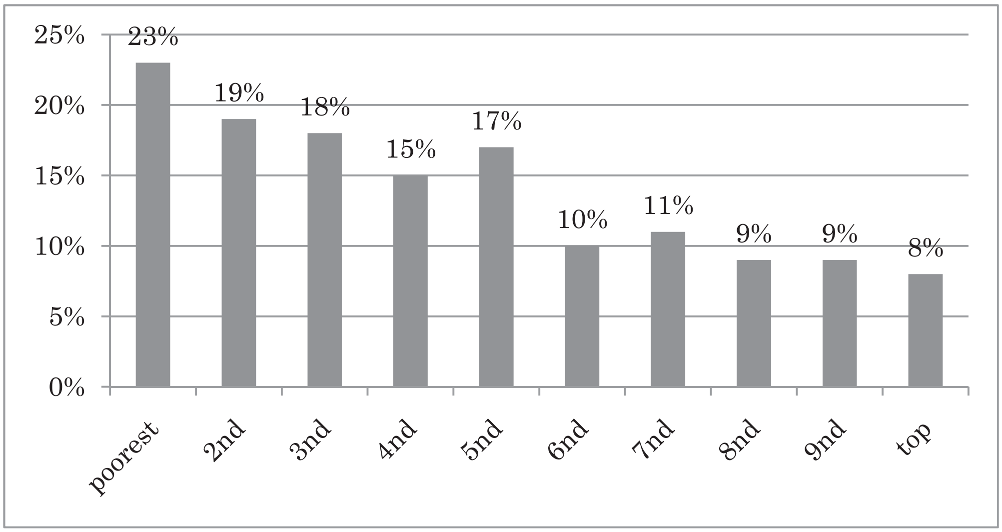
Concerning this problem of whether BI could empower people or not was a focal point in the Namibia Basic Income Pilot Project (NBIPP) that took place from 2008 to 2009. Prior to that, several cash transfer projects, with the aid of international organizations, had been designed and successfully launched in Africa: Ethiopia, Kenya, Malawi, Mozambique, Uganda, Zambia etc (DFID 2009; Hanlon 2004; Namuddu 2007; ODI 2007a 2007b; Schubert 2005a 2005b; Standing 2007, 2008): cash transfers are sweeping though the Global South for over a decade, whose movement, "a quiet revolution," has led to a paradigm shift in thinking about poverty, welfare and development (Barrientos et al 2010: Hanlon 2010). However, even in this context, conditional transfers, mainly targeting the ultra-poorest, are the norm. As a *universal*, *unconditional* scheme and experiment, i.e. giving *everyone* money, no questions asked, NBIPP is a forerunner.

II. A Profile of Namibia: Survival Economy

Namibia is strong in economic terms relative to most sub-Saharan nations. It is classified as an upper middle income country, with its per capita GDP of 2008 at US$4210 (World Bank 2010). Yet a large portion of the population is poor and faces chronic economic insecurity. Now Namibia is known as a country with a Gini-Coefficient of 0. 68, which documents the highest inequality in the world (NAMTAX, 2005 20). The huge socio-economic disparities are largely a reflection of colonialism and apartheid which continued until independence from South Africa in 1990, but also of the class stratification in the post-independent era. Although Namibia has experienced positive economic growth from 2000 to 2004 (the growth rates of 2004, for example, were above 12%), the labor participation rate has dropped significantly from 53.4% in 2000 to 47.95% in 2004. Official statistics indicate that unemployment rates during the same period rose from 33.8% to 36.7%, which is a vivid indication of what is called "jobless growth." Particularly, unemployment rates among youth are abysmally high, and those for young women of 15-19 are highest at 70.2%. Even though the Namibian government has launched several job creation policies, including public work programmes, public private partnerships (PPs), protectionist measures for the main companies, Export Processing Zone (EPZ), and Free Trade Agreements, these policies could merely reach about 5 to 10% of the unemployed, being highly inefficient in consideration of the costs expended (C. & D. Haarmann et. al. 2007 13-21).

Claudia Haarmann and Dirk Haarmann articulate the current situation of Namibia as a *survival economy.* Under this economy, "the poor have to spend hours securing their survival for the next day by collecting water and firewood and trying to obtain some food" and "these daily survival struggles absorb time, labor and other resources, which otherwise could be used for productive economic purposes." So, at the macro-social level, this mode of economy involves a huge amount of opportunity costs. And seen from the individual perspective, it puts poor people in a constant dilemma where "the quest for sheer survival today dictates acting in a way, which will endanger their future existence." That is how many women, fully aware of the risk of contracting HIV, are forced in to prostitution as her own and her family's daily survival are heavily dependent on it (C.& D. Haarmann et. al 2007 8-9).

Graph 1. Percentage of Income Paid as Remittances to Other Households



Source: C. & D. Haarmann 2006 10

A further aspect of this economy is that the destitute *rationally* adapt themselves to this dilemma by developing the so-called "informal social security system" or "remittance-oriented private safety net," where they mutually carry a disproportionally high burden of caring for other poor people. As Graph 1 shows, the richest households only spend about 8% of their income to support other households, whereas poor households spend up to 23% of their income assisting other poor people. "This informal social security system effectively imposes a regressive tax on the poor"(C & D. Haarmann 2006, 2007). Social solidarity amongst the poor traps them in perpetual poverty and prevents them from investing in their own human capital (C & D. Haarmann et. al., 2007 9; Samson et al. 2002 3, 22-24).

As later seen, some of these features arise from a "social dilemma," mainly attributable to failures in cooperation between social classes. The poor endogenously adapt their preferences to this mode of economy, which is perfectly a *rational* response to the constrained viable options available for them. On the other hand, the more fortunate classes are happy with their little burdens for the poor classes. But the total results are distorting Namibia: individual rational behaviours bring about collective irrationality.

III. NAMTAX and the BIG Coalition

In 2002, the Namibian Government's Tax Commission (NAMTAX), fully aware of these infamous socio-economic disparities, proposed to the government a monthly cash transfer along the line of BI. A recommendation was a cash grant of per capita Namibia $(N$) 70 to every Namibian above six years to be financed out of a flat rate 6.5% of Value Added Tax (possibly plus excise taxes, and a tourism levy) (NAMTAX 2002). This happened when also in the neighboring South Africa a government commission, "the Taylor Committee," had just recommended an introduction of BI for the Cabinet, which would stir up a large public discussion and movement in civil society with the guidance of South Africa BIG Coalition calling for national BI (Makino 2004; Hanlon 2004; Seekings 2007). Likewise, NAMTAX marked a turning point in public consideration of Namibia. On April 27 2005, various sectors of civil society, church, unions, and AIDS service organizations set up "the Namibia Basic Income Grant Coalition" to campaign for BI for all Namibians (see *ARb* 18).

In 2007, the BIG Coalition made public the implementation of the first BI pilot project in the world to move the policy debate forward and to produce real evidence of BI. The site chosen is the Otjivero settlement and the Omitara town in the Omitara district, located 100 Kilometres east of Windhoek, capital of Namibia. On July 31, all 930 residents below the age of 60 were registered in the pilot members. Those who moved to Otjivero-Omitara after July 31 are not eligible for BI (*ARb* 19-23). The site known as a "hot-bed of criminality" is allegedly one of the least promising candidates for the project to succeed (*ARa* 16: *ARb* 20).

Since the Namibia government and the ruling party (SWPO), being negative towards BI, refused to get involved in any financial support,[1] NBIPP was financed out of the private donation and support, domestic and worldwide. The fund-raising campaign was launched in August 2007. Namibia's first Prime Minister Dr. Hage Geingob was the first to pledge financial supports for NBIPP. Archbishop Desmond Tutu of South Africa, Senator Eduardo Suplicy of Brazil and many committed individuals also supported the project (*ARb* 24).

IV. A Little Project with a Large Aim!

1. Eligibility

NBIPP began in January 2008 and lasted until the final payment of BI in December 2009. On the basis of recommendations made by NAMTAX, every resident is unconditionally paid a monthly cash allowance of N$ 100, via at first the mobile banking system and later the Namibia Post Office (for details ARb 22-23). Payments to minors below 21 are made to their primary care-giver. Those above 60 are not eligible due to the Namibian Old Age Pension, a non-contributory universal social pension highly prized for its excellent take-up rate (nearly 100%) and great efficiency (Standing 2007). For the first quintile of the poorest 20%, a monthly cash transfer of N$ 100(US$ 10-14) translates in to an increase of about 50% of per capita income. However, compared with social pension, a monthly cash transfer of N$370(about US$ 53), N$100 does not reach a "Full Basic Income" that is supposed to guarantee a decent minimum standard of living. So the amount is a "Partial Basic Income" that does not lift people above the poverty line. Yet, since especially the poor live together with more people in a household, the initial pittance of N$ 100 is effectively boosted via "economies of scale" (*ARa* 77; Samson et al 2002 14).

2. Methodology

In NITE, control groups were set up in order to assess the causal impact of the guaranteed income on the experiment groups. Yet NBIPP did not establish any control group (not eligible for BI) mainly for ethical reasons. Instead, a four-fold research methodology was adopted.

First, a *baseline survey* was conducted in November 2007, two months before the first pay-out of BI. The sample was randomly drawn, covering 398 individuals and 52 households. This pre-survey collected the retrospective and current data on the situations of the residents. Second, *panel survey* was conducted twice in July 2008 and November 2008, covering the same household and individuals in the baseline survey. The baseline survey was carefully collated with panel research, whose differences approximate to those between the control group and the experiment group. Third and fourth, qualitative data from key informants and a series of individual case studies were conducted in order to show how BI changed people's lives (*ARa* 20-21; *ARb* 24-25).

NBIPP attracted many migrants to Otjivero-Omitara. So the demographic feature had changed since November 2007. Migrants are not eligible for BI, so the households hosting them had to share a portion of their BI, causing the marginal effects of BI per person and per household to be sporadically diluted. Thus in assessing the impact of BI, this in-migration effect was evaluated.

3. Criticism

The Coalition had asked for cooperation to surrounding commercial farmers. But farmers refused to cooperate with NBIPP: they had been in conflict with Otjivero (*ARa* 46). *Der Spiegel* reported a visceral voice of white farmers. "Giving them money? An idiotic idea," one farmer responded. "They all drunk, and if you give them 100 dollars, they will just drink more"(*Der Spiegel* 2009).

His remark is not simply out of bigoted prejudice. For instance, the IMF, while recommending conditional transfers, had just turned down the BIG Coalition's proposal along similar lines (IMF 2006 23). Their worries revolve around two familiar beliefs. (1) BI gives something for nothing, so it encroaches upon people's work-ethics and breeds dependency. (2) BI is too free for poor people to use wisely and rationally: they will waste it on alcohol, gambling, etc.

So which side is right? This paper looks in to the in-depth results of the NBIPP, drawing on two published reports by the Coalition, one which came out in September 2008, the other in April 2009[2]. The studies concern a range of topics such as poverty, malnutrition, education, economic activities etc. I shall focus on each subject and make complementary comments where important issues are involved.

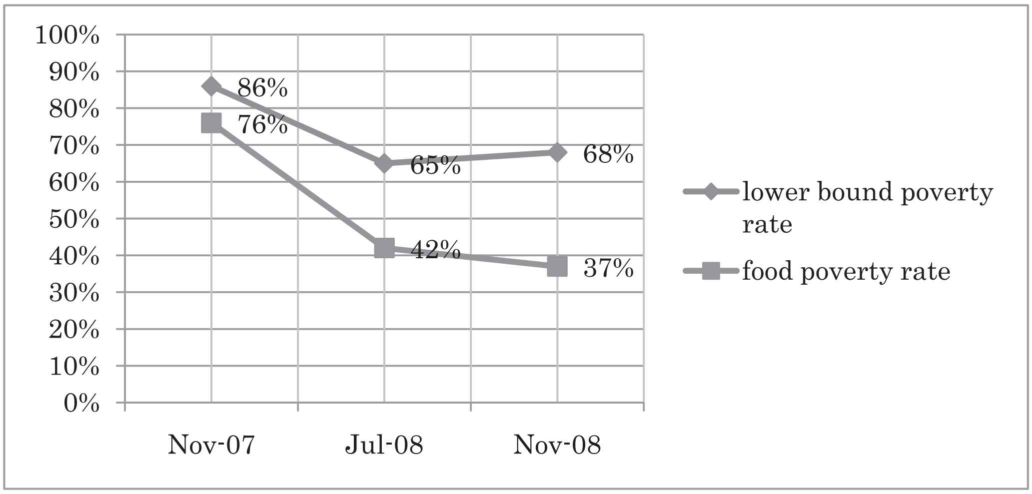
4. The Findings

4.1. Poverty

The Namibia government has introduced three national poverty lines set at different monetary levels: (1) A food poverty line at N$ 152, called "severely poor" (2) A lower bound poverty line at N$ 220, also called "severely poor" (approximately US$1 poverty line per day) (3) An upper bound poverty line at N$ 315, called "poor". The national average lower bound poverty rates are calculated at 13.8% (2003), whereas, before BI, 86% of all residents were below this line (and a massive 76% of people, even below the food poverty line) (*ARb* 48). This means eight in ten residents had been categorized as "severely poor". Graph 2 shows a pittance of N$100 substantially improved the poverty levels.

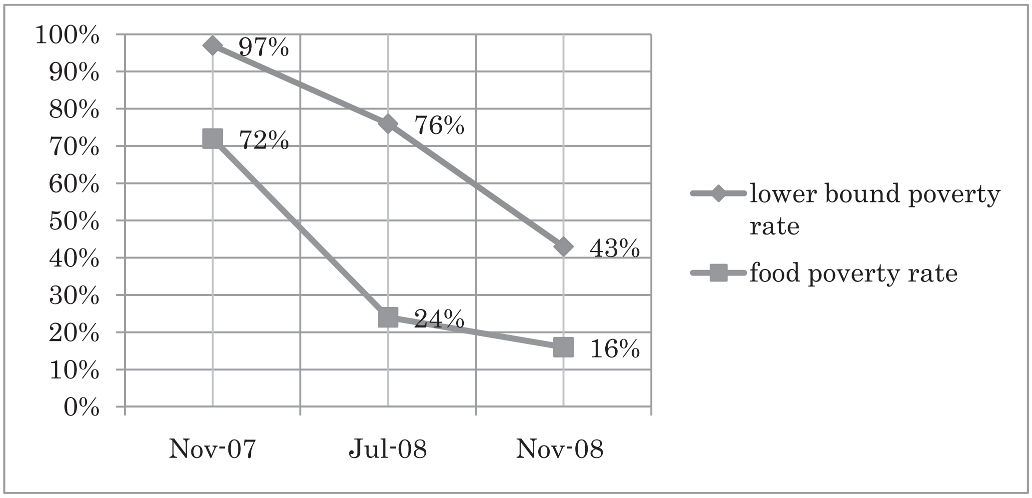
However this picture is somewhat inaccurate, according to the coalition, considering a migration effect that dilutes the marginal effects of BI. Graph 3 shows changes in poverty rates excluding households hosting in-migrants. This shows that both poverty rates are declining over time and more dramatically. This means if the nation-wide BI were established, this result would be precisely what would happen in Namibia as a whole, since migration to a "BI area," by definition, would not occur (*ARb* 50).

Graph 2. Levels of Poverty before and after BI



Source: *ARb* 49

Graph 3. Levels of Poverty Controlled for Migration



Source: *ARb* 50

What should we make of these results? I would refer to two basic points. First, when it comes to poverty, there is a highly influential approach called the "capability approach," which *basically* refuses to attribute the complicated aspects of poverty to sheer shortage of the primary goods or insufficient levels of income (Sen 1992 2005), whereas there is a further minor (but increasingly popular) view, emphasizing that poverty is primarily about lack of money, so giving people cash is the simplest, the speediest and the cheapest way of reducing poverty (Standing 2007, 2008, 2009; Hanlon 2004, 2010; Barrientos et al 2010). As far as severe poverty is concerned, and in view of the fact all capabilities have economic aspects, the empirical results of NBIPP appear to confirm this disarmingly crude, iconoclastic view.

This simpler view also has theoretical value because a reduction of the poverty gap is far greater with universal BI than with conventional social security systems even if the latter function with 100% take-up rates (unlikely to be realized). In South Africa, it is simulated that the universal small grant of monthly R100 per person can reduce the poverty gap by 73.7%, whereas the existing systems whose total take-up rates are 43% would have the *full* capacity to achieve this by a mere 36.6%. Since cash distributed to the rich would be recuperated through tax adjustments, this universal method is less costly than initially expected (Samson et al 2002).

Still, what is really remarkable is not just that BI reduces the poverty gap. Indeed if poverty is just about lack of money, it is a numerical platitude. Unconditionality seems another key factor. As later seen, there is more to the BI grant than the mere build-up of income level, namely "cash empowerment" which BI intrinsically has. Giving people cash unconditionally enhances the dignity of the poor. So unconditional transfers are more likely than conditional ones to elicit the potential capabilities of self-help from the poor and activate their *earning activities*. But this may be a controversial conclusion which needs further exploring: BBIPP has no control groups, so in this context there is little way to confirm comparative evidence concerning this conditionality problem.

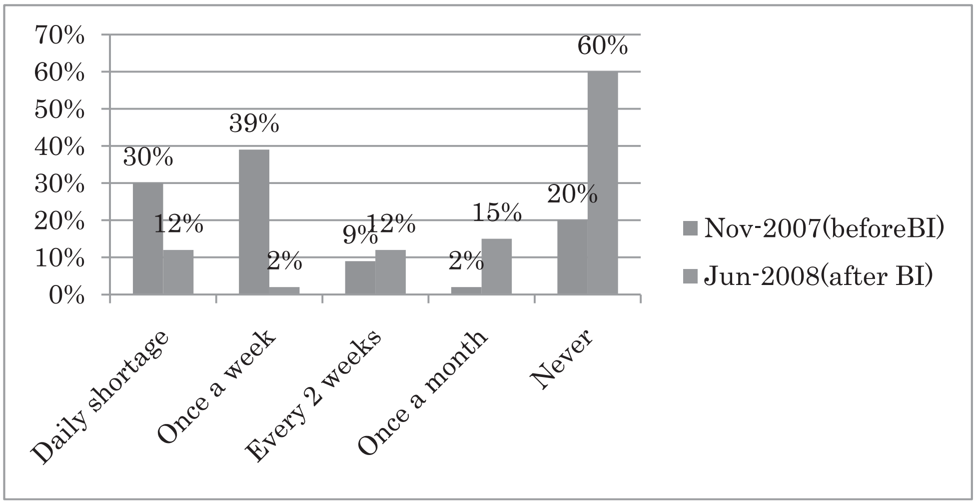
4.2. Hunger and Child Malnutrition

The nutritional situation was such that 73% of households reported they did not always have sufficient food (among them, 30% lacking sufficient food on a daily basis, 39% at least once a week). Only 20% reported that they never experienced food shortage. In times of food shortage, 48% indicated that they went to friends and relatives in Otjivero asking for food, while 18% went to friends and relatives outside Otijivero (*ARb* 50-51). A "regressive tax on the poor" is rife in the food availability of the poverty-stricken.

No wonder child malnutrition is dire. The Coalition Reports make several references to WHO information on the distribution of "weight for age" ratios. WHO uses "standard deviation units" or z-scores to classify children as under- or overweight for their age: a child with a z-score of 0 weighs what the WHO regards as optimal, given his or her age. Children who fall below -1 are seen as heading towards serious malnutrition, and those below -2 regarded as malnourished: likewise children with scores above 2 are regarded as unhealthily overweight. In Otjivero, 42% of the children under age 5 measured in November 2007 were malnourished (below -2), much worse than the average in Namibia (24-30%) and classified as *the worst* under WHO standards which is at a 30% mark. Furthermore, most(82%)of these children were between the ages of 2 to 3 (*ARa* 49-50; *ARb* 52-53). This fact is especially to be reckoned with, since early childhood malnutrition often stunts children for life (severe impairments of the immune system, higher risks of heart disease, strokes, hypertension and diabetes, and reduced life expectancy, etc.) (C. & D. Haarmann et al 2007 10).

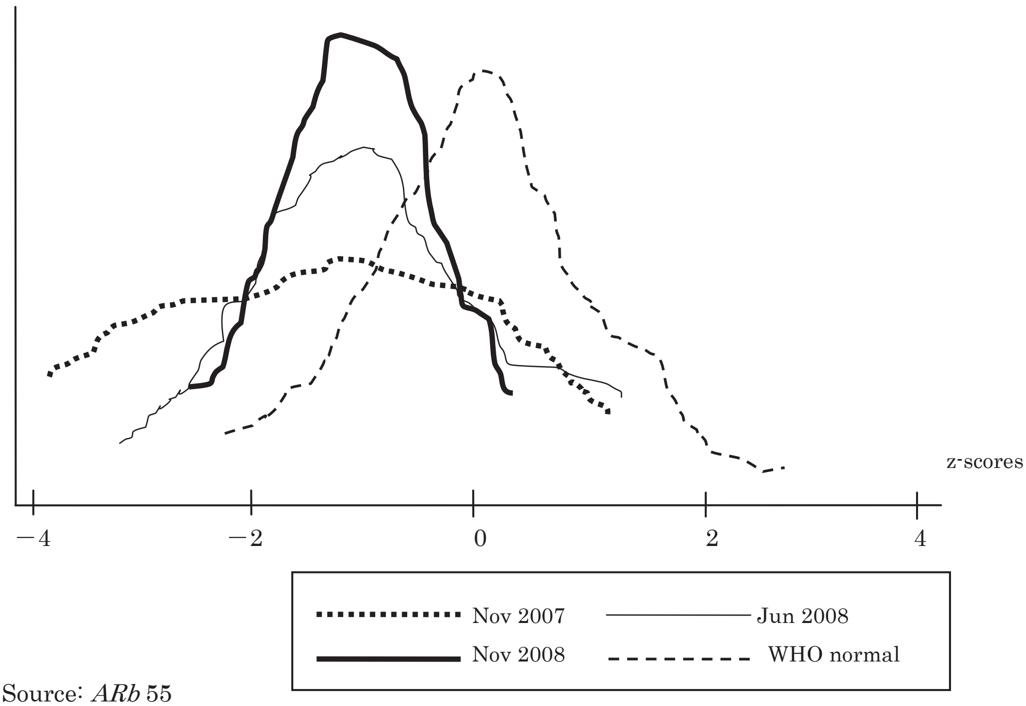
How was it after BI? As Graph 4 shows, BI has substantially alleviated the food shortage problem only within six months. The most striking is that the respondents who reported "Never" have increased from 20% to 60% (*ARa* 47-48). No wonder child malnutrition has also shown a positive result. Just six months after BI, the percentage of malnourished children had dropped from 42% to 17%. After one year, no child had a z-score below two, meaning child malnutrition became zero (*ARb* 53-54). The same result is confirmed by the Otjivero clinic data for all children below age 7 from November 2007 to November 2008 (Graph 5), which shows how the distribution of weight for age has become closer to "WHO normal." Statistically, before BI, in November 2007, malnutrition rates were at 42%. Only after six months after BI, the rates dropped dramatically to 17% and by November 2008 further to 10%. The implication is huge: with a small cash grant, serious child malnutrition can be eradicated in a very short period of time (*ARa* 55).

Graph 4. Percentage of Households Reporting Food Shortage (before and after the introduction of the BI)



Source: *ARa.* 48

Graph 5. Weight for Age Z-Scores According to WHO Standard before and after BI.



Source: *ARb* 55

4.3. General Health

As for general health, poverty prevented many residents from seeking treatment for illness. The clinic record of 2008 shows that in early 2007, the clinic had a monthly income of about N$ 250. After BI, it had a fivefold income increase to nearly N$ 1300. The local nurse reported that since BI, she had observed a reduction in cases of severe diarrhea, while the people coming to the clinic were mostly treated for more common sicknesses like flu and coughs (*ARb* 57-58).

HIV/AIDs crippled the community as elsewhere. HIV positive people have free access to Anti-Retorovial (ARVs) thanks to the mass "roll-out" campaign by the government's anti-HIV programs, but ARVs do not work if people have no food at all or only food of low nutritional value. After BI, people got to be well nourished. But the problem remained. The ARVs are only available in major towns. So, local residents in Otjivero have to struggle to get money N$ 100 to travel to a neighboring town, Gobabis (*ARb* 59). A disability grant is of little help to most of them: means-tested, its take-up rate is estimated at fewer than 20% and health-tested, it notoriously gives rise to what is called the "sickness trap" among recipients. According to Guy Standing, the disability grant in Namibia is "one of the worst designed cash transfer schemes in the world." In contrast, unconditional and universal transfer, if linked to the ARV roll-out, would more likely succeed in addressing HIV problems (Standing 2007 24).

What about gender aspects? Although the controversial problems of whether or not BI *per se* would promote the substantial equality of gender have theoretically remained moot (Bergman 2004; Ghaus 2006; Eglarte 2006; Robeyns 2008), this much is rather clear. BI makes it possible for some poor young women (forced into prostitution under a survival economy) to have far-reaching control of themselves and more effective power to say NO! (Widerquist 2004).

4.4. Education

The typical educational problems in Otjivero had been at once financial and nutritional. According to the baseline survey, 49% of the households with children of school-going age indicated that their children did not attend primary school regularly. And nearly half of them reported this was due to financial reasons(their inability to pay tuition of N$ 50 and other school expenses), while 21% cited ill health and feeding problems as the main reasons (*ARa* 61; *ARb* 65).

As for the latter, largely as a consequence of the improvement of nutrition, the performances of children have changed. The report cites several voices of the kindergarten and primary school teachers. One of them is saying

“[Before BI] when we sent them home[in break time], most of them never returned－because the parents did not have food to give them －Now they concentrate more and pay more attention in class. They are generally happy because they have enough to eat at home” (*ARb* 69)

What about financial aspects? One year after BI, the number of children not attending school for financial reasons dropped by 42% from 12 to 7 and especially 6 in 7 coming from households responsible for drawn migrants. The school principal reported that drop-out rates, once 30-40%, were reduced to a mere 5% by July 2008, finally by November 2008 to 0% (*ARb* 67-68). These results agree with those found in NITE of US, where the guaranteed income reportedly had positive impacts on the school achievements (test scores, attendance rates, drop-out rates, etc.)(Widerquist et al. 2004). Similarly, in South Africa, the State Old pension, the largest non-contributory assistance program of this country, exerts a significant effect on school attainment of children living in pensioner households (Samson et al. 2002 19-20; Barrientos et al 2010).

However, on reflection, this sounds pretty unnatural, given that BI is free cash, no duty attached. As a rule, family allowances are usually conditional, soft or hard, as in *Bolsa Familia* of Brazil, *Progresa* (*Oporunidades*) of Mexico, or those administered in 15 Sub-Saharan Africa, only in so far as parents send their children to school regularly (for example, Bolsa Familia requires 85% school attendance) (Barrientos 2010; Standing 2007, 2008; Suplicy 2006; UNDP 2005). These are a form of “participation income” subject to a means-test and a compliance monitoring. So for instance, UNDP epitomizes a need for a participation test as raising “some awareness of the importance of education for those families to achieve the full realization of their potential” (UNDP 2005 9). Then what is surprising in NBIPP is that beneficiaries decided to discharge their own responsibility *without any condition or any outer coercion*. Why?

The Coalition replies: “Trusting poor people to spend an unconditional grant wisely restores dignity, is empowering in ways which government-administered alternatives are not” (*ARb* 41). As an example, the report cites a single father who was, for the first time, able to pay his daughter’s school fees. He proudly said, “Now I want to pay for my child and because I have paid for the school, I will ensure that she performs well”(*ARb* 42). Notice he said that he, *not BI*, paid the school fees. It was his choice to use the money that way. Since he discharged his responsibility, he got the benefits of enhanced dignity. Certainly if a paternalistic approach of paying the school fees or a conditional approach had been taken, *he could not have been responsible* (*Ibid*). Dirk & Claudia Haarmann make the point clear. “Even dignity, it seems, can be purchased for 100 Namibian dollars a month” (*Der Spiegel* 2009).

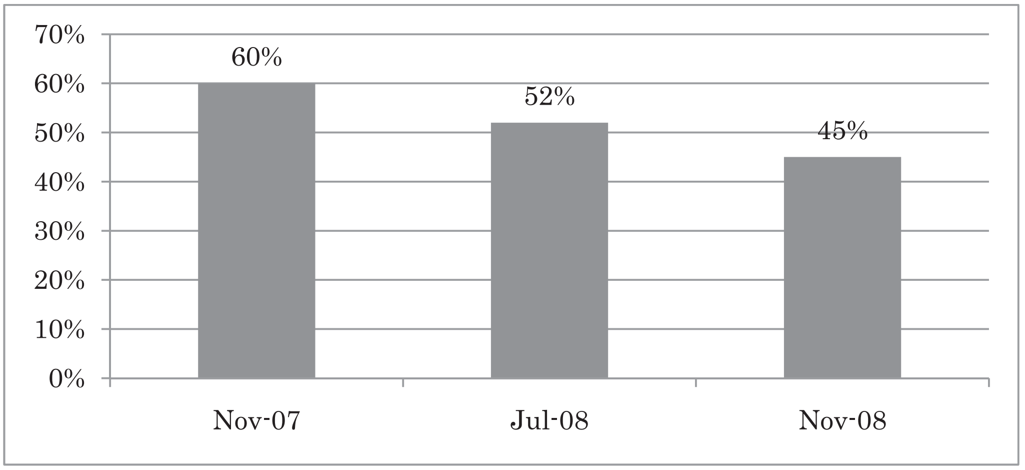
4.5. Economic Activity, Income, and Expenditure

Whereas opponents criticize BI for breeding laziness, proponents recommend it as an incubator for work-ethics, because it extricates the poor from a poverty-trap. So of BI and the others, the former produces the lesser “efficiency losses” (e.g. Britan & Webb 1990). It is well known that the conventional means-tested selective assistance often brings with it the so-called welfare trap since it cuts back $1 for every $1 the family earns (amounting to 100% marginal income tax rates). That is a reason why NAMTAX had recommended the unconditional and universal grant (NAMTAX 2005). Then what can be said about this head-on disagreement about economic aspects of BI?

We shall first look at employment. The unemployment problems in Otjivero had been overwhelmingly harsh. As of November 2007, only 23% of those aged 15-59 were working for pay, profit or family gain, 60% were unemployed, others were sick, or relying on old age pensions or disability grants (*ARa* 67-70). After BI, the rates of labor participation increased from 23% to 31. 5% (July 2008), unemployment rates decreased from 60% to 45% (as graph 6 depicts), and the number of unemployed not looking for a job had declined from 12. 3% to 4.5%: they are now capable of affording the material and psychological costs involved in job search (*ARa* 70; *ARb* 71).

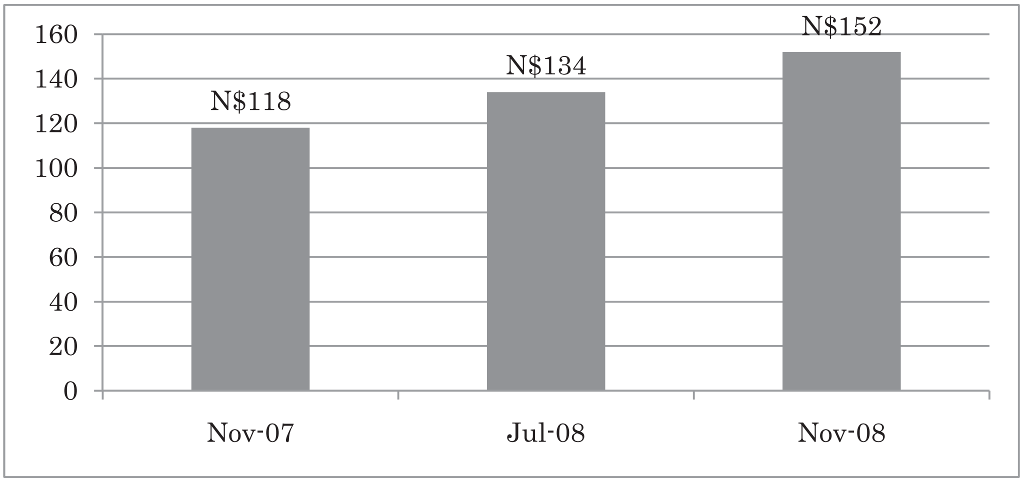
Graph 7 shows that BI had a steady impact on individual earned income growth, by an average of 29% increase within a year (presumably more, were it not for the impact of in-migration). By providing the small BI floor as a source of secured income, people came to be able to manage risks, recuperate and furbish their productive and earning capabilities

Graph 6. Unemployment Rates (people present throughout panel)



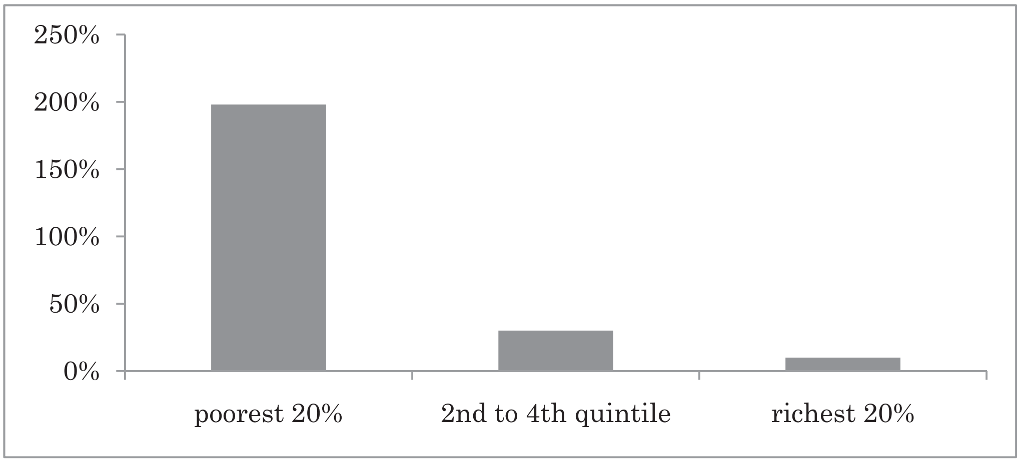
Source: *ARb* 71

Graph 7. Average Monthly Per Capita Income in N$ (excluding BI pay-out)



Source: *ARb* 72

Graph 8. Increase in Adult Equivalent Monthly Income Excluding BIG from November 2007 to July 2008



Source: *ARa* 78

Table 1. Sources of Mean Household Income Excluding BIG

	7-Nov	8-Nov	increase/ decrease rates
Wages	N$ 581	N$692	19%
Self-employment	N$170	N$681	301%
Farming	N$42	N$57	36%
Remittances	N$103	N$82	-21%
Government grants	N$199	N$285	44%

Source: *ARb* 73

(*ARb* 72). Yet also note that, although income growth applies across all quintiles, the most overwhelming effect was found among the poorest 20%, as Graph 8 depicts: BI dramatically encourages the poorest to earn hardest. On this account, universal, unconditional cash transfer is a powerful candidate for the egalitarian principle of justice of John Rawls, namely the *difference principle*, which aims to regulate socio-economic inequalities in ways that contribute to the *maximum benefits of the worst-off* (Rawls 1971).

Yet BI is much different from Rawls' proposal. Rawls favors welfare. So he is heavily inclined to the selective and targeting method and the distinction between the *deserving* poor and the *undeserving* poor dominates his thinking (this, in spite of his anti-desert position!). The reason is that, in his conception of "justice as fairness," reciprocity (i.e. fairness) should be imposed on everyone, including the most miserable. Hence what ought to be compensated for is just the *deserved inequality* (Rawls 1971 100-105).[3] However, his belief that BI damages the norm of reciprocity is preposterous in this context because a drastic reduction of poverty rates comes directly from the self-help of the poor. Remember the food poverty line is just at N $ 152. Here we can say that, with the minute aid of BI, the average residents *earned* their way out of critical poverty. Also note that an overall individual average income (including the BI floor) soars up to N$ 252, an amount far above the "lower poverty line" at N$ 220, which signifies that the Otjivero community as a whole escaped the US$1 poverty line only within a year of the BI pay-out. This means they turned out *deserving*.

Then what increased their income? Table 1 shows the sources of household income. Two points are crucially heeded. First, note the fall in remittances. It reflects a reduction of mutual help among the poor households. BI functioned as a useful tool in redressing the effects of the "regressive informal tax on the poor" that had trapped them in poverty. Second, note that entrepreneurial and self-employment activities in the form of retailing, brick-making and clothing manufacture were sparked. This sparking is all the more interesting because BI is supposedly about guaranteeing income safety-net, not about endowing a start-up lump-sum which facilitates people to take entrepreneurial behaviors, the latter called the "stakeholder grant" (Ackerman & Alstott 2006). The above finding also reveals the often-neglected fact that the *regularity* of BI would exert *risk security effects*, which enable failed people to overcome all caprices of brute luck over a long span of life

Table 2. Monthly Average Expenditure before and after BI (July 2008)

	7-Nov	Jul-08	increase rates (%)
Food	N$262	N$354	35%
Repaying debt	N$186	N$200	8%
Clothing	N$56	N$195	248%
Remittances to others	N$80	N$117	46%
Transport	N$116	N$119	2.5%
Housing	N$36	N$91	152%
Toiletry	N$47	N$89	89%
Health	N$12	N$32	166%
Stationary(school books etc)	N$17	N$25	47%
Other	N$47	N$52	10.6%
Total	N$898	N$1299	44.6%

Source: *ARa* 80

and "gamble" afresh at any time (see Wigley 2006). Therefore a regular pittance could exert a great "cash empowerment" by giving the most vulnerable a greater perception of chance to start over (Altenkamp 2010). As confirmed in Microfinance programs, the poor, given a small amount of cash, tend to start up businesses like hair salons and telephone call shops (though microfinance is not an answer because what the poor need most in taking risks is definitely not a loan but a guaranteed income). With regular and debt-free BI in their hands, they came to be able to take entrepreneurial risks, climb up a career ladder, and help themselves out of the poverty trap. In a nutshell, *BI radically changed the incentive structures of the poor*, which symptomatically means that a *survival economy* has turned in to a *decent economy*. The difference principle worked *through people's initiative,* not through workfare, paternalistic methods of Rawls.

As a result, average individual income (including BI) has gotten more than twice an increase within a year. On a household level, before BI, average monthly household income had been N$ 1099. But after six months, it (including BI, on average N$ 645) reached N$ 2089 (*ARa* 79-80). This income growth is expected to boost consumption, asset accumulation, saving activity and stimulate the local economy. As a panel survey after seven months depicts, average household expenditure increased sharply from N$ 898 to N$ 1299 (by 44.6%), a substantial demand-side stimulus. Table 2 shows that expenditure rose in all categories, but especially clothing, housing, health and toiletries.

Also remember that, as of July 2008, average total household income per month was N$ 2089.Given mean monthly expenditure was N$1299, a third of household income was either saved or not captured (*ARa* 80). Actually 21% of respondents reported savings (amounting to an average of 7.2% of BI). According to the NamPost Office, more than 100 people came and opened their own or their children's smartcard saving accounts (*ARb* 79). The fact even amidst poverty people rationally take care of their future financial risks is also reported in the Kalomo District Cash Transfer Pilot Project in Zambia (Schubert 2005a 2005b).

Table 3 Composition of Crime Cases-Omitara Police Station

	15 Jan-07 to 15 Oct-07	15 Jan-08 to 15 Oct-08	Drop rate
Total reported crime	85	54	36.5%
Stock theft	16	9	43%
Other theft	21	17	19%
Illegal Hunting & Trespassing	20	1	95%
Other crimes	28	27	3.5%

Source: *ARb* 46.

What about debt? Table 2 shows a certain number of people used BI to pay back debt. The average amounts is a small (N$ 200), occupying 15.4 % of expenditure. And a year after BI, average household debt had fallen from N$ 1215 to N$ 772, with over twice as many households reducing debt as those which increased it (*ARb* 80-81). This signifies that BI contributed to the alleviation of debt-problems for the poor.

With regard to asset accumulation, people have reportedly purchased useful consumer durables. Before BI, only half (48%) of the sampled households had access to electricity in their dwellings. By 2008 this had risen to 72% (*ARa* 42). In November of 2007, only 29% of households had any large livestock (which serves as a useful form of food security). In November 2008, this had risen to 39%. The average number of rooms in households also rose from 2.6 (baseline) to 3.2 (six months later) to 3.3 (one year later). Interestingly, the same phenomenon is also found in the "Alaska Permanent Fund Dividend" where the annual dividends from oil revenues are largely allocated to purchase consumer durables (Goldsmith 2002). BI seems to make people purchase goods otherwise unavailable, which develop their qualities of life and enhance their human capital.

Lastly, the whole community benefitted from individual economic security. The typically observable is a reduction of crimes. The official statistics (Table 3) show that total reported crimes dropped, reflecting a 36.5% drop in overall crime since BI (this, in spite of net in-migration of 11% increases during the same period). Expectedly, economic related crimes, a cause of conflicts between Otjivero and white commercial farmers, fell substantially: most dramatically by 95% (*ARb* 44-47). This means that stability, the most important social capital for cooperation and development, was fortified in the community.

V. Concluding Remarks

The world's first BIG project came to an end with the final pay-out in December 2009. The impact demonstrated was "nothing short of spectacular." However, although the Coalition repeatedly has recommended that national BI should be an "immediate option" and its implementation "merely a question of political will"(*ARb* 97), the government has rejected a proposal. Nahas Angula, Prime Minister of Namibia, comments such a grant is "a kind of joke," not a "normal way of assisting people," arguing for a targeted approach (The Namibian 2009a). Faced with ethical questions, the Coalition has been providing a monthly "bridging allowance" of N$ 80 to the BIG recipients of Otjivero (The Namibian 2009b).

Whatever we make of these empirical results of NBIPP, it certainly sheds light upon empirical research concerning BI, even allowing for some technical shortcomings: the absence of a control group, the problems of representativeness, scales, small sample sizes, and the Hawthorne-effect[4](Kaufmann 2010), some of these indicating the difficulties involved in the field experiments, especially a small pilot project like NBIPP. It has value for providing a piece of evidence for the whole "puzzle of BI research" (Virjo 2006).

Politically speaking, NBIPP certainly gives a further push to the cash transfer trials which the Global South, over a decade, has strenuously been engaged in. The south leads the way towards cash transfer primarily because in developing countries, where many people work in the informal sector, "giving people cash" is the alternative to employment-related insurance protection and there is international evidence that it can work (see Barrientos et al 2010). On the other hand, there remains a strong belief that transfers be linked to economic activity and human capital investment, and so should be conditional to the promotion of workfare. The results of NBIPP proved the belief to be groundless. Have people been lazier given free cash? Certainly not. BI reportedly achieved what workfare is supposed to achieve, *not by way of workfare,* but *through people's initiative.* [5]

1. Sustainability

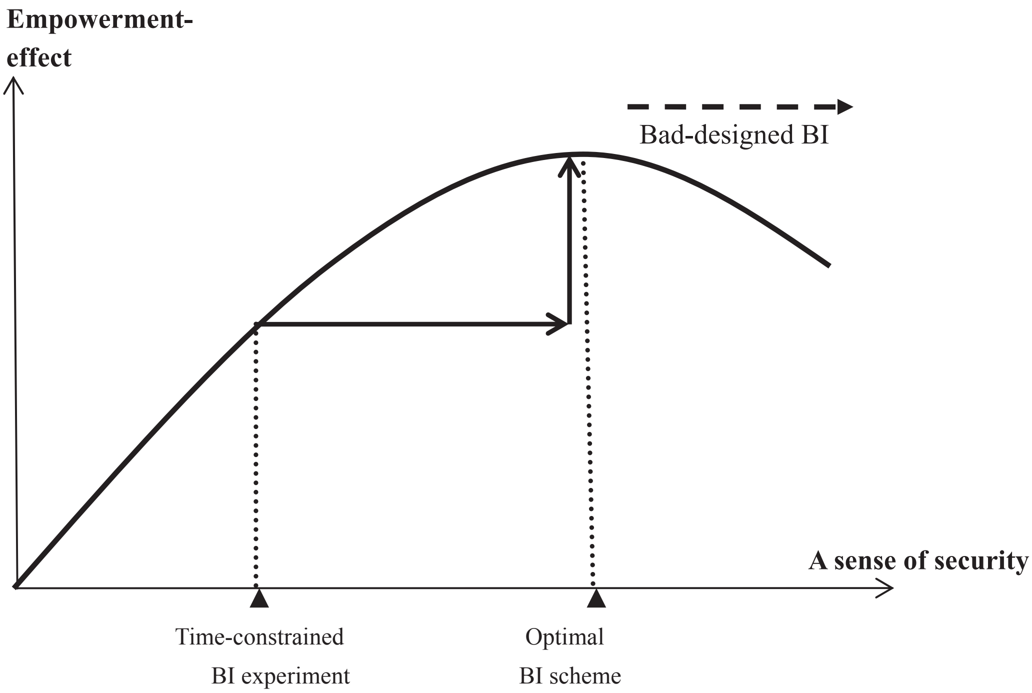
But a problem lingers. Sure, BI thus far worked, but would two years be enough to conclude BI will work? This question of *sustainability* is distinguished from the issue about *affordability* of BI. As for the latter issue, IMF had simulated the yearly cost of national BI as N$2.3 billion, 5.5% of GDP, which is unaffordable and puts economic stability and prudent fiscal policy at risk (IMF 2006 25-26). But as the Coalition pointed out during the meeting with IMF in November 2005, this amount is misleadingly the gross-cost of BI, as IMF economists privately admitted (C & D. Haarmann 2006). On a net basis, national BI (everyone below age 60) would cost N$1.37 billion, 2.2-3.0 % of GDP through tax recuperation from the richest 40% (4th and 5th top quintile): they receive the *ex-ante* grant but pay it back *posteriorly* through tax adjustment. The fact that a BI scheme strategically uses the tax system instead of a means-test in selecting and targeting only the needy is often neglected by economists and others (e.g. Osterkamp 2008). So the Coalition concludes that, on Tax Effort Models from 2001-2007, the net costs of approximately 3% of GDP are practically affordable for Namibia (*ARb* 83-85; Samson in C & D. Haarmann ed. 2005).

However, on the question of sustainability, this two-year pilot experiment proves nothing, together with the NITE of U. S. and Canada (Widerquist 2005) and other pilot projects in Africa (ODI 2007). The limited time frame of the experiment usually biases the results on behavioral changes because it measures only short term responses to a policy change: people need more time to adjust to the new situation and find a new equilibrium. This especially applies to labor participation. Since people have to return to work after the experiment, they will stay in a job in order not to lose it. Thus the reduction of labor-supply in BI experiments would be much lower (Marx 2005; Peters & Marx 2006). The similar constraints are true of time-consuming macro-scale changes in the labor-demand, wage rates, spending patterns, familial and gender structures, demographics etc.

Naturally one cannot conduct lasting experiments that involve a *whole society*, a fate for every social experiment. Therefore it is not a pity that NBIPP gives us little real evidence of the overall effects of BI upon the organic social fabrics. What is genuinely regrettable is that actual research, for unknown reason, was conducted within a year of BI pay-outs, from January 2008 up to November 2008, which makes this pilot virtually a *less than a year* experiment, making it more vulnerable to problematic time-constraints.

Nevertheless, this vulnerability seems not altogether fatal to NBIPP where the primary issue was about human capital investment, unlike NITE in which the labor-supply reductions were primarily at issue. Remember that, because of the impacts BI brought on poor people, they restore, refurbish and develop their human capacities *within a short period of time.* Also note that a regular cash transfer provides a form of insurance, allowing more human capital investment and risk taking. These suggest that the *longer-term* and *fully-assured* BI would provide a greater sense of security for people, empower them further (at least up to some point, as Graph 9 depicts), and through its "multiplier effects", spur the communities and the nation in to greater development. Graph 9 shows the security function of BI drawn from the observations found in NBIPP, ones which substantiates that BI has *radically transformed the incentive structures of the poor*. If this picture is robust, skepticism, as the IMF and other critics harbor, that BI is only a short-term *quasi-panacea* and a *deadly poison* in the long run, is sure to be ruled out. The graph also signifies that BI promises the *quickest* way of solving Social Dilemmas afflicting Namibia. Certainly, one can not safely predict ahead of time what would really happen to people's preferences and

Graph 9. Security Function of Basic Income



norms after major changes in social policies and what kind of new equilibrium would ensue from the old one. Granted that, it seems reasonable to infer from the results of NBIPP (and I shall explore this point later) that people will find a way to cooperate through BI schemes and that a Pareto-optimal equilibrium will be reached in due course of time.

Furthermore, a well-designed BI strategy is *self-liquidating* not just because of its tax adjustment policies, but because of its macro-economic impacts on accumulation of human and social capital. The key point is that BI triggers the earning, entrepreneurial capacities of the poor, boosts their purchasing power, creates jobs, increases taxpayers, synergistically contributing to pro-poor economic growth with its demand-side stimuli and multiplier effects (*ARb*. 86-97; Samson et al. 2002). As we saw above, these effects, though locally, were confirmed in NBIPP.

Still we know no less well that the results of the *isolated* small-scale experiment might be very different from those of the large-scale *global* implementation and that social planning, however well-designed, does not necessarily lead to an expected scenario or an equilibrium every fallible human planner would intend to bring to pass (Elster 1987). Of course, this does not mean the *status quo* is what ought to be, needs no mending, or that BI is not worth trying. But it is a caveat we always have to bear in mind especially when we advocate large social reforms such as BI. Therefore, programs would have to be modified in response to initial feedback and further research.

2. Relevance

What is the relevance of the preceding arguments to the affluent North? There the face of poverty appears more humane and less devastating. "Poverty amidst the plenty" seemingly has little in common with poverty afflicting the Global South. But from this appearance, one should not jump to the conclusion that a solution like BIG may not be possible for countries dissimilar to Namibia (e.g. Kaufmann 2010).

True, the appearance of poverty is a lot different between rich and poor countries, but the *essence* of poverty is not. On this point, the distinguished theoretical position of Amartya Sen is often cited, according to which poverty is defined as a lack of freedom to choose how one should live (Sen 2005 155). The key point is that poor people in rich countries (whose income levels are relatively higher than those in poor countries) are nevertheless deprived of fundamental freedoms in *absolute* terms (Sen 1992; 1999). With regard to an absolute lack of the opportunities to pursue her conception of the good, every impoverished person across borders is essentially on a par, whether he is a marginalized worker in Japan forced in to vulnerable conditions or a Namibian in a survival economy.

But more crucially, the universal feature of poverty is that it devastates society itself. Article 1 of the *ILO Declaration of Philadelphia* intuitively captures this essence: "Poverty anywhere constitutes a danger to prosperity everywhere". This passage shall be interpreted as follows. Poverty in a small segment of society is negligible. But what happens if the poor are allowed to live a survival life in the labor market? Each of them will forcibly become a free-rider on the decent standards of working conditions. So their rational behaviors for survival, initially negligible, will have negative repercussions on the overall situations of other workers in the long run. However, given that the "external costs" of their behaviors are shared sporadically and cumulatively by everyone and the short-term benefits individually appropriated, it is rational for each worker, rich or poor, to pursue his own benefits and not to cooperate at least for a while. Still, sooner or later, there comes a moment when the entire process tips the point. Then society begins to be eroded in multi-dimensional ways and will eventually be doomed to tragic consequences. It is a kind of social dilemma where individual rational behaviors bring about *unintended* collective irrationality. And during the whole process, the "invisible hand", a metaphor of Adam Smith, never works (Hardin 1968). What is characteristic of this scenario is that most people involved in this kind of tragedy *hardly* understand why a disaster had befallen them, *so* can not stop it, in contrast with a Prisoner's Dilemma where every player *fully* predicts the occurrence of a disaster, *but* can not stop it (Elster 1993).

While proponents of BI view poverty as a lack of cash for achieving enough levels of basic human capabilities, their views predominantly concern the *effect* of poverty. However, seen *causally*, behind poverty more or less lie failures in cooperation between social classes, the results of which in this context are the survival economy and regressive informal taxes. The longstanding *cooperation failures* between white farmers and the Otjivero residents may be another example. As an illustration, though hardly a life-like picture of these, see a non-cooperative game (Fig. 1), which tentatively models a cooperation dilemma between the rich and the poor.

This game typically has two "Nash Equilibria" (100 50), (80 20), the former Pareto-improving to the latter. In this game, what is rational for one player to choose depends on his beliefs about what the other will choose. Here uncertainty makes the game a dilemma: Suppose the rich opt for cooperation. But in case the poor defects, the rich will get the worst pay-off 70. So as long as the rich cannot rely on the prudence of poor people, it is always rational for them to choose non-cooperation, which at the minimum, guarantees them a reasonable pay-off 80. Seen from the poor, they grudgingly but somehow have to survive. So, in order to shy an unpleasant psychological state of "cognitive dissonance," they endogenously develop "adaptive preferences" to the harsh realities: dreaming of getting the cooperative benefits looks like "sour grapes" for them (Elster 1982; Sunstein 1993 chap.6). Besides, cooperation is far more risky for them than for the rich: the worst pay-off 10. Hence both players rationally avoid the risky but rewarding choices, adopt the maximin strategy ensuring the riskless benefits (80 20) as an optimal response to the other. The result is a risk-dominant, Pareto-inferior Nash equilibrium where nobody has an incentive to deviate.

Figure.1 Pay-off Matrix for the Trust Dilemma Game

		The poor	
		cooperation	*non-cooperation*
The rich	*cooperation*	100 50	70 30
	non-cooperation	90 10	80 20

Figure. 2 The choice situation after BI

		The poor	
		cooperation	*non-cooperation*
The rich	*cooperation*	100 50	70 30

The outcome is one of the results of imperfect information and a lack of trust rather than of free-riding incentives as in the Prisoner's Dilemma. The implication is that social inequalities make information on either side more imperfect, both players less able to rely on the rationality of the other, and the iterate games more difficult to succeed: the wider the socio-economic gulfs between them, the more likely collective irrationality would result. And these reiterated cooperation failures bring with them a huge amount of opportunity costs (a conspicuous aspect of the survival economy). In the same process, the poor develop their own "informal social security" in adaptive response to the furthering of survival economy.

Whilst classic game theory, or as Elinor Ostrom puts it, the first generation of rational choice theory, forebodes bad news about this type of trust dilemma (Ostrom, 1997; Skyrms 2001; Skyrms & Harms 2007), it nevertheless helps us understand why public action is needed. And this game especially suggests that BI as a collectively binding action may be one to break it. This is expected in two ways. Firstly, BI with its cash empowerment reduces uncertainty by liberating the poor of their "adaptive preferences" and also by universally endowing them with the power to risk cooperating. In fact, we can see from the Coalition's report that BI positively transformed their incentives and preferences. Secondly, unconditional cash transfer is impossible to be realized or implemented as long as the rich distrust the poor. Therefore BI sends a "signaling message" to the poor that the rich trust them, and thus commit themselves to cooperation with the poor. Here the choice situation reads as Fig. 2: the decision is now up to the poor and the rational decision for them is to cooperate: the Pareto-efficient equilibrium (100 50): this is a *pre-commitment strategy* which works as catalyst for mutual cooperation, on the basis of which *sustainable* social, economic development becomes possible. Finally, the difference principle of Rawls, defined as Pareto-optimal mutual undertakings between social classes, would over time be met even without enforcing reciprocity.

Is the same simulation expected to happen in case of selective conditional transfers? Not likely, in two senses. First, the use of selective tests which supposedly identify the *deserving poor* makes the welfare schemes too haphazard and ad hoc. That is, in order to avoid "adverse selection" arising from the "asymmetric information" problem and promote "vertical efficiency", eligibility has to be determined by rigid screening tests. However, such efforts to promote vertical efficiency too often result in lowering the take-up rates of programs, what economists call "horizontal inefficiency", which leaves a substantial portion of the poor still risk-vulnerable and also leaves *intact* the structures of social dilemmas. Second, but relatedly, conditionality complicates trust dilemmas by making information more biased and imperfect. Conditions attached, so that those asking for welfare help are *institutionally* seen as irrational, irresponsible beings who know nothing about their own genuine interests. These biases explain a *subjective* mechanism of the poverty trap and of how the conditional social aids often result in *moral hazard*, i.e. dependency. Now biased as a drop-out of society, each recipient has an incentive to so act (at least *hiddenly*), degrading himself like a welfare scrounger. This subjective mechanism reflects their *adaptive* behavioral responses to a new form of welfare misery. And within the current frameworks, the best the government could do to overcome asymmetric information is to stiffen work-behavioral screening and monitoring tests to further identify the *truly deserving*. But the results of this work-fare approach are vicious-circles of moral hazard (who would come out and say "I deserve nothing!"), only to make a trust dilemma more complicated.

Why is unconditionality all right in spite of seemingly allowing free-riders to flourish? So here we have an answer: for the very reason that it is fundamentally a way of trusting people, especially the poor, and of achieving "justice". In other words, BI is a rightful and promising way of *transforming the incentive structures of the general public*. Of course, conditional cash transfers can be a trial-error and step-by-step path to unconditional BI like Bolsa-Familia program (Suplicy 2006): ultimately conditionality should be dismantled.

What NBIPP shows us is that they are as trust-worthy, as responsible for themselves and their communities as everyone else. What they want for is simply income and opportunities enabling them to be fully functioning. In Rawls' term, maximizing the prospects of the worst-off is no excuse for underrating their humanity: they can initiate a great thing if they are trusted.

Taken seriously *justice as being unconditional*, the normative aspects of the welfare, aid state should be reconsidered. A government proclaiming that poverty is a problem, but which takes fright at individual freedom under the table, cannot commit itself to a dignified solution of poverty. This seems to be the fundamental lesson the Basic Income pilot project in Namibia has taught us.

Notes

[1] Among the opposition parties, the CoD and DTA and several parties explicitly have endorsed BIG.

[2] These reports are available here. http://www.bignam.org/

[3] That is why Rawls had inconsequently rejected BI for reason it breeds *Malibu's surfers*. As an attractive brush-up along BI, see the "security difference principle" of Guy Standing (Standing 2007 2008).

[4] The Hawthorne effects well documented in NBIPP are not so much problems as a lesson that BI must be implemented by the initiative and the involvement of the community (Altenkamp 2010).

[5] On the question of what would have happened had Full BI been tested, the answer will be conjectural. Yet some reference to NITE might be in order where the more generous cash was tested. In NITE, people had not withdrawn from the labor market massively. As for readwinners, they reduced their working hours per year by an average of 0.5 to 9% (Widerquist 2004, 2006; Hum & Simpson 2001). The same is confirmed in the study concerning the *real* Belgian lottery game, Win for Life, which permits no time-constrains (Peters & Marx 2004). However, in *hypothetical* lottery questions research, the withdrawal scores rather high (Paulson 2008). At cross-purpose, it is difficult to assess which of these studies represent a good proxy for Full BI and to what extent.

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