

The Basic Income Grant as Social Safety Net for Namibia:

Experience and lessons from around the world

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ABSTRACT

This paper discusses strategies for providing a social safety net and argues that the Basic Income Grant (BIG) is the best way forward for Namibia. BIG is a regular, unconditional income given to all individuals as a right of citizenship. This paper draws on international experience from countries (such as the United States, Brazil, India, Kenya, and others) that have experimented with BIG or employed some form of cash transfer. It compares these experiences with the more traditional targeted approach, in which recipients are required to work unless they can show they are unable to work or unable to find work. It discusses the successes and weaknesses of various approaches and the pros and cons of implementing unconditional cash transfers versus targeted programs. It assesses the potential financing of a fiscally sustainable BIG and the impact of BIG on poverty and inequality for Namibia.

1. INTRODUCTION

Unquestionably, the social safety net in Namibia needs a major expansion. Namibia is one of the most economically unequal countries in the world with more than a quarter of its citizens living in poverty and more than an eighth of its citizens living in severe poverty (Central Bureau of Statistics, 2008). This paper does not have to argue the need for expanding the social safety net. Instead, it addresses the question of what is the best way to do it. The best way for Namibia has to be the most cost-effective way. Namibia is a relatively poor country without many financial resources to draw on. It has to get the most out of its money. It has to choose the approach that will provide the maximum benefit to those in need for each dollar it spends. This paper will argue that that approach is the Basic Income Grant (BIG).

BIG is an unconditional income paid to all citizens on an individual basis without means test or work requirement. Under BIG, every man, woman, and child gets a little something—a small, steady, reliable income—to protect them from abject poverty or destitution. They do not lose this income when they get a job. Therefore, they always have an incentive to earn more money by working. BIG represents a significant break with the traditional welfare-state model, which usually devotes a significant amount of resources to making recipients jump through hoops to prove their worthiness. Those hoops cost money, and the cost of those hoops is one of the reasons that BIG is more cost-effective than more traditional targeted welfare state programs.

This paper argues that BIG is the most cost-effective model for an expanded social safety net in Namibia. Section 2 discusses the definition of BIG in greater detail and shows how it represents a substantial change in approach from more traditional targeted policies. Section 3 examines experience around the world gained from cash-transfer programs that move in the direction of BIG and from experiments with BIG itself. Section 4 compares experiences with the BIG approach and with the categorical or targeted approach. Section 5 discusses the cost and sustainability of BIG. Section 6 discusses financing options for BIG in Namibia. Section 7 discusses BIG's potential impact on poverty and inequality in Namibia. Section 8 concludes with a discussion of the lessons for Namibia.

2. HOW BIG DIFFERS FROM THE MORE TRADITIONAL APPROACH TO THE SOCIAL SAFETY NET

BIG, known also as Universal Basic Income, Unconditional Basic Income, or simply Basic Income, is a significantly different approach to more traditional welfare-state policies, which tend to be both targeted and conditional. Targeted policies pick out a demographic category of people to receive aid, based on the expectation that people in that category have a special need or are more likely to be needy. Programs could be targeted at the aged, the

disabled, the unemployed, low-wage workers, etc. Conditional policies impose restrictions on the behavior of aid recipients. For example, disability compensation usually requires recipients to show that they are unable to work, while unemployment compensation usually requires recipients to show that they are able to and looking for work. Many traditional welfare-state policies provide cash benefits, but some provide in-kind benefits, including direct food aid, food vouchers, and public housing (Widerquist and Lewis, 2006).

BIG is a regular, universal, unconditional, individual, in-cash income, provided to help individuals meet their basic needs. It is universal in the sense that it is paid to all citizens without a means test. That is, without regard to a person's income, wealth, or any other demographic factors. All citizens, rich or poor, able or disabled, young or old receive the BIG. It is unconditional in the sense that citizens do not have to fulfill any requirements in order to receive it. All citizens receive BIG regardless of whether they are working or willing to work or willing to fulfill any other conditions. It is individual in the sense that it is given to persons rather than households. The BIG is paid to each person in a household rather than to the household as a group. The goal of BIG is to help ensure that all citizens are able to meet their basic needs. A great deal of literature exists on BIG (Atkinson, 1995, Fitzpatrick, 1999, Haarmann et al., 2009, Sheahan, 2012, Standing, 2002, Van Parijs, 1995, Widerquist, 2013, Widerquist et al., 2013, Widerquist et al., 2005).

One of the most common questions about BIG is, if its goal is to help people meet their basic needs, why is it given to everyone including people with high incomes, who already have secure access to an income sufficient to meet more than their basic needs? To understand the answer to this question, one must first understand that it does not cost any more to give BIG to everyone than it does to give it only to those in need. This statement might appear counter-intuitive, but it is true because the non-needy people who receive grants are the same people who pay the taxes that support the grant. For this group of people, the BIG they receive is essentially a tax rebate, lowering their overall tax burden. If the government takes a dollar from you in taxes but gives it back to you in BIG, it costs you nothing: you have as much money as you had before. Your overall tax burden—which is what we care about when we discuss the cost of a government program—is not affected by the portion of your taxes that are returned to you in BIG. If you pay more than you receive back as a BIG, the cost to you is determined by the increase in taxes minus the amount you receive as a BIG. If you pay more in new taxes than you receive in BIG, you're a net-taxpayer into the program. If you pay less in new taxes than you receive in BIG, you are a net-recipient of the program. The overall tax burden is entirely determined by how much money is finally redistributed from net-payers to net-recipients. The cost of giving BIG back to the net-payers drops out. Therefore, the overall cost of the program is no greater for an income given to everyone than it is for an income given only to the poor.

Once we realize that there is no added cost of giving the income to everyone, we can consider what the advantages are to doing so. We give the BIG to the least needy because doing so is good for the most needy. A means-tested program forces individuals to prove they are needy to receive it. This added effort involves costly bureaucracy, paperwork, and verification. It might force individuals with a sudden acute need to wait for benefits that they need right away. It might mean that individuals, who truly are needy, but unable to prove it, will be refused benefits entirely. With a universal BIG, the income is always there. No one has to wait and wonder whether it will be there when they need it (Van Parijs, 1995).

The universal BIG also has the advantage of avoiding the poverty trap associated with many targeted policies. A policy giving a person an income only because they are unable to work or unemployed puts them in the position in which they lose their entire benefit if they take a job. This could be especially devastating if the job turns out to be terrible and the individual is forced to quit. BIG has no poverty trap at all. Individuals receive the BIG regardless of their private income, and therefore, they have nothing to lose by making more money privately if they can. As long as wages are good, they have an incentive to take jobs.

Another advantage of BIG's universality is that it fosters feelings of solidarity. Everyone receives the BIG as a right of citizenship. We all receive the BIG because we all jointly own the nation and the nation's resources. The government's payment of BIG is recognition of this shared ownership. Middle- and high-income people are much more likely to support a policy that pays an income to everyone than a policy that pays an income only to people in a situation that they see themselves as unlikely to need.

The discussion below reveals many advantages of BIG, enough to make a person ask why it has not yet been introduced on a large scale. There are many possible explanations. One explanation could be vested interests. Employers might want workers to have no other potential source of income so that they are willing to work for low wages. Some elements within the government might want to use more bureaucratic policies for the benefit of the bureaucrats.

A second explanation for resistance to BIG might be that it is such an unknown. The idea of the government sending a regular payment to all citizens is so different from our usual understanding of what governments do that it is hard to imagine it as a serious proposal. The discussion of the Alaska Dividend below shows that it is extremely popular in Alaska now that people have experience with it, but it was not nearly as popular when it was just a proposal.

A third and fourth reason to oppose BIG have to do with people's attitudes toward work. Many people think if other people get something without working they will not work and that the program will therefore become unaffordable. Many people think that, even if most other people will work, a policy giving money to everyone whether or not work will

benefit mostly those who are unwilling to work or who for some other reason do not deserve it.

If people have a vested interest against BIG, evidence of its efficacy might not convince them to support it. But the evidence below has a lot to say about the other reasons for opposing BIG. It is a serious and affordable proposal that will benefit those most in need and those who meet almost any criteria for deservingness.

3. LESSONS FROM BIG EXPERIENCE AROUND THE WORLD

Although no country has yet implemented a full BIG, distributed regularly and large enough to meet a person's basic needs, the idea is not new and we have learned a lot about it from experiments and from programs that share some aspects of it. Usually the experience around the world has been with some policy that moves in the direction of BIG rather than BIG itself. But as this section will show, a solid trend emerges: the closer you get to BIG the better the cost-effectiveness of the program is.

1. The NIT experiments in the United States and Canada

The American revolutionary, Thomas Paine, proposed something very much like BIG in 1796 (Paine, 2000). The idea has been endorsed by philosophers, such as Bertrand Russell; political activists, such as Martin Luther King; and many Nobel Prize-winning economists, such as James Tobin, F.A. Hayek, Herbert Simon, Milton Friedman, and James Buchanan (Widerquist et al., 2013). But it was only in the 1960s that the “guaranteed income” became widely discussed by policymakers.

Both BIG and NIT are income guarantees—both can ensure that no citizen's income falls below a certain amount. Both are unconditional in the sense that they have no work requirement. The difference is that NIT has a means test and BIG does not. While BIG is given to all citizens as a right of citizenship, the NIT is given only to those citizens whose income falls below a certain amount. The NIT is phased out as income increases to maintain the incentive for individuals to take work if they can get it. If designed similarly, NIT and BIG can have very similar effects on the distribution of income and the incentive structure. I will discuss some of the differences below. The term “Basic Income Guarantee” is often used as a generic term applying to both BIG and the NIT (USBIG, 2013).

The U.S. and Canadian government conducted a total of five NIT experiments between 1968 and 1980 with positive results. These were randomized field experiments, comparing a treatment group (receiving the grant) to a control group (remaining with the existing system). Table 1 summarizes the implementation specifications of five experiments. Column t shows the effective “marginal tax rate” for recipients—the rate at which their grant was phased out

as they earned higher income. Column G shows the guarantee level; that is, the maximum grant individuals were allowed to receive. The Canadian experiment reports the grant level in Canadian dollars. The U.S. experiments report the grant level relative to the U.S. official poverty line. Some of the experiments were fairly generous, giving grant levels of as much as 1.48 times the official poverty line—ensuring a recipient an income at least 48% above the amount the government judged as sufficient to meet basic needs. The lowest grant levels, 0.5 (half of the poverty level), were received by some recipients in the New Jersey and Rural studies.

We can define Y_t as After-Tax Income. That is an individual's income after all taxes and transfers include the Grant (G). We can define Y as Before-Tax Income. That is, the income an individual earns privately. After Tax Income Equals the Grant plus Before Tax Income minus Taxes, and in the experiment were the Tax Rate (t) times Before Tax Income. Thus, the experiments tested how individuals responded to this equation:

$$\text{After Tax Income} = \text{Grant} + \text{Before Tax Income} - \text{Taxes}$$

Or, in symbols:

$$Y_t = G + Y - tY$$

Which simplifies to:

$$Y_t = G + Y(1 - t)$$

The Tax Rate (t) varied from about 0.3 (30%) to about 0.75 (75%). Although these rates seem high, they are actually much less than the effective tax rates of most targeted programs, which put individuals in the position in which they have to give up their entire grant in order to take a job—sometimes creating effective tax rates in excessive 100%.

Table 1: Summary of the Negative Income Tax Experiments in the U.S. & Canada

Name	Location(s)	Data collection	Sample size: Initial (final)	Sample Characteristics	G*	t**
The New Jersey Graduated Work Incentive Experiment (NJ)	New Jersey & Pennsylvania	1968-1972	1,216 (983)	Black, white, and Latino, 2-parent families in urban areas with a male head aged 18-58 and income below 150% of the poverty line.	0.5 0.75 1.00 1.25	0.3 0.5 0.7
The Rural Income-Maintenance Experiment (RIME)	Iowa & North Carolina	1970-1972	809 (729)	Both 2-parent families and female-headed households in rural areas with income below 150% of poverty line.	0.5 0.75 1.00	0.3 0.5 0.7
The Seattle/Denver Income-Maintenance Experiments (SIME/DIME)	Seattle & Denver	1970-1976, (some to 1980)	4,800	Black, white, and Latino families with at least one dependant and incomes below \$11,00 for single parents, \$13,000 for two parent families.	0.75, 1.26, 1.48	0.5 0.7, 0.7-.025y, 08-.025y
The Gary, Indiana Experiment (Gary)	Gary, Indiana	1971-1974	1,799 (967)	Black households, primarily female-headed, head 18-58, income below 240% of poverty line.	0.75 1.0	0.4 0.6
The Manitoba Basic Annual Income Experiment (Mincome)	Winnipeg and Dauphin, Manitoba	1975-1978	1,300	Families with, head younger than 58 and income below \$13,000 for a family of four.	C\$3,800 C\$4,800 C\$5,800	0.35 0.5 0.75

* G = the Guarantee level.

** t = the marginal tax rate

Source: Reproduced from (Widerquist, 2005).

The experiments collected a great deal of data on how individuals were affected by the NIT. They found many positive results, some of them pleasantly surprising. Some experiments found that children in families receiving the NIT had increased school attendance, higher test scores, and lower dropout rates. Some even found increased rate of college attendance (Levine et al., 2005). One might wonder what giving money to the parents has to do with a child's performance in school, when these variables are extremely hard to affect through direct intervention, such as increased lessons. Why should something as indirect as NIT be more affective at improving childhood educational attainment than direct policies? Apparently the answer to these questions has to do with the underlying cause of poor educational attainment among poverty-stricken households. It is stressful to grow up in poverty. A child whose parents are struggling to keep her fed and housed doesn't have as much time and energy to devote to learning. Reduce the stress on the family and you will increase the educational attainment and life prospects of the child. This lesson must be especially important for Namibia, which badly needs to improve school attendance and performance of poor children in rural areas.

The NIT increased nutritional adequacy and homeownership rates. It reduced incidents of low-birth-weight babies. Low birth weight is a very important indicator of overall prenatal and early childhood health—variables that have significant lifetime affects. This means that, children in families that received the NIT back in the 1970s are still benefiting today—40 years later (Levine et al., 2005).

The Canadian experiment included a saturation experiment. That is, every one of the 10,000 people in the town of Dauphin, Manitoba was promised that they would receive the NIT if they needed it. For five years in the 1970s, Dauphin was the only place in Canada, perhaps the only place in the world, where not a single person lived in fear of poverty. Recent research on the experiment has revealed that it had significant positive effects on health and education. This result is extremely important. It shows that even in a highly developed country, poverty makes people sick and makes them unable to get educated and get ahead. Hospitalization rates fell by 8.5%, affected by declines in accidents, injuries, and physical and mental health problems (Forget, 2011).

The experiments in the United States and Canada also shed a great deal of light on one of the most common arguments against BIG: the fear, based on hypothetical reasoning, that if it were possible for people to live without working, large numbers of people would stop working. This complaint is sometimes phrased as an argument that the system would be financially unsustainable because of withdrawal from the labor force, and it is sometimes phrased as an argument that it would be immoral for any person to live without working.

All five experiments indicated that such fears are unfounded. No one quit their job to live off the NIT. There is little incentive to do so because—unlike most targeted programs—an NIT or a BIG ensures that someone who works full time makes a lot more money than someone who lives entirely off the grant. To the extent that there was a labor market reduction among primary income earners, it was that if they happened to lose their job, they tended to take a few more weeks to find the next job—taking the time to look around for the best fit. Within families, some secondary earners reduced their work hours. That is, mothers sometimes worked less to spend more time with children, and working age children sometimes worked less so that they could stay in school (Levine et al., 2005, Widerquist, 2005). These results reveal how misplaced the complaint about work hours is. It is not a bad thing for a mother to spend more time with children, for a young person to stay in school, or for an unemployed worker to have the flexibility to take his or her time to find the best job available. In fact, it is not always bad for a fulltime, primary income earner to work less. Many workers—especially in the developing world—work extremely long hours at very low wages just to get enough money to survive. There is nothing wrong with an overworked person using higher income to find relief from overwork.

2. Other experience of the U.S. federal government

Although the United States did not adopt a full NIT or a BIG when the idea was widely discussed, two federal programs were highly influenced by the guaranteed income proposal. The Earned Income Tax Credit works like a NIT except only workers who work a certain amount are eligible for it. This program has become extremely important in reducing poverty in the United States. It has a side effect though, because it is a wage subsidy, it can reduce wages and some of the benefits of the program end up going to the owners of businesses paying low wages (Widerquist, 2008, Widerquist and Sheahan, 2012).

The Supplemental Nutrition Assistance Program (popularly known as “Food Stamps”) is also largely an outgrowth of the guaranteed income movement in the United States. Like an NIT, it gives a supplement to any citizen with a low income. It has no work requirement. Unlike an NIT, which gives cash, the Food Stamp program gives vouchers—special money that can only be spent on food. Food Stamps have been extremely valuable in relieving the effects of poverty in the United States, especially during the post-2008 recession. However, Food Stamps have two important inefficiencies that do not affect BIG. First, people whose greatest need at the moment might be for shelter, clothing, heating, or something else cannot use their Food Stamps for it. Second, the government has to print up the vouchers and police them to ensure that no one exchanges them for things other than food. This is not only an

additional expense; it is an opportunity for corruption. The government could provide greater help to each individual by simply giving cash (Widerquist and Sheahan, 2012).

3. The Alaska Dividend

At about the same time that the U.S. Federal Government was debating the guaranteed income, the U.S. State of Alaska was debating what to do with the enormous monetary windfall from newly discovered oil resources. Then governor Jay Hammond used the opportunity to create the world's first BIG under the name of the Permanent Fund Dividend (PFD). The state committed to depositing a small amount of its yearly revenue from oil and natural gas exports into a sovereign wealth fund, called the Alaska Permanent Fund (APF). Since 1982, the state has used the interest on the fund to finance a yearly dividend (the PFD) for Alaskans who meet the residency requirement. The amount of the dividend varies with the stock market. It usually fluctuates between \$1000 and \$2000 per year. It has recently dipped below \$1000 because of the stock market losses since the 2008 financial melt down. But with the recent comeback in world markets, the dividend is expected to rise gradually over the coming years (Widerquist and Howard, 2012a, Widerquist and Howard, 2012b).

The dividend has been an enormous benefit to Alaskans. It has helped Alaska cut its poverty rate from one of the highest in the nation to one of the lowest in the nation. It has helped Alaska move from being one of the most economically unequal states in the United States to being one of the most equal. In the 1980s and 1990s, when economic inequality was rising across the United States and most of the industrialized world, Alaska was the only state in the United States where inequality was decreasing (Widerquist and Howard, 2012a, Widerquist and Howard, 2012b).

The Alaska Dividend has also proved enormously popular. Opinion polls conducted over the last 40 years have consistently shown an overwhelming majority in favor of the PFD. In a 1999 referendum, 84% of Alaskan voters rejected a proposal to redirect some money from the fund that supports the PFD to the state government budget. It is rare for 84% of people to vote on the same side on anything. This result provides an extremely important reason to support BIG. A universal policy, like BIG, giving benefits not only to the poor but to everyone is likely to be much more popular and, therefore, more politically stable than programs targeted specifically at the poor. Although the Alaska Dividend is an important part of Alaska's safety net, and it means much more to the poor than to anyone else, Alaskans do not even think of it as an anti-poverty policy. They think of it as something that benefits everyone, rich and poor alike, and they believe everyone deserves a share in those benefits, because every Alaskan is part owner of the state's resources (Widerquist and Howard, 2012a, Widerquist and Howard, 2012b).

The tangible benefit that Alaskans receive from oil exports is important. If you ask low-income people in depressed neighborhoods in Mexico how they have benefited from Mexico's decades of oil exports, they might not be able to tell you. The same might be true if you ask people in shanties in Southern Africa how they have benefited from diamond and gold mining in their region. But Alaskans can tell you. They've received 30 years of dividends, and they share a fund capable of generating dividends for years to come.

People often think that Alaska's experience doesn't mean anything for them because Alaska is resource rich. But such a conclusion would be an error. Every state in the world has extremely valuable resources. In many ways, the difference between so-called "resource-rich" nations and "resource-poor" nations is that resource rich nations are rich in the *type* of resources that governments typically tax and resource poor nations are rich in the type of resources that governments typically give away to corporations for free. All countries have valuable land, especially in their urban areas. All countries have a broadcast spectrum. All countries have access to the atmosphere, water system, or seacoast. But most countries give away the broadcast spectrum for free, under-tax land value, and allow corporations to pollute the atmosphere, the land, and the water without paying a penalty commensurate with the harm that pollution causes other citizens. All nations have a currency, but almost every nation lets banks create most of the money supply without paying for the privilege. Any nation that managed even a portion of its resources the way a for-profit company manages its resources would have enormous revenue (Widerquist and Howard, 2012a, Widerquist and Howard, 2012b).

Gary Flomenhoft recently conducted a study to find out whether the resource-poor state of Vermont could finance something like the Alaska dividend. He found that Vermont could support a dividend two- to five-times the size of Alaska's, if Vermont made judicious use of its resources. A major resource-exporting state, such as Alaska, could create a much larger dividend if it taxed all of its resources the way it taxes oil and devoted more of its resource revenue to a dividend (Flomenhoft, 2012). Flomenhoft's study provides a very important lesson for nations all over the world. While governments all over the world are struggling to raise revenue, they routinely give away resources to companies who sell those resources back to individuals at a profit. Those companies might add value to the resources before selling them back, but if they get the resources free, they capture not only the value they add, but also the rental value of the resources. The government could reclaim the rental value of those resources, leaving the value-added to the companies, and distribute that rental value back to the people who need it most.

4. Experience with cash transfers in the developing world

Many nations in the developing world have recently begun moving in the direction of the BIG model by introducing direct cash transfers that are not accompanied by work requirements. These programs are often targeted at specific groups, and they often have some conditions attached, such as keeping children immunized or in school, but the conditions are usually much easier to fulfill than work requirements. These programs do not exactly follow the BIG model, but they are a significant step in that direction, and so they provide valuable information about the efficacy of BIG. As the discussion below reveals, the main lesson from the international experience with cash transfers is that they have a greater effect on poverty the fewer conditions they have and the more easily recipients can fulfill those conditions. Of course, the limit of moving toward fewer and more easily fulfilled conditions is to arrive at BIG, which has no conditions at all.

Almost every country in Latin America has a conditional cash transfer program and major ones also exist in Africa, South Asia, and Southeast Asia. Cash transfer programs (both conditional and unconditional) include Oportunidades in Mexico, Programa de Asignación Familiar in Honduras, Programme of Advancement through Health and Education in Jamaica, Red de Protección Social in Nicaragua, Familias en Acción in Colombia, Bolsa Familia in Brazil, Cash for Herders in Mongolia, Jaring Pengamanan Sosial in Indonesia, the Productive Safety Net Programme's Direct Support component in Ethiopia, the Hunger Safety Net in Kenya, Emergency Cash Relief in Somalia, Zomba Cash Transfer in Malawi, the Child Support Grant in South Africa, the Old Age Pension in South Africa, the Old Age Pension in Namibia, and many others (Aguero and Woolard, 2007, Baez and Camacho, 2011, Fiszbein and Schady, 2009, Garcia and M. T. Moore, 2012, Rasella et al., 2013, Standing, 2008).

Evidence accumulating from these programs is impressive. Many cash transfer programs have been linked to better health outcomes. The Bolsa Familia in Brazil has caused a large reduction in childhood mortality, especially from causes related to malnutrition and diarrhea. Cash transfers have a stimulative effect on the local economy because, as one study found, most of the money is spent on local goods and services. In-kind benefits such as food aid often have the opposite effect—reducing demand for local products. Simple cash transfer programs have greatly reduced the overhead costs of programs. Cash transfers have been shown to reduce child poverty

and child labor while increasing children's attendance of school and their learning performance in school. Social pensions have been shown to have low overhead costs and to have benefits not only to recipients but also to entire families, as pensioners are able to help out financially if and when their children and grandchildren need it. Cash transfers have significantly increased food consumption and improved the growth of children. (Aguero and Woolard, 2007, Baez and Camacho, 2011, Garcia and M. T. Moore, 2012, Rasella et al., 2013, Standing, 2008)

A major World Bank study of more than a half dozen conditional cash transfer programs found that they all had desirable effects on household consumption and poverty. The positive effects on poverty were larger for the more generous programs. The effects on adult work effort were negligible, but the programs tend to cause substantial reductions in child labor (Fiszbein and Schady, 2009).

Programs requiring school attendance have increased school attendance more than those without that condition. But programs not requiring school attendance have also had substantial positive effects on school attendance, indicating that poverty is the main factor preventing children in developing nations from attending school.

5. Pilot projects and charities using the BIG model

Several recent pilot projects and at least one charity have experimented with employing the BIG model in developing nations. In each case, the results have been extremely positive.

Christopher Blattman, Nathan Fiala, and Sebastian Martinez conducted a large, randomized, field trial of unconditional cash transfers in Uganda concluding in 2013. The study gave the treatment group a one-time, unconditional grant of \$382, roughly a year's salary for participants in the study. Researchers followed thousands of young adults two and four years after receiving grants. Because most of them started new skilled trades, labor supply of the treatment group increased 17%, and total earnings rose nearly 50% compared to the control group. Researchers found few if any measurable negative side effects (Blattman et al., 2013).

A U.S.-based charity called GiveDirectly has been giving grants of \$1000 to impoverished households in Kenya. Johannes Haushofer of the University of Zurich has received funding from the U.S. National Institutes of Health to study the effectiveness of GiveDirectly with a randomized controlled trial. The study is not yet complete, but preliminary results from the study appearing in GiveDirectly's annual report indicate a large and significant decrease in child hunger and a large and significant increase in household investment spending on items such as land, farm implements, and livestock. Preliminary

results also indicate no significant impacts on expenditure on weddings, dowries, funerals, ceremonies, alcohol, tobacco, gambling, or recreation (GiveDirectly, 2012).

A large pilot project has recently been completed in India. Organized by the Self-Employed Women's Association (SEWA), the project randomly assigned 8 out of 20 villages in the study to receive the grant, while the other 12 villages were used as controls. Every adult man and woman in the treatment villages received a grant of 200 Rupees (about US\$3 or N\$30) per month and every child received 100 Rupees per month. After one year, the amounts were increased to 300 Rupees and 150 Rupees respectively. A total of 6,000 individuals in the 8 villages received the grants for 12 to 17 months. The amount was equivalent to about 20 to 30 percent of household income for the lower-income families in the study (SEWA, 2013).

Researchers conducting the Indian study found that the grants significantly reduced hunger, malnutrition, and illness among recipients. Recipients increased ownership of livestock, improved school attendance, and increased investment in agricultural implements. Researchers found no increase in alcohol consumption in the treatment villages. Importantly, the study also found that grant recipients worked *more* than people in the control villages and that they were *three times* more likely to start a new business (SEWA, 2013). These results for a positive effect on work effort and earned income (found in both the Uganda and the India studies) are confirmed by evidence from cash transfer programs. For example, in South Africa, the Old Age Pension, the Child Support Grant, and the Disability Grant all helped to raise labor force participation and employment (Samson et al., 2004).

Conventional wisdom holds that giving people money without conditions will make them work less. How can it actually make them work more? The answer to this probably has to do with how desperately poor so many people in the developing world are. People living on a dollar a day are often tired, sick, ill, or malnourished. These problems keep them from working more, starting businesses, investing in education, obtaining capital, and building up their lives. A BIG gives them that opportunity, and evidence indicates that many people are ready to take advantage of such an opportunity.

A BIG Pilot Project was also conducted in Namibia. For two full years, from January 2008 to December 2009, the BIG Coalition of Namibia implemented a pilot project in Otjivero, Omitara, a village of about 1,000 people. Every person not receiving a state pension and registered as living in the village in July 2007 received a monthly grant of N\$100, regardless of their socio-economic status. Pensioners were left out because they already received a grant from the government that was larger than the BIG and very much like a BIG. New migrants to the community were not eligible for the grant, but a significant number of migrants came anyway—attracted by the increased economic activity generated by the grant (Haarmann et al., 2009).

Despite the influx of migrants, BIG cut the poverty rate for the village as a whole in half. In November 2007, 76% of residents fell below the food poverty line. One year after the BIG was implemented 37% of all households including migrants were below the food poverty line. Only 16% of households that were unaffected by in-migration remained below the food poverty line. That is, food poverty was reduced to little more than a fifth of what it had been before implementation. The decline in food poverty was accompanied by a decline in child malnutrition. Incidence of underweight children fell by 75% (Haarmann et al., 2009).

The BIG enabled recipients to increase work and self-employment. The portion of residents (above the age of 15) engaged in income-generating activities increased by 25%. School attendance increased, with the dropout rate falling to almost nothing. Use of the village health clinic increased. Household debt and crime both decreased. Researchers found no evidence of increased abuse of alcohol (Haarmann et al., 2009).

4. UNCONDITIONAL CASH TRANSFERS VS. TARGETED PROGRAMMES

The experience with cash transfers and BIG pilot projects, discussed above, indicates that BIG is something that needs to be tried on a larger scale. Conditional, targeted programs have been the mainstay of the traditional welfare state, especially in the industrialized world. But even the better-funded welfare states have been unable to eliminate poverty with targeted programs. Even very wealthy states have people in serious poverty who are not eligible for any or for enough targeted programs to lift them out of poverty. Many needy people have to undergo humiliating scrutiny to obtain the relief they need. This section discusses some of the shortcomings of targeted programs that can be reduced or eliminated by moving in the direction of BIG.

One of the most successful traditional, welfare state programs has been the provision of old-age pensions. As the last section discussed, many of the characteristics that make state pensions so successful are the characteristics they share with BIG, such as being given to everyone in an age group without means test. Even the United States, which has a less generous welfare system than many other wealthy, developed nations, has greatly reduced poverty among its elderly with a generous, non-means-tested state pension system called Social Security. Because Social Security is not means tested, individuals can combine their state pension with income from savings or continued work. This aspect gives individuals a strong incentive to save for their own retirement alongside Social Security benefits. The biggest drawback of Social Security stems from its departure from the BIG model: it is conditional on an individual's past earnings record. This feature causes significant problems despite the overall success of the program. People who work for low wages their whole lives often find that they have not built up enough credit with the Social Security System to qualify

for a retirement above the poverty level. Because women tend to have lower life-time earnings profiles than men, and because they are more likely than men to spend years out of the labor force caring for children or the infirmed, women receive significantly less in Social Security retirement benefits than many men (Alstott, 2013). Therefore, the Social Security System in a small way preserves some of the inequalities based on race and gender that prevail in the United States labor market. It could relieve those problems by transforming Social Security into a uniform citizens pension, as Namibia and South Africa already have. This move, of course, would bring Social Security closer to the BIG model with unconditional, universal, individual, cash payments to every citizen of retirement age.

The British pension system is a little further from the BIG model in the sense that it is means tested: retired people with greater need get larger payments. Although this provision is supposed to help low-income people, it causes significant problems for the people at the low end of the income spectrum. People with low incomes who are at or near retirement age often have a hard time determining whether saving more for retirement will cost them more in lost state pension than it will benefit them in higher private income in retirement.

One of the central problems with conditional programs is that they are based on the belief that the poor can be separated into the “deserving” and “undeserving” poor (Zastrow, 1986) and that the government is capable of separating those groups, giving aid only to those who are deserving, and thereby teaching the undeserving to work themselves out of poverty. If the government could perfectly separate people into these two groups, they could target programs to help all of the deserving poor without creating any work disincentives for the undeserving poor. Even if such groups can be said to exist, it is implausible to believe that the government is likely to be very good at separating them. In any case, there are billions of people living in poverty throughout the developing world. It is implausible to think that all—or even very many—of those people are poor because they are undeserving. Most, if not all, of the billions of people living in poverty around the world are poor because of a complicated set of historical factors that caused the nation or region of their birth to be underdeveloped. By devoting resources to separating the deserving from the undeserving, governments waste resources that could help people who are deserving. The effort required to determine who is deserving is considerable, because to do so, the government has to figure out all the causes of poverty, decide which make people deserving and which do not, and then target programs to all of the categories of need that make people deserving (Widerquist and Lewis, 2006).

Take the United States for example: it is a large and complex system of overlapping policies targeted at different need categories, as the following table shows.

Table 2: Summary of targeted social safety net policies in the United States

Category (supposed cause of poverty)	Program
Physically unable to work	Social Security, SSI, Medicare, Worker's Compensation, Medicaid
Single parenthood	TANF, public housing, Medicaid, Food Stamps
Unemployment	Unemployment Insurance, food stamps, public housing, Medicaid
Low wages	The minimum wage, food stamps, public housing, Medicaid, the earned income tax credit
Inadequate Human capital	Public education, some counseling as a part of TANF and other programs
Lack of work ethic	Employment Counseling, denial of benefits

Source: Reproduced from (Widerquist and Lewis, 2006).

Despite the large number of programs, they are not enough to bring all of the people that meet almost anyone's criteria for deservingness up to the poverty line. For example, workers are usually considered deserving, but the US Department of Labor calculates a working poverty rate of 7%, meaning that 7% of people who work more than 27 weeks per year, remain in poverty (U.S. Bureau of Labor Statistics, 2013). Children meet almost anyone's conception of deservingness. Yet, in 2010, 21.6% of children in the United States lived in poverty (Macartney, 2011).

This evidence shows that the desert-based redistributive system in the United States does a poor job of targeting the most deserving people in the country. At the same time, it creates hardships for the very people it targets. The system is so complex that people often do not know what programs they are eligible for. They have to expend time and effort to apply for and maintain eligibility. Often the requirements take a very significant amount of time and effort that individuals could use more productively. And perhaps worst of all, these programs put individuals in the position in which they are constantly judged and scrutinized. Personal accounts of people who have sought the aid of the U.S. welfare system attest to the difficulty

of being constantly subjected to this judgment (Funciello, 1994). There is no moment at the end of the judging where an individual is congratulated for being found one of the truly deserving people the system was designed to help. There is a presumption that if you are in need, you must be undeserving. You might meet the eligibility criteria right now, but the system will keep an eye on you and always be on the lookout for a reason to reclassify you as undeserving. The stress of being under this constant scrutiny and the very real possibility of losing eligibility for a technicality multiply the hardships of people trying to get through the system and get on with their lives. The system could help people out of poverty more effectively by taking less of their time, giving them the aid they need, and letting them get on with their lives.

The effort of separating people into categories of need is extremely costly. Using any targeted strategy, therefore, invariably leads to more of the welfare system's budget going to overhead costs and less of it going to the aid of the people who need it. The myriad of programs listed on the table above all have their own separate administrations with executives, management, field workers, janitors, and many other employees. Some require offices all over the country. Different programs in the social safety net system vary greatly in the portion of total spending taken up by administrative costs, some being surprisingly high. Almost invariably, the closer the program is to the BIG model, the lower its administrative costs. For example, the administrative cost of unemployment insurance is more than 85% of its total budget while the administrative costs of Social Security is less than 1% of its total budget (Widerquist and Lewis, 2006).

If Namibia were to expand its social safety net with targeted programs, it would have to be prepared for a large portion of the increased funding to go not to the poor, but to administrative overhead. Namibia simply can't afford that. It has relatively low national income and a very large number of people in poverty. It has to choose the type of program that has the lowest administrative cost and that will get the largest share of the budget into the hands of the people who need it. This program is the BIG. How much BIG can Namibia afford?

5. THE COST AND SUSTAINABILITY OF BIG IN NAMIBIA

The first and most important thing to understand about the cost of BIG is that it is much less costly than it sounds. Because BIG is universal, the people who pay the taxes to support it, also receive some of those taxes back as a BIG. For all taxpayers, the increase in taxes needed to finance BIG will be at least partially offset by the BIG they receive. As described above, whatever amount a net-taxpayer receives back in BIG is not a cost of the program, because it does not affect his or her overall tax burden. Of course, the BIG will not

completely offset the additional taxes for all taxpayers. Those with low incomes will receive more in the BIG than they pay in additional taxes. These are net-recipients. Those with higher incomes will pay more in additional taxes than they receive in the BIG. These are net-taxpayers. To understand the actual increase in the tax burden—the cost to net-taxpayers—of introducing a BIG, we have to figure out how much money will go from net-taxpayers to net-recipients of the BIG. This is the net cost of BIG and it is far more important to understand than the gross cost of BIG.

The gross cost of BIG is simply the size of the BIG multiplied by the population receiving it. Assume the BIG is N\$100 per month, or N\$1200 per year, and it is given to every citizen who does not receive a state pension. In 2009, Namibia's population was about 2.1 million people. About 150,000 of them receive pensions. So, about 1.9 million people would be eligible for the BIG, making the gross cost about N\$2.3 billion (Samson and van Niekerk, 2009).

The net cost of BIG depends on the exact structure of the tax code. Samson and van Niekerk used a microsimulation model to estimate the cost of BIG depending on various tax structures and found that the net cost ranges from a low of N\$1.2 billion to a high of N\$1.6 billion or about 2.2% - 3% of national income (Samson and van Niekerk, 2009).

Can Namibia afford to devote 2.2% - 3% of national income to a BIG, and can it sustain that level of commitment over time? Currently, Namibia collects less than 25% of GDP in taxes. Many nations collect a far larger percent, some well over 40%. Namibia, being a middle-to-low-income country, might not be able to sustain that level of taxation, but it can certainly sustain more than 25%. Namibia is one of the most economically unequal countries in the world (Central Bureau of Statistics, 2008), which is de facto evidence that people with higher incomes can afford to pay higher taxes. Econometric estimates of tax capacity indicate that Namibia has a tax capacity well in excess of 30% of GDP (Samson and van Niekerk, 2009), and so the cost of BIG is well within the country's ability.

Of course, 2.2% of GDP is a significant amount of money, but it is an investment in human capital. Evidence discussed above indicates that this money will raise the incomes of all the neediest Namibians, reducing poverty, hunger, malnutrition, infant mortality, school dropouts, and so on. These improvements will reduce costs of other programs in the social safety net, and improve individuals' ability to contribute to Namibia's economy, increasing the affordability of the program over time, further ensuring its long-term sustainability. The plan will also have positive macroeconomic effects. Recipients of the BIG in the Namibian pilot project spent most of their grants locally on food, housing, and transportation, stimulating the most important sectors of the local economy (Haarmann et al., 2009).

6. FINANCING OPTIONS FOR BIG IN NAMIBIA

Any tax can be used to finance a BIG. If Namibia has the political will to introduce a BIG, it has many options for financing it. In one sense, the financing of BIG is easy. The government could introduce a new tax or raise an existing tax by a specific amount and dedicate whatever additional revenue is raised by that action to financing a BIG of whatever size the revenue from that tax can support.

The most obvious options for Namibia would be to raise the rate of the largest existing taxes, the VAT and the income tax. However, the VAT is a regressive tax; it takes relatively more from lower-income households than from higher-income households, leading to greater economic inequality. Using the VAT to finance a highly progressive program like BIG would mitigate some of that regressive affect, but not all of it. A VAT-financed BIG would put more of the burden for financing BIG on the middle-income deciles relative to the highest-income deciles. Given the level of inequality in Namibia today, that is not what the country needs. It could much more effectively reduce economic inequality by raising the income tax rate on people with high incomes as part of a funding program for BIG. A wealth tax is also a powerful tool for addressing inequality (Wolff, 1994).

Namibia could consider following the Alaska model by using resource taxation to finance BIG. The government already does a good job of capturing revenue from its diamond industry. If it were to dedicate that revenue to BIG or an Alaskan-style fund to support a future BIG, it would have to raise other taxes to replace that revenue. It is never too late to start, but the best years of Namibia's diamond-export revenue might already have passed. However, resource-tax opportunities do not end with a nation's largest export. Like all other nations, Namibia has valuable resources that are under-taxed. Imagine that Namibia introduced a land value tax, pollution taxes, a broadcast spectrum tax, and taxes on resource-extraction industries, such as fishing and minerals. These taxes can raise a lot of revenue, and they can do so efficiently because they tax economic rents rather than value added. The use of these rents for a BIG is important for fostering feelings of solidarity. Namibia's land belongs to all Namibians, as do its atmosphere, its water, its broadcast spectrum, its fisheries, and its mineral deposits. The government would no longer simply give these resources away to corporations who sell them back to Namibians. It would effectively lease them. Every Namibian—rich and poor—would receive a check once a month representing their share of their country's resources and rents. Options for this kind of financing have been well-studied (Maxwell and Vigor, 2005, Widerquist and Howard, 2012a, Widerquist and Howard, 2012b).

Namibia gets a significant amount of revenue from its membership in the Southern African Customs Union (SACU). It could finance a BIG of N\$100 by dedicating only a portion of SACU revenues to it. This action could be seen as compensation for the higher

prices that all Namibians pay because of customs duties on imports. It could also be seen as reflecting individuals' joint ownership of the government's duty-imposing powers. Of course, if SACU revenues are already ear-marked for other uses, the government would have to raise revenue elsewhere, perhaps through an income tax, a resource tax, or a wealth tax, to replace the SACU revenue now dedicated to BIG.

7. IMPACT OF BIG ON POVERTY AND INEQUALITY IN NAMIBIA

Indications from experience with cash transfers around the world and from the BIG pilot projects and experiments in India, Uganda, and Namibia are that a nationwide BIG in Namibia would dramatically reduce poverty. We saw that the Namibian experiment cut the food poverty rate in Otjivero in half. We saw that people who received grants in the Ugandan experiment increased their work effort and their wages. Putting these effects together implies that a national BIG in Namibia would affect poverty both directly and indirectly.

The Central Bureau of Statistics (Namibia) defines the poverty line as a household expenditure level of N\$262.45 per adult equivalent per month, and defines it defines the poverty line as a household expenditure level of N\$184.56 per adult equivalent per month. Using these definitions, the Bureau calculated that 27.6% of Namibians live in poverty and 13.8% live in severe poverty. That is, 27.6% of Namibians have consumption levels below N\$262.45 per adult equivalent and 13.8% have consumption levels below N\$184.56.¹ The same report includes the information about adult equivalent expenditure by decile collected in the following table. For the purpose of this table, a decile is one tenth of the population grouped by expenditure from the lowest to the highest with 1 being the lowest and 10 being the highest-spending decile. The numbers in the second column are average consumption expenditure levels for each decile.

Table 3: Adult equivalent expenditure by decile, Namibia 2003/2004

Decile	Mean expenditure (N\$)
1	116.20
2	191.79
3	247.24
4	311.67
5	387.42
6	500.22
7	673.67
8	968.62
9	1691.93
10	5743.88

¹ The Central Bureau of Statistics report bases these figures on expenditure data from the 2003/2004 Namibia Household Income and Expenditure Survey.

Total (i.e. average)	1083.03
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Source: (Central Bureau of Statistics, 2008), p. 40.

This table shows that the average consumption expenditure of households in deciles 1-3 are all below the poverty line. The average household in decile 3 is just below the poverty line of N\$262.45 with expenditure of N\$247.24. The average household in decile 2 is well below the poverty line and barely above the severe poverty line of N\$184.56 with an expenditure level of N\$191.79. The average household in decile 1 is well below the severe poverty line with an expenditure level of only N\$116.20.

We cannot know exactly how much impact a BIG would have on these figures without knowing exactly how it would be financed and without estimating everyone's labor and expenditure responses to the BIG and the associated taxation. If persons receiving the state pension are not eligible, we would have to know how many people in each decile receive the state pension. However, for the purpose of illustration, assume that whatever taxes are used to finance the BIG do not fall on deciles 1-3 and that everyone in those deciles is eligible for BIG, so that their expenditures rise by the full amount of BIG. Under this assumption, the following table summarizes the effect of a BIG of N\$100 on expenditures of households in deciles 1-3.

Table 4: Hypothetical effects of N\$100 BIG on deciles 1-3, 2003/2004

Decile	Actual mean expenditure (N\$)	Hypothetical mean expenditure with BIG (N\$)
1	116.20	216.20
2	191.79	291.79
3	247.24	347.24

 Indicates severe poverty (below N\$184.56)

 Indicates poverty (below N\$262.45)

Source: Actual mean expenditure (Central Bureau of Statistics, 2008); Hypothetical mean expenditure with BIG, author's calculations.

This table shows the enormity of BIG's impact on poverty. Households in deciles 2 and 3 are lifted out of poverty. The average household in decile 1 is lifted out of severe poverty. These figures mean that, under our assumptions, poverty in Namibia would fall from 27.6% to less than 15% and that severe poverty would fall from 13.8% to less than 5%. Without more complete data and much more complex modeling, it is impossible to say much more than that, but this is enough to show that the impact of BIG on poverty would be dramatic. A rule making pensioners ineligible would significantly reduce the impact; taxes that fell partially on people in deciles 1-3 would also decrease the impact. However, increased economic activity, work effort, and investment among the poor would increase the program's

impact on poverty. The effect on childhood health and education would again increase the impact of BIG on poverty over time, as healthier, better educated children grow up and enter the labor force.

8. LESSONS FOR NAMIBIA

The international and national evidence discussed above indicates that Namibia would more effectively improve its social safety net by introducing BIG than by using a like amount of net spending on any other project. Consider the following summary of lessons.

- A BIG given to everyone is not any more expensive than an income guarantee given only to net recipients, but it has many advantages in terms of simplicity, efficiency, reliability, and solidarity.
- The BIG eliminates poverty traps associated with most targeted social safety net policies.
- Cash transfer policies have been very effective in developing nations and they tend to be more effective the closer they are to the BIG model. That is, the fewer conditions they have and the more easily those conditions are fulfilled.
- Cash transfer policies in developing nations have been associated with reduced poverty, improved health, reduced childhood mortality, reduced child labor, increased school attendance, and increased local economic activity in depressed areas.
- Most cash transfer policies in developing nations have had negligible effects on work effort and some have had positive effects on work effort.
- Randomized field experiments in the United States, Canada, India, and Uganda show that a BIG or similar policies have enormous positive effects including reduced poverty, increased school attendance, improved school performance, improved health, reduced incidence of low-birth-weight babies, reduced malnutrition, increased labor effort, and increased self-employment.
- Although field experiments in developed nations have shown minor negative effects on work effort, field experiments and pilot projects in developing nations (Uganda, India, Kenya, and Namibia) have shown a positive relationship between BIG and work effort.
- Field experiments have shown little or no effect on consumption of alcohol, tobacco, gambling, and so on.
- The BIG pilot project conducted in Namibia has confirmed the results of evidence from randomized field experiments and from cash transfers.

- Experience with the Alaska dividend shows that a BIG financed by resource taxation can reduce poverty and inequality while maintaining strong support from middle- and higher-income people and fostering feelings of shared ownership.
- Experience in Alaska also shows how Namibia could reclaim the rental value of privately held resources, leave the value-added to the companies that hold those resources, and distribute that rental value back to the citizens who need it most.
- Targeted programs waste a lot of money on overhead costs and impose significant costs on the people they are intended to help. By choosing the BIG model, Namibia will direct much more of its scarce available funds into the hands of the people who need it.
- The tax base is available in Namibia to sustainably support a monthly BIG of N\$100 or more.
- A BIG of N\$100 per month would probably cut Namibia's poverty rate in half, and it would probably cut the severe poverty rate by even more than half.

All of this evidence adds up to a powerful case for BIG in Namibia. The fear that many people will not work if they receive BIG is unfounded, as is the fear that it will be unaffordable. BIG does a better job of actually helping people who are usually picked out as most deserving of help than proposals targeted at specific categories of people.

The Namibian government could move in the direction of BIG by introducing a cash-transfer project along the lines of Brazil's Bolsa Familia, but by doing so it would create unneeded bureaucracy, and it would not help those in need as much as Namibia could by beginning to phase in a BIG.

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