

Basic Income in South Africa

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In 2004, BIEN decided to become a world-wide network. Would the newborn survive? Much depended on whether it would manage to organize a successful first congress. And it did, thanks to the obstinate and competent efforts of Ingrid Van Niekerk and her team. Held on the wonderful upper campus of the University of Cape Town, one of Subsaharan Africa's oldest and most prestigious academic institutions, it gathered over one hundred participants coming from all six continents.

To South African basic income supporters, the congress offered a unique opportunity to discover why basic income aroused interest in such different contexts as Mexico, Norway or Australia. And for participants from the rest of the world, it constituted an exceptional occasion for understanding the specific relevance of basic income and other universal cash transfers in places like South Africa and neighbouring Namibia. As South African economist Pieter Leroux once put it, those who believe basic income will first be introduced in the North may be making the same sort of mistake as Karl Marx was making when he expected the socialist revolution to occur in England and Germany rather than Russia and China. Among many other contributions, several plenary sessions and parallel workshops helped make sense of this conjecture.

First of all, South Africa, like other countries in the South, has a huge informal economy, in the sense that, even when wages are regularly paid, they are nowhere recorded in an easily detectable way. In this context, implementing a means test is very tricky: doing it seriously would be prohibitively expensive, and doing it erratically would breed resentment, invite clientelism and undermine the legitimacy of the system. Hence the particularly strong case for by-passing the typical Northern path of a means-tested guaranteed income and going straight for universal delivery, a case further strengthened by familiar considerations about rates of take up and dependency traps.

One might object that selectivity could operate without a means test, by relying on guaranteed employment at a minimum wage in public works projects, as illustrated by the Indian state of Maharashtra (Mumbai). Several contributions were devoted to this issue. The argument against this alternative, in the South African context, is that the country lacks the organizational capabilities to credibly provide a

right to employment to a sizeable proportion of the people concerned. One would end up with a bulky public sector of poorly paid, poorly motivated, poorly equipped, poorly trained, poorly supervised and hence poorly productive workers, which could only be made more productive at a prohibitive opportunity cost to the rest of the economy, in terms of material and human capital.

With no credible alternative in the form of means-tested or public-works-based schemes, a basic income is made particularly urgent, several participants argued, by the presence of AIDS. To face the challenge of the epidemics, the South African government introduced free ARV medication and a disability grant currently pitched at about 600 Rand per month as long as people are sick. Before getting sick, and after the ARV treatment starts having effects they are entitled to nothing. Given that most people affected cannot fall back on a job when getting better, this creates a major moral hazard problem with disastrous consequences: discontinuing the treatment enables the patient to keep receiving the disability grant, while keeping him/her more contagious than he/she would otherwise be. This creates an AIDS trap in which people get stuck and from which the illness keeps spreading. Lowering the patients' disability grant, it was argued, while giving a modest basic income to all members of each household, would greatly alleviate this problem.

However useful it may be on these various grounds, a universal basic income needs to make financial sense, and several contributions focused on this issue. Admittedly, in a less developed country, it will need to be fixed, at least initially, at a "destitution level", rather than at a "decent" level. Thus, South Africa's Basic Income Coalition has been pressing for a basic income of 100 Rands (about USD 14) per month. But would the cost of delivering it to every person not be prohibitive? South Africa has considerable experience with the delivery of two types of cash grants: an old age pension of 820 Rands (about USD 120) per month to all women over 60 and all men over 65 with no contributory pension, and a universal child support grant of 190 Rands (about USD 26) per month to all children up to age 14. The estimated all-inclusive cost of delivery (administration, transport and security) reaches an average of 37 Rands per grant in rural areas, while dropping as low as 17 Rands in some urban areas. For a grant of 820 Rands, this is reasonable. For a grant of 100 Rands, the delivery bucket might sensibly be considered too leaky. Fortunately, one can be confident that the leakage should shrink dramatically. Firstly, a universal grant paid to every member of each household unavoidably generates major economies of scale relative to a more selective scheme. Secondly, there is scope for a far more comprehensive use of the available technology (direct bank transfers are still the exception, and smartcards will be usable for payment, not just for identification). Finally, designing differently the contract with the agencies in charge of the delivery should also permit major savings as suggested by the much lower estimated average cost of delivery for Namibia's pension scheme (9 Rands).

Even with a much lower administration cost, the basic income grant still needs to be funded. The economists behind the Basic Income Coalition are advocating a rise of VAT from 14 to 21%. The Trade Union Confederation COSATU prefers a rise in the income tax rates. With a basic income of 100 Rands, the downward

redistribution of GDP would increase by 5% under the latter option, but only by (an arguably less disruptive) 2% under the former, as people under the current tax threshold would also contribute. Alternative possibilities have been discussed at the congress, such as a natural-resources-fund, as worked out for Nigeria by economist Sala-I-Martin, or a "total-economic-activity tax", i.e. a small proportional tax on each electronic payment, as proposed for South Africa by Margaret Legum. Such a tax is already in use to fund part of Brazil's "borsa familia" programme. As electronic payment spreads ever more widely and deeply, even in less developed countries, a universal basic income might become more feasible, not only because of dramatically lower delivery costs, but also because of the emerging availability of an exceptionally simple and painless form of taxation.

Countless other issues were discussed at the parallel workshops and plenary sessions, including the pros and cons of conditionalities for universal child support grants (South Africa vs. Brazil), the prospects for a global or at least a regional (NAFTA) basic income, or the sometimes uneasy relationship between basic income and Trade Union interests on the one hand, feminist concerns on the other. But perhaps the most striking feature of the Congress, compared to its ten predecessors, was the presence of religion. At the opening plenary session, one of the leaders of the South African Council of Churches noted that this should come as no surprise, as the South tends to be far more religious than the North, and its churches more actively involved in social issues. For many participants, the most memorable speech of the whole congress is likely to be the one by Namibia's Lutheran bishop and SWAPO member of parliament, Zephania Kameeta, who jumped out of his prepared script to stigmatize endless conferences that generated "words, words, words", while human beings were suffering, starving and dying. Last but not least in terms of the impact words can have, the closing plenary session included a video-taped address by South Africa's Anglican Archbishop Desmond Tutu, who pronounced a forceful and well argued endorsement of universal cash grants (<http://www.youtube.com/watch?v=gf3n-L5FDy0>). The next day, Cape Town's Sunday paper's headline read: "Tutu pleads for Basic Income grant", and two days later, South Africa's Minister for social development Zola Skweyiya, for the first time, expressed support for the implementation of a basic income in the country.