

BASIC INCOME AND THE RIGHT TO EXISTENCE IN TIMOR-LESTE

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It may seem strange to be talking about Aristotle, Thomas Paine and Robespierre in relation with the poverty-related problems of a small Southeast Asian nation today.

While the three republican thinkers differ in many respects, they share two central convictions of general relevance that have particular and poignant import in the specific cases of poor countries like Timor-Leste.

First, being free means not having to depend on any other person for one’s social existence. The person who lacks property – understood as material independence – is unfree in the sense of not having his or her “right of existence” guaranteed. This person is not a citizen in his or her own right – *sui iuris* – but lives at the mercy of others and is unable to exercise or cultivate the virtues of citizenship because dependence on another party subjects him or her to an alien regime – *alieni iuris* – making of him or her, to all intents and purposes, an “alien”. Second, republican freedom can extend to all the fully-fledged members of the community (the plebeian democracy of democratic republicans) or only a few (the plutocratic form of the oligarchic republicans), but it is always based on property and the material independence deriving from that. This republican freedom cannot be sustained if property ownership is so unequal and so polarised in its distribution that a handful of individuals can successfully challenge the republic so as to impose its own conception of the public good. When property is so unequally distributed, there is little if any space for the freedom of the remaining population.

The Constitution of Timor-Leste enshrines these concerns, urging full citizen participation in the country's development, yet how is this possible when the vast majority of the population does not have access to the material means of existence that would give them the freedom to participate as *sui iuris* citizens? This essential dilemma is at the core of the troubled country's problems, the urban overcrowding, chronic agricultural underproduction, alienated youth, unemployment, violence, low participation of women, *inter alia*, that have led several observers to predict that Timor-Leste is well on the way to failed statehood.¹

Basic Income and the Right of Material and Social Existence

Our arguments about the poverty-reducing effectiveness of Basic Income (henceforth BI) go back to the earliest democratic republican political tradition, wherein it was held that republican freedom derives from property or, in other words, from the material independence of individuals.² For the Greeks, in particular with the revolutionary democratic reforms of Ephialtes around 461 BC, democracy meant government of the poor (free men),³ and this was achieved by extending republican freedom to all citizens, rich and poor. The reform that is most pertinent to discussion of Basic Income is the *misthon*, a gradually introduced payment for the execution of political tasks. Though, less than an artisan's salary, this permitted the poorest citizens to have an effective role in the political life of the city if they wished. The anti-democratic or oligarchic variant

¹ The 2002 "Failed States Index" compiled by the Washington-based Fund for Peace and published in *Foreign Policy*, ranked Timor-Leste 20th in the "alert" category, just below Ethiopia (18) and Burundi (19) and just ahead of Nepal, Uzbekistan and Sierra Leone (21, 22, and 23 respectively). See http://www.fundforpeace.org/web/index.php?option=com_content&task=view&id=229&Itemid=366. [Last accessed 23 July, 2007.]

² In this section, we have drawn on the paper "Republicanism and Basic Income" by Antoni Domènech and Daniel Raventós for the Conference "Towards a Basic Income Society?", Centre for the Study of Social Justice, University of Oxford, 26-27 October 2007, and other jointly and singly authored papers by David Casassas, Daniel Raventós and Antoni Domènech. See also, Antoni Domènech (2004), *El eclipse de la fraternidad*, Barcelona, Crítica, and Daniel Raventós (forthcoming November 2007), *Basic Income: The Material Conditions of Freedom* (London, Pluto Press).

³ Aristotle, *Politics*, 1279b 39 – 1280^a 1-3; 129b 8-13.

of republicanism,⁴ also upheld the idea of freedom as material independence but, for different reasons, balked at universalising it.

Some 23 centuries on, Thomas Paine addressed the voraciously expropriating process of the destruction of Europe's ancestral economies in his famous text, "Agrarian Justice". He called for a "national fund" established by taxing private landed property so as to introduce a pension of "the sum of ten pounds per annum, during life, to every person now living, of the age of fifty years, and to all others as they shall arrive at that age [...]. [I]t is a right, and not a charity I am pleading for".⁵

Four years earlier Robespierre had been the first to formulate, in 1792, the concept of the "right of existence" whereby society should guarantee to all its members, as the first and foremost right, that of existing materially and socially:

What is the first object of society? It is to maintain the inviolable rights of man.

What is the first of these rights? The right to exist. The first social law is thus that which guarantees to all society's members the means of existence; all others are subordinated to it.⁶

This old idea has forcefully reappeared in the last three decades with growing interest around the world in Basic Income in countries ranging from the United States to Mexico, Spain to Germany, and from Argentina to Australia, Namibia and South Africa. As early as 1967, Martin Luther King wrote, "I am now convinced that the simplest approach will prove to be the most effective – the solution to poverty is to abolish it directly by a now widely discussed measure: the guaranteed income."⁷

⁴ See, for example, Aristotle's defence of the *politeya* or Cicero's *De Officiis*.

⁵ Thomas Paine, "Agrarian Justice" (1796) in Foner, P. F. (ed.) (1974), *The Life and Major Writings of Thomas Paine* (Secaucus, NJ, Citadel Press).

⁶ Robespierre, M. (1958-1967) *Oeuvres* (Paris: Société des Études Robespierriistes).

⁷ Martin Luther King (1967), *Where Do We Go from Here: Chaos or Community?*, in the chapter entitled "Where We Are Going" (New York, Harper & Row).

This new, wide-reaching interest in BI coincides with the implacable advance of “globalisation”, a tranquilising name for an all-encompassing, rapidly burgeoning and totally political process of capitalist counterreform as world-wide dispossession: dispossession of social rights that were conquered by six generations of workers, dispossession through auctioning off public goods and services, neo-colonial dispossession entailing private appropriation of water, fossil fuels, forests, the whole natural heritage (including genetic codes of vegetable and animal species), and dispossession entailing capitalisation of forms and whole worlds of social life that were once ancestral or simply traditional.

Echoes of the old European democratic-republican ideas of universally guaranteeing the bases of material existence as a *right* appear in the Constitution of Timor-Leste, but are absent in discussion of the country’s economic, social and political dilemmas. The Constitution declares that the State aims “to promote the harmonious and integrated development of the sectors and regions and the fair distribution of the national product.” It calls for sustainable development, gender equality, participatory democracy and access to education and good health, seeing the direct participation of the entire population as essential for the country’s sustainability.⁸ We believe that in all priority areas of Timorese nation-building today a BI would be an effective means of establishing such a democratic system with the highest possible degree of participation, even by the poorest and hitherto most excluded members of society – like the poor free men that were paid the *misthon* in democratic ancient Greece.

So what is Basic Income then? BI is a modest income that, in order to be effective, must be above the poverty line and sufficient for the survival of each and

⁸ See in particular Part II, Title III, Section 50, [1] (gender rights); Part II, Title III, Section 50, [15] (cooperatives and household businesses); Part III, Title II, Section 63, [2] (civil and political rights); Part IV, Title I, Section 139, [1] (equitable use of national resources); and Part IV, Title II, Section 142 (provision of financial resources for economic development).

every citizen in the geographic-administrative area under consideration. It is unconditionally paid by the Administration to everyone, regardless of origin, age, gender, race, civil status, religion and socioeconomic situation. A more technical definition would be:

Basic Income is a payment made by the State as a right of citizenship to each full citizen or accredited resident of the society regardless of whether he or she wishes to engage in paid employment or is rich or poor or, in other words, independently of what his or her sources of income might be, and irrespective of his or her cohabitation arrangements in the domestic sphere.

BI does not only combat poverty. It offers more freedom to citizens, especially people in vulnerable and subjugated groups, jobless people, those with precarious contracts and wretched conditions of work, women who are alone or who depend economically on their fathers or male partners, and the poor in general. This increased freedom takes the form of an enhanced degree of socioeconomic independence, or an autonomous base of material existence, which most of the world's citizens lack today, especially in the poorest countries.

There is no sense in talking about “citizenship” without taking into account the conditions that guarantee the socioeconomic security of individuals belonging to a political community. Unless individuals have a real possibility of determining their life plans and of carrying them out, full citizenship cannot exist. The same applies to the terms “democracy” and “freedom” in a world where over three billion people live on less than US\$2 per day.⁹ Like universal suffrage, providing political guarantees of the

⁹ “Poverty line” figures, mainly based on World Bank estimates, are widely disputed. For example, Sanjay G. Reddy and Thomas Pogge, in the Columbia University study “How *Not* To Count the Poor” note that the World Bank’s “money-metric” approach to constructing an international poverty line ignores the real requirements of human beings, employs a fuzzy concept of purchasing power “equivalence” that is inappropriate for poverty measurement and uses limited data, all of which has led to its understating the degree of global poverty. See <http://www.columbia.edu/~sr793/count.pdf> [Last accessed 24 July, 2007].

material conditions of existence to all citizens in a democratic state simply because they are citizens is a concept of such normative power that it is astonishing – at least in normative terms – that it was not universally adopted when the first “universal” declarations of human rights were proclaimed.

What Basic Income Can Offer Poor Countries

BI makes profound political and economic sense for poor or underdeveloped countries. *Development*, in the meaningful sense, means throwing off the ties of socioeconomic dependence that have, in so many social and geographic contexts, led to situations of widespread vulnerability in which the poor are always the hardest hit. The prime source of vulnerability and arbitrary interference is lack of material independence. Of all the poverty-combating proposals that have been presented for poor countries, we believe that, because of its universal and unconditional nature, Basic Income would be the most effective in constructing a more egalitarian and participative society and in offering freedom – in the sense we have specified above – to everyone.

It should be stressed that the democratic republic must respect whatever conceptions of the good life its citizens may embrace once this freedom is attained, and that this also implies that the State must intervene to destroy or curtail the economic or institutional base of any person or group of agents that successfully threatens the right of other citizens to put their life plans into practice, or the State’s right to determine and protect what is in the public interest.

In Brazil, an unconditional and guaranteed minimum income is seen as the simplest and most effective step towards eradicating poverty, especially since its economy is marked by great inequalities of income and wealth. In December 2002, the Senate approved a law – passed in the Chamber of Deputies in December 2003 – to

introduce a system designed eventually to become a fully-fledged BI for the entire population of its permanent residents. The BI is being slowly introduced in a series of phases, the present one constituting an income-limited system that will apply to the poorest members of society.

When a BI is proposed for poor countries, the immediate concerns are eradication of hunger, starvation and the most extreme forms of poverty, improved income distribution and creation of job and professional opportunities. A BI gives sense to development proposals that, while well-intentioned, are attempted as isolated, precariously (and one-off) funded initiatives that are not coordinated with the general setting of political, social, work and solidarity priorities and are therefore condemned to eventual failure. Yet these initiatives usually involve crucial issues such as agrarian reform, offering credits, cooperative endeavours, local-scale agricultural projects, environmentally sustainable projects, improving the territorial balance between rural and urban areas, security and public education and health service facilities.

The material independence guaranteed by a BI can create the conditions for sustained economic progress precisely in these areas by opening up autonomous collective or individual productive opportunities for the population. Timor-Leste is particularly handicapped because most members of its (mainly Chinese) fledgling middle class were either killed or fled after the Indonesian invasion in 1975 and hence there are virtually no home-grown entrepreneurial activities, leaving the field open for profit-seeking foreign concerns.¹⁰ A BI would seem to be the best if not the only way of providing an impetus for the much-needed autochthonous ventures.

BI never means creating a society of citizens passively waiting for the next handout. It is not an alternative to working but rather it enables citizens to take

¹⁰ We are indebted to Liem Soie Liong for this insight (in private conversation, Barcelona, 17 August 2007).

initiatives. It liberates, for the general benefit, human resources that are wasted as a result of bonds of dependence that block initiative and lead to further social injustice and indigence. The key point, however, is that BI can improve the overall well-being of a society by offering individual freedom and, as Amartya Sen states in his *Development and Freedom*,¹¹ real social and economic development can only occur in poor countries when there is greater freedom of choice for all members of society.

Basic Income in Timor-Leste as a Means of Achieving Constitutional Goals

Timor-Leste is essentially agrarian, with 90% of the population based in rural areas (before the massive displacement of 1999). It is, until oil and natural gas revenues start to flow,¹² one of the world's poorest countries with over 40% of the population living on less than the official poverty line of 55 US cents a day. In rural areas, the figure is closer to 50%. According to the UNDP report, optimistically titled "The Path out of Poverty",¹³ the annual per capita GDP in Timor-Leste was US\$370 in 2004, marginally over US\$1 a day but, in rural areas, the figure was only US\$150.

Dire these figures are, but they do not reveal the extent of the vulnerability of the most disadvantaged groups, in short small farmers in insecure or flood- and landslide-prone areas; people without livestock; families with many dependent members; street children; women household heads, women without education, in isolated rural areas and victims of violence, rape and psychological trauma; the homeless and internally displaced people.¹⁴ The 2006 UNDP Report reveals that of children under the age of

¹¹ Amartya Sen (1999) *Development as Freedom*, (New York, Random House).

¹² Between 2009 and 2018 Timor Sea revenues are expected to reach US\$2,400 million.

¹³ See http://www.tl.undp.org/undp/for_download/NHDR2006/TL-2006-Final.pdf. [Last accessed 26 July 2007.]

¹⁴ Some 90,000 houses were severely damaged or destroyed in the militia violence of 1999. In the unrest of 2006, over 100,000 people were made homeless. The total number of IDP rose to a peak of 70,000 in Dili and about 85,000 in other parts of the country. See the International Red Cross Report, "Timor-Leste: Appeal No. MAATP001 Report, 2006-2007, <http://www.reliefweb.int/rw/RWB.NSF/db900SID/LRON-733FLH?OpenDocument> [last accessed 26 July 2007.]

five, 48% are “stunted”, while 12% are “wasted”. The long-term physical and mental effects of this nutritional deprivation constitute both a massive human tragedy and a chronic socioeconomic burden. Infant mortality rates are extremely high: 136 children per thousand die before the age of five, and 90 of these die in their first year. Maternal mortality rates are 800 per 100,000 births. Life expectancy is 55 years. The present food crisis in Timor-Leste is not an isolated phenomenon but a generalised food security problem. Only 3% of rural farmers use fertilisers, pesticides, manure or improved seeds, so that they are much more vulnerable to locusts, plagues and bad weather conditions.¹⁵

Rural households have withstood all the destruction, violence, upheavals and shocks through basic survival strategies – hiding in the mountains in times of strife and, in more peaceful times, informal economy trading of cigarettes, cans of petrol, kerosene Street begging is on the rise. While these strategies may ensure “bare life”, they are no basis for community production or sustainable development. Some donors offer targeted micro-credit programmes but, whatever the good intentions, these can only have partial, discontinuous and insufficient effects because the problems are national in scope, socio-economically structural by nature, and only amenable to solution if the anti-poverty programme is thoroughgoing and long-lasting.

In January 2006, the Treaty on Certain Maritime Arrangements in the Timor Sea, signed by Australia and Timor-Leste, provisionally resolved a bitter maritime boundary dispute between the two nations.¹⁶ One of the smaller deposits, the Bayu-Undan field, began production in February 2005 and the government’s budget rose from US\$80 million to almost double that in 2006. This field is expected to generate about

¹⁵ Timor-Leste lost 30% of its crops this year, the immediate causes being drought, plagues and locusts (the *historical* causes of chronic underproduction still need to be addressed, and would be with a BI). The country will suffer a food deficit of 86,000 tons in the coming months, of which 72,000 tons will be supplied by commercial imports. It is hoped that the other 15,000 tons will be supplied as aid. One fifth of the population (220,000) people will go hungry or starve unless this aid is given. See, “East Timor Needs 15,000 Tons of Emergency Food Aid, UN Agency Says”, DPA, 27 June 2007.

¹⁶ See Charles Scheiner, “Drilling East Timor: Australia’s Oil Grab in the Timor Sea”, *Multinational Monitor*, January-February 2006, Vol. 27, N° 1.

US\$250 million per annum over a projected 20-year life span, around US\$5 billion in total. Another area, the Greater Sunrise field, is expected to bring in US\$10 billion in the 30 years of the project's projected life. Seeking to avoid the pitfalls of a sudden sharp rise in revenues (as in Chad and Nigeria), the Alkatiri government established a Petroleum Fund to manage the flow of revenue and curb corruption. The Fund legislation requires that all oil and gas revenue be deposited into a single account. The government can spend only a small fraction of this revenue, depending on gains made by the fund's investments (mainly in low-risk bonds) so that when the oil and gas reserves are exhausted, future generations will still have substantial wealth. The law establishes monitoring organisations to supervise fund management and periodical reports are issued for public scrutiny.

A BI in Timor-Leste partially financed by oil and gas revenues would bring about an immediate horizontal distribution of a regular micro-income (as opposed to *micro-credits*) received every month without external interference. A BI of US\$30 would be considerably above the poverty line in Timor-Leste. For a total population of 1.2 million, the overall annual sum of a universal BI of US\$30 per person per month would be US\$432 million. Another BI scheme could be a BI of US\$30 for people over 15 years of age (US\$216 million) and US\$15 for children under 15 (US\$108 million), some fifty percent of the population¹⁷, a total of US\$324 million. A poverty-line BI paying just over 60 US cents per day for the entire population (US\$20 per month), would cost US\$288 million. With a BI of US\$20, a poor family with six dependents would receive a guaranteed monthly income of US\$160 or US\$1,920 per year. In a hamlet of twenty similar families this BI would bring in US\$3,200 per month or US\$38,400 per year.

¹⁷ According to the UNDP Timor-Leste Human Development Report 2006.

What this could mean in terms of food production is illustrated by a project of rice cultivation with buffaloes in the economically devastated rural area of Uatulari with a population of about 20,000 people. The Generalitat (Government) of Catalonia financed the project through a wholly Timorese NGO, giving a total of US\$142,680 from 2000-2003 (US\$47,560 per year), or roughly US\$2.38 per person per year. The area achieved self-sufficiency in rice cultivation before the end of the period and was able to supply seeds to nearby areas. Restoring the Uatulari buffaloes meant providing “machinery” for preparing the abandoned rice fields (treading the soil to compact it prior to planting the seedlings) but this “machinery” also produces manure, milk, meat and hides, has ceremonial significance and reinforces community values because the buffalo is traditionally community property. However, with a change of government in Catalonia, funding stopped and the project never went beyond the successful “Pilot Project” stage. A BI of US\$20 per person per month would bring a guaranteed US\$4.8 million into Uatulari every year, about one hundred times what the Catalan Government gave.

In Tim Anderson’s words,¹⁸ “Developing countries have to make a choice between a food security and agricultural development strategy which places its main emphasis on the consolidation of local production and the broad development of local markets, and one which engages in a big push for export orientation.” He quotes the FAO expert Marcel Mazoyer as arguing for the ‘multifunctionality’ of small farming since “small farms not only add market produce but also support food security, social security, productive livelihoods and more effective environmental management.”

Another aspect of this is that massive migration to the capital Dili in 1999 because of the militia violence has created an enduring problem of urban-rural population imbalance. In particular, the great destructive capacity of traumatised,

¹⁸ Tim Anderson (2006), “Food Security and Agriculture in the Australia-East Timor Relationship” in Damien Kingsbury and Michael Leach (2006) *East Timor: Beyond Independence*, Monash Asia Institute Press, Melbourne.

unemployed and disaffected youth shows that they do not feel included as citizens of the new nation and its Constitutional project of constructing a peaceful and economically viable society. Again, 280,000 people were displaced from the country during the post-occupation militia violence, including militia members themselves. Evidently these people cannot be received back into a community that does not exist because it has no productive base. Including the returnees in a BI scheme would go a long way towards their reintegration and establishing peaceful coexistence, apart from providing them with real membership in society through giving them the material means of existence.

Another marginalised group is that comprised by former FALINTIL guerrilla fighters, men (and some women) who renounced their youth and any educational and employment possibilities they may have had in order to fight for their country's independence. These people, their widows and dependents, account for some 40,000 people. They are the country's heroes, yet are economically and therefore socially excluded, and some have now turned to gang violence. In short, a socially-inclusive economy on the basis of a universal BI would favour many essential processes of reconciliation, in great part because it would grant everybody the set of material assets that would enable them to redefine their plans and projects autonomously and from a lifelong perspective.

A further dramatic factor is demographic reality: the poorest families tend to have the most children. The current fertility rate in Timor-Leste is 7.8 percent, the highest in the world, while the population would double in 18 years if the population growth rate were only 3.9 percent.¹⁹ Apart from the absence of family planning

¹⁹ See World Bank Timor-Leste Country Brief, September 2006, <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/TIMORLEST/EEXTN/0,,contentMDK:20174826~pagePK:1497618~piPK:217854~theSitePK:294022,00.html>. [Last accessed 28 July 2007.]

facilities and basic health education, having more children is seen as a form of replacing siblings who die in their infancy and some kind of social insurance for aging parents. That the mother's health is usually greatly undermined by many pregnancies and giving birth in inadequate conditions is a lesser consideration in desperate circumstances. As a guaranteed form of social insurance, a BI would lower the birth rate in the long term, thereby correcting a dramatic skewing towards the young, dependent members of society and improving the health of mothers and children in particular. Moreover, it would be a highly effective mechanism for abolishing child labour and getting children into classrooms, which would also have long-term effects on health *inter alia*.

Finally, in countries that have at least the façade of democracy in terms of periodical “fair” elections, the poorest people tend not to vote. In the United States, of the people below the poverty line, only 38% voted in the elections of 2000 while, of people with means representing twice the poverty line, 68% voted.²⁰ There is, therefore, a significant relationship between income level and political participation, as the radical Greek democrats very well knew – hence the *misthon*.

Financing a BI in Timor-Leste

There are many options for financing a BI. We will mention three of them. The first is changing budgetary priorities, the second involves adjustments to the income tax structure and the third is increasing VAT and excise taxes on luxury goods such as cars, alcohol, tobacco, etc.. These options are not mutually exclusive and, in Timor-Leste, a combination of the first and third might be the most feasible choice at present.

²⁰ Committee for Community Change, Washington, cited by *Harper's Index*, March 2004.

Changing budgetary priorities would necessarily involve oil and gas revenues since they account for such a great part of the budget. In the 2006-2007 budget, petroleum revenues represented 92% of the total, an expenditure of approximately US\$400 million. However, the expected revenue from petroleum activities is around 215% of planned expenditures, generating a large surplus.²¹ The *East Timor Petroleum Fund Quarterly* stated recently that on 31 December 2006, the Fund had a net asset of approximately US\$1.3 billion. Both fiscal and current account balances in 2006 recorded surpluses of more than 100% of non-oil GDP and these are expected to rise in 2007/2008, reflecting large and growing revenue from offshore oil and gas fields.²²

A pertinent example of funding a BI through a Petroleum Fund is, strangely enough, Alaska where the Alaska Permanent Fund²³ was created in 1976. Since 1982, anyone legally residing in the State of Alaska for more than a minimum period of six months has been receiving a BI, a total of some 700,000 people at present. The main promoter of the Alaska BI was Jay Hammond, Governor of Alaska for eight years, from 1974 to 1982. Alaska is rich in oil, the Prudhoe Bay field being the biggest in the United States, and Hammond proposed that this wealth should benefit the population, present and future, by means of a fund consisting of part of the oil revenue. The Alaska BI is a dividend that corresponds to part of the average performance over the previous five years of this permanent fund. The Fund has undergone numerous modifications and presently consists of a portfolio that has been diversified worldwide. Alaska's BI represented a total of US\$2,000 for every resident in 2000. If recent decades have seen a

²¹ See an Australian Government assessment at http://www.aph.gov.au/House/committee/jsct/6_7_february2007/subs/sub9.pdf. [Last accessed 28 July 2007.]

²² See World Bank, *East Asia Update*, April 2007, <http://siteresources.worldbank.org/INTEAPHALFYEARLYUPDATE/Resources/550192-1175629375615/TL-EAP-Update-April2007.pdf>. [Last accessed 28 July, 2007.]

²³ See Alaska Permanent Fund Corporation (1988) "Wealth Management: A Comparison of the Alaska Permanent Fund and Other Oil-Generated Savings Accounts around the World", *The Trustee Papers* 5, April.

steady redistribution of wealth in the United States in favour of the richest members of society, Alaska continues to move in the opposite direction so that it is the most egalitarian of all the states in the USA.²⁴

The other two options for funding a BI, adjustments to the income tax structure and increasing VAT and excise taxes, mean that higher earners and spenders would bear the costs of the benefits to the poor. The latter option in particular makes sense in a dual economy like Timor-Leste's with its high-spending expatriate sector, which has recently increased again with the build-up of the UN mission. This should be considered in the context of the fact that, between 2002 and the end of 2006, Timor-Leste received US\$3.5 billion in aid from the UN and international agencies but the bulk of the money went into the wages of aid officials, consultancy fees and contracts with companies based in the donor countries and, in accordance with World Bank criteria, is essentially used for providing infrastructure and services for businesses and foreign investors. Partially financing a BI with higher VAT – except for necessary goods – and excise taxes could stem the flow of resources into foreign hands while countering World Bank, Asian Development Bank and IMF policies that, as Tim Anderson points out, threaten to undermine Timor-Leste's economic independence and "... what Xanana at the UN called a people's vision for development for the next 20 years, as expressed in the new Constitution and the National Development Plan."²⁵

In Catalonia, a thorough study has convincingly demonstrated the simplicity of using a system based on personal income tax to obtain a generous BI for all citizens

²⁴ For further discussion of BI in Alaska, see the Alaska Permanent Fund Corporation website: <http://www.apfc.org>. [Last accessed 18 August 2007.]

²⁵ Tim Anderson (2002), "The IFI Threat to East Timorese Economic Independence", *Aid Watch*, 23 October 2002, http://www.aidwatch.org.au/index.php?current=44&display=aw00151&display_item=1. [Last accessed 28 July 2007.]

while particularly favouring the poorest strata.²⁶ In general terms, the models of tax-based financing involve integrating the BI financing strategy into the taxation system, either by reforming existing taxes, displacing the burden of some taxes on to others, or by creating new taxes. **In brief, it means taking more money from the richest members of the society in taxes than what they receive as a BI.** Some of the middle-income citizens may pay a little more in taxes but would still benefit overall, while the poorest benefit outright. Nobody would be living below the poverty line.

More pertinent in terms of poor-country practicalities is a tax-funded BI proposal in Namibia.²⁷ Although the GDP in 2006 was N\$37 billion (US\$5.3 billion), the majority of its 2.05 million people live in pronounced poverty because of large-scale unemployment. The Namibia proposal is for 70 Namibian dollars²⁸ (approximately US\$10) a month, which is well below the poverty line of approximately N\$212 (US\$ 30.47) per capita per month in 2003 prices. 53% of households and 65% of individuals in Namibia live below this poverty line. Although the Namibia proposal does not meet the requirement of our definition that the BI must be above the poverty line so as to adequately satisfy the conditions of material existence of all citizens, it is still expected to reduce absolute poverty levels, reduce inequality and, in particular, help those most in need without a complicated administrative structure, be sustainable and affordable without retarding economic growth, avoid the negative consequences of alternative poverty-reduction strategies. The system works as follows:

If every Namibian gets a state grant of N\$70 per month and every Namibian pays an additional 6.7% in indirect taxes, it follows that every Namibian benefits

²⁶ See Arcarons, J, Boso, À, Noguera, J.A. and Raventós, D. (2005) *La Renda Bàsica de ciutadania. Una Proposta Viable per a Catalunya* (Barcelona: Mediterrània-Fundació Jaume Bofill).

²⁷ Much of the following discussion will be drawn from the meticulously researched study by Claudia Haarman and Dirk Haarman (2005), *The Basic Income Grant in Namibia Resource Book*, Desk for Social Development (DfSD) of the Evangelical Lutheran Church in the Republic of Namibia (ELCRN).

²⁸ A later proposal is for N\$100. See Z. Kameeta, C. Haarman. D. Haarman and H. Jauch, "Presentation to the United Nations Commission for Social Development", 7-16 February, 2007.

from the grant, and every Namibian contributes to it. However, they do not do so in the same proportion. Those who spend more contribute more through indirect taxes to the funding of the grant and benefit less from receiving the grant. Those who spend less, contribute less to the funding of the grant, but benefit more from receiving the grant. Our funding model shows that the wealthier will subsidise the poor to a very significant extent.²⁹

It was calculated that a VAT increase of about 6½% would finance the Namibia BI grant, although this could be reduced to 4½% by increasing excise taxes and introducing a tourist levy. Namibia has very high levels of inequality, with a Gini coefficient of 0.68, so the VAT and excise options seem logical. The Gini figure for Timor-Leste in 1999 was 0.31 but the situation has changed greatly with the influx of foreign aid and UN workers and the Gini index will have risen steeply. A BI in Timor-Leste partially funded by taxes on non-essential goods would act as a salutary corrective, although funding a BI for everyone would certainly have to draw on the Petroleum Fund.

The total cost of the Namibian BI proposal of N\$70 per year is N\$1,156 million (US\$ 166,123,000) a year, a seemingly huge gross tax burden but, if 85% of Namibians receive more than they pay, the total amount they receive over what they contribute is N\$522 million (about US\$75 million), a net tax burden that falls on the 15% of the wealthiest citizens, those that spend more than the “break-even” amount of N\$1,040 (US\$150) per month. The authors of the Namibia report point out that, “Although an increase in indirect taxes is usually regressive because the poor spend a greater proportion of their income than the rich, the net impact of the grant combined with an increase in indirect taxes is clearly progressive. [...] Those who benefit most will be the

²⁹ Ibid.

poorest four or five deciles of the population, with a low monthly per person expenditure.”

What proportion of Timor-Leste tax revenue could go towards paying a universal BI of US\$30 (a total cost of US\$432 million) would become clearer with a tax-effort analysis evaluating the taxable capacity of the country based on the structural characteristics of the economy and its capacity to raise taxes. Again, there are three administrative conditions that need to be met in order to implement a BI for all citizens. First the efficiency of the existing tax system must be maintained or (most likely) improved, second, an identification system for every citizen or accredited resident has to be installed and, third, a smooth, cost-effective BI delivery system is needed. This may be complex but is much less so than dealing with the chronic social and economic drains of poverty and persistent food insecurity, trying to solve intractable structural problems by means of conditional programmes that are very costly in administrative terms, stigmatising and paralysing for “beneficiaries” and that, in not being preventive, only lead to further problems in their attempts to cure, for example the notorious “poverty trap”.

One diametrically opposite alternative to a BI is the plan of President Jose Ramos Horta to establish a tax-free regime along the lines of Hong Kong³⁰ to ease the way for foreign investors. Ramos Horta, undeterred by the evident differences between Hong Kong and Timor-Leste, proposes using the common-heritage oil and gas revenues to create attractive conditions for foreign investors, thereby establishing a capitalist economy that is more suited to a trading-financier-technocratic-former-city-state-now-Special-Administrative-Region than to an independent democratic republic.

³⁰ See Geoff Thompson, “Ramos Horta Pushes for Tax-Free E. Timor”, ABC News, 30 June 2007, <http://abc.net.au/news/stories/2007/06/30/1966522.htm>. [Last accessed 29 July, 2007.]

The choices for Timor-Leste are stark – between the crude, winner-take-all capitalist model and one that respects the democratic principles enshrined in its Constitution, principles with origins in the classical Greek democratic republic and that have arisen from universal human yearnings and aspirations for freedom, self-realisation and peaceful coexistence in civic life. As is all too clear, when the control of economic activity is confined to the decisions of a few, freedom-throttling market relations are given the highest priority in the organisation of social life. The worst that could happen to Timor-Leste is that its leaders should opt for the voraciously expropriating neoliberal model that its president is upholding, even while the Constitution continues to hold out the bright promise of a very different future. It is to be hoped that some leaders in Timor-Leste will strive to fulfil the promises of their Constitution and of some universal declarations, for example the Vienna Declaration of the 1993 World Conference on Human Rights: “[...] poverty is a brutal denial of human rights and [...] a guarantee of human dignity requires eradication of human poverty and social exclusion.”³¹

BI is not a panacea that would solve all the social and economic problems of Timor-Leste but we believe that the material independence a BI would confer upon all its citizens would increase their options for leading – as individuals and as members of communities like Uatulari – free and autonomous lives. It would mean increased opportunities in the productive field, enhanced social inclusion within reinforced local communities, greater political participation, and eradication of poverty and poverty-related problems. Apart from upholding the need to embrace an idea of freedom based on people’s material independence, especially in developing countries, we have endeavoured to offer a glimpse of what new possibilities and solutions to structural

³¹ Cited in *Building Blocks for a Nation*, A Common Country Assessment (CCA) Report of the UN Country Team, November 2000, p.33.

problems might be offered by a BI in Timor-Leste. Above all, *it is the right to material existence and not a charity that we are pleading for.*

Barcelona, August 2007