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BASIC INCOME FOR EAST TIMOR? AN EXPLORATORY REPORT

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1. Basic Income: A Simple and Powerful Idea

The Basic Income (henceforth BI) proposal has attracted attention and earned a considerable degree of acceptance in recent years, in rich and poor countries alike, but it is still subject to some conceptual and terminological confusion. We shall begin, then, with a detailed exposition of the nature of the social and political measure that is the object of our study. We shall then continue with an account of its possible applications in newly-independent East Timor, the conclusions of which, we believe, may be of interest for other poor agriculturally-based countries but with natural resources (which might be the basis for financing a Basic Income), South Sudan for example.

BI is a modest income, but one that is sufficient for the survival of each and every citizen in the geographic-administrative area under consideration. This is paid by the State to everyone regardless of origin, age, gender, race, civil status, religion and socioeconomic situation.

In more technical terms, we might define it as follows: “*Basic Income is a payment made by the State as a right of citizenship, to each full citizen or 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 other sources of income might be, and irrespective of his or her cohabitation arrangements in the domestic sphere.*” We shall now proceed to deal with the different parts of this definition so as to clarify some aspects that are frequently the object of unfortunate misinterpretation, and about which reserves are expressed.

A payment made by the State: The term “State” refers to any political-administrative institution, whatever its level. Thus, for our purposes, the concept “State” may indicate an entity from supra-State level through to

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smaller juridical-political administrative units (regional governments, local corporations, etc.). Whatever the difficulties may be for these spheres of public administration in introducing and financing a BI, the range of institutions referred to by “State” in our definition is to be highlighted.

To each full citizen of the society: BI is allocated to each member of the citizenry within the geographic and administrative space. As for *residents*, a minimum set period of continued residence is usually seen as a prerequisite for receiving a BI. In any case, each citizen receives a BI as an individual, and not according to family-unit or fiscal criteria.

Whether he or she wishes to engage in paid employment: It is often assumed that “work” is synonymous with “remunerated work” or “occupation”. However, as we shall note below in our analysis of the social-employment structure of East Timor, there are very good reasons for thinking that a more appropriate typology of work would be one that takes the following distinctions into consideration: (1) remunerated work in the market, (2) domestic work, (3) voluntary work, and (4) subsistence or survival activities. This immediately frees us of the mistaken idea that a person who is not “engaged in remunerated work” is not “working” because he or she might be engaged in “domestic work” or “voluntary work” or pure survival activities, or any combination of them. Again, it is worth stating the obvious, which is that there are kinds of remunerated work that are not only of dubious benefit but that are also socially perverse or cause serious damage to society, while other non-remunerated work can be highly beneficial to particular collectives. Needless to say, domestic work, which is still mainly carried out by women, is not taken into consideration in national accounting schemes even though, in economic terms, it represents an area of great magnitude.¹

¹ We might close this paragraph by alluding to the supposed dichotomy, made by some experts, between the “right to a BI” and the “right to work”. However, as we shall detail below, the confusion that gives rise to the assertion of such a contradiction needs to be dispensed with. The real emphasis is on the potential of a BI as a tool precisely to stimulate access to jobs or work.

Whether he or she is rich or poor or, in other words, independently of what his or her other sources of income might be: Unlike means-tested allowances, tied to a poverty line, or family or social situation, or type of work, BI is conceived as being for both rich and poor, for a wealthy executive or a homeless person in the poorest districts of Barcelona, Manchester, Kuala Lumpur or Dili. This aspect of BI, which may seem so excessive at first glance, can be justified very easily in normative, technical and administrative terms. First, BI as clearly expressed in the definition, is conceived of as a right of citizenship. It therefore excludes additional conditions such as wealth, gender, competence in whatever activity, or moral excellence. Just as the adult citizen's right to universal suffrage does not impose additional conditions (which is why it is referred to as "universal"), BI is seen as being for everyone, without any kind of distinction. In technical terms, it should be remarked here that BI permits, first, a measure that constitutes a guaranteed and unconditional allowance and avoids the extremely high costs of means-testing (of means received from both formal and informal markets) that any conditioned allowance requires (quite apart from the fact that the means-testing systems are all too often inefficient and highly corrupt). The administrative simplification that a BI would entail could be a crucial factor in a rational articulation of all social policies and redistribution of wealth that the administration might consider. Second, the notable fact that BI is guaranteed *ex-ante*, which is to say, before the situation of social exclusion has come about, means that this allowance is a measure that essentially functions as a preventive measure with regard to social exclusion, and thus not as a cure. Third, unlike means-tested allowances, BI is not a ceiling but rather designates the basic level after which people can accumulate any other kinds of income. Fourth, BI makes it possible to avoid the "poverty trap", which once again appears when the receipt of an allowance is subject to proving to the State that income received from the labour market is insufficient. In brief, the "unemployment trap" is the range of income within which, in the case of being granted a means-tested allowance, it is not to the recipient's advantage to seek other sources of income because doing so would

incur the immediate penalty of losing the allowance. Finally, it should also be noted that BI helps to avoid the psychological and operative damage that is associated with the social stigmatisation of the recipient of the means-tested dole or other allowance: the shame of being labelled and appearing on the record as “poor” can discourage the recipient from claiming and further aggravate the conditions of poverty.

Irrespective of cohabitation arrangements in the domestic sphere: Since BI is received on an individual basis it is independent of forms of cohabitation or living alone: a heterosexual couple, a homosexual couple, a group of friends, different generations in the same home, etc..²

In keeping with what we have noted so far, BI should not be confused either with means-tested allowances such as Minimum Insertion Income or any other type of allowance that is tied to – conditioned by – a specific situation, as is the case with allowances paid by the traditional Welfare State.³

Now that we have given an outline of what BI means, we shall turn to the ways of financing it. Introducing a BI obviously involves taking certain measures that permit its fitting in with the set of mechanisms that govern the economy, the whole and its parts. However, introducing a BI while maintaining these measures as they have functioned hitherto would lead to an inflationary situation in which the greater part of the population would not gain in any way but, rather, would be worse off than before. All BI financing proposals point to the need of integrating the BI system within the taxation system, either by reforming the existent taxes, displacing the burden of some taxes on to others, or by creating new taxes.⁴ A good part of these proposals involve reforming

² It should be noted, however, that there are some proposals for implementing a BI that add a “BI per home or unit of cohabitation” with the aim of not penalising the percentage of the population that lives alone and cannot, therefore, enjoy the economies of scale entailed in living with one or more people, for example cost-sharing, etc..

³ BI should not be confused either with Negative Income Tax, a measure that has some points of connection with BI, but that is in no way equivalent.

⁴ On some occasions the possibility of redefining the allocation of public spending has been raised, reducing those that entail high costs to the treasury and that, far from favouring the citizenry as a whole,

personal income tax so as to ensure that the introduction of a BI, instead of representing a sterile and disturbing injection of a lump sum that would supposedly “drip down” into the economy, would involve a horizontal redistribution of income in favour of the poorest strata of the population. In short, the implementation of a BI in accordance with these criteria ends up taking more money from the rich than what they receive as a BI (as we have said, everyone, including the rich receives a BI). On the other hand, although they may have to pay more taxes than before, the poorer members of the society are better off with the BI allowance, which compensates for the extra tax they may have to pay.⁵

Furthermore, we should make it clear that, among BI supporters hardly anybody – and nobody at all in the association that is presenting this project, the *Xarxa Renda Bàsica* – imagines that introducing this measure would imply, in order to finance it, renouncing the establishment (or maintenance where they exist) of educational and public health services.

From the above, it can be concluded that BI is not only a measure aimed at fighting poverty. In fact, if BI was *merely* an anti-poverty proposal, it would already have enough merits in its defence. But it is more than that. It is also a proposal that aims at more freedom for a great part of the citizenry, for example for people in the vulnerable group, comprising a highly significant fraction of the population, men and women workers with precarious contract conditions and wretched conditions of work, or the majority of women who depend economically on their fathers or male partners. A BI would increase *real freedom* (the term employed by some cultivators of liberal-leaning contemporary political philosophy) or *freedom as absence of domination* (the formulation favoured by the heirs of the republican ethical-political tradition) for a considerable part of the population. In other words, the *set of opportunities*

have clearly pernicious aims for the welfare of the population. Needless to say, military expenditure is a clear example of this type of budgetary allocation.

⁵ Three members (Jordi Arcarons and Daniel Raventós of the University of Barcelona, José Antonio Noguera of the Autonomous University of Barcelona and Àlex Boso of the Pompeu Fabra University) of the *Xarxa Renda Bàsica* (Basic Income Network), the organisation that is presenting this project, presented at the beginning of 2005, a study (financed by the Jaume Bofill Foundation) on Basic Income for Catalonia, based on a tax reform of Personal Income Tax. This study has produced results that will undoubtedly surprise many members of the academic and political communities of Catalonia in their simplicity and the ease of obtaining quite a generous BI for all the citizens of Catalonia.

available would increase considerably for most of the citizens in comparison with what they presently enjoy.

2. Basic Income, Work and Citizenship

At this stage, we can raise the following question: wouldn't it make more sense to guarantee the right to work? The most rigorous and realist scholars of present-day job markets agree that, while being able to work is necessary and even desirable, it seems reasonable to assume that guaranteeing the right to work is not only unviable but any attempt to introduce it would make working undesirable. What does "right to work" mean exactly? Would it be legally decreed in such a way that claims could be lodged in the courts? Would it necessarily imply the duty to work for the whole able-bodied population, as was decreed in the anti-parasite laws of the former Soviet Union? It seems clear that a right like this, in order to be desirable, would need to entail, (1) the right to sufficient remuneration (and not the "right" to work unpaid, which already exists), and proper working conditions; (2) to be socially useful or "ethical" – full-time employment manufacturing arms or contaminants is hardly desirable; and (3) making some kind of sense to the worker – there's no point in guaranteeing the right to stuff envelopes eight hours a day.

It is doubtful, then, that these conditions, which are necessary for making the right to any work desirable and a real alternative to a BI could all be fulfilled at once. A considerable number of technical problems would prevent this. In any case, if such a miracle could be wrought in a non-authoritarian manner, it would certainly be more expensive than establishing a BI, given the costs of infrastructure, organisation and supervision that a measure of such a magnitude would require. There are other problems besides. What jobs should be accepted when somebody claims his or her "right"? Could a change of residence be demanded? How would the "social utility" of jobs be determined? How would the unpleasant but necessary jobs be allocated? What measures would be taken when people refuse to accept the State's "guaranteed jobs"? How might this work, bestowed by the State as a right, offer, apart from an income, some kind of social recognition?

BI constitutes a much cheaper, efficient and equitable way of indirectly introducing and favouring a better sharing of social work – and not just unwaged

work – among all the citizens, in a non-coercive and non-authoritarian way. A BI, for example, could stimulate this sharing by making it possible and desirable for many individuals to work less hours, so that others could cover the space they leave free, while also permitting the establishment of a productive and gratifying economic sphere, which is unattainable today because people have to accept work that, rather than being freely chosen, is imposed. In general, the work thus generated would have better chances of social recognition. In this sense, the reduction of working hours and opening up of alternative production projects is fully compatible and coherent with a BI. In short, a BI could foster the “right to work” – doing different types of work – that is more effective and desirable in practice more than other kinds of policies aimed in this direction. There is little sense, therefore, in setting up an opposition between BI and the right to work.⁶

Nonetheless, it might well be asked whether, once a BI has been introduced, whether the job offer would shrink as a result of a supposed aversion to work by individuals. To put it more crudely, might a BI encourage voluntary “parasitism”? To begin with, a large proportion of social, domestic and voluntary work is unremunerated. However, there are many more reasons for supposing that a BI would not in any way cause a massive withdrawal from the job market. First, what most people seek in a job, besides an income, is social recognition, feeling useful and even self-fulfilment. These aims can be met in unwaged jobs such as voluntary work but also in some paid jobs. Second, even if people are only seeking a pay packet, the desire for higher wages depends on a good number of social and cultural factors and if this desire has not disappeared at present in the West, when most basic needs are reasonably covered, there is no reason to imagine that it would go away with a BI, which, although it may guarantee a decent living, would not permit too many luxuries and still less in the early phases of its introduction. Third, the most pressing work problem in present-day societies lies in the fact that the “quality” job

⁶ See the discussion between Guy Standing and Philip Harvey at the 10th BIEN Congress (Barcelona, September 2004): Standing, G. (2004), "Why Basic Income is Needed for a Right to Work?", (www.basicincome.org) and Harvey, P. (2004), "A Comparative Assessment of Basic Income Proposals and Proposals to Secure the Right to Work and Income Support", (www.basicincome.org)

market is saturated and thus excludes most of the population. In this sense, the fact that some people might decide to leave jobs that are badly paid, or where they work in awful conditions, to devote some years of their lives to educating themselves, establishing a family or whatever kind of cohabitation, or to participate in cooperative projects, or to undertake any other kind of personal project that might mean unwaged work, should not be regarded as a necessarily disturbing possibility. On the contrary, it would free a lot of people from the pressure of finding a job at any price and this, in turn, would make employers offer more attractive conditions for some jobs.

Again, it should not be forgotten that the owners of capital who receive their income from interests, rent and/or other forms of profit and who, therefore, are under no obligation to work, still study, or send their children to the best schools, and they work too. This fact, apart from demonstrating that the urge to work does not simply arise from the craving to accumulate wealth, leads to another essential question: if the richest people are able to receive an income without (the obligation of) working, shouldn't this give rise to a rudimentary sense of reciprocity, the idea that this right might be also be extended to the economically less-favoured members of the population? It seems reasonable to establish, then, that the citizens as a whole should have sufficient income to ensure that their basic needs are covered and that they can survive. As previously noted, this goal is not just seen as a way of combating poverty. It takes on a more profound sense when it is understood as the extension, to the citizenry as a whole, of the right (of citizenship) to determine and carry out freely chosen life plans, which involves, in particular, the right "to say no" to unwanted social or job situations, the ability to devote themselves effectively to really satisfactory and gratifying work and, finally, the right of every citizen to be able to hold his or her head high. The right to a BI thus should be understood as the right to civic existence.

There is no sense in talking about "citizenship" at the start of the 21st century if we do not take into account the conditions that must guarantee the socioeconomic security of individuals belonging to a political community. Without the real possibility for individuals to determine their own life plans and effectively to carry them out, full citizenship does not exist. It is here that BI has a crucial role to play.

Along the same lines, the concepts of democracy and freedom will not be understood in the future either – and this is a hopeful conjecture – without a BI, the universal citizens' income or, in other words, without the politically guaranteed right to social and economic existence for all citizens for the simple fact of being citizens. It is difficult to imagine how the UN International Covenant on Economic, Social and Cultural Rights (which came into force in January 1976, since when workers' conditions have been in steady decline) might be given real meaning without a universal Basic Income, particularly when the general intention of the Covenant is stated in the following terms: – “the ideal of free human beings enjoying freedom from fear and want can only be achieved if conditions are created whereby everyone may enjoy his economic, social and cultural rights, as well as his civil and political rights”.

Just like universal suffrage, the idea of providing political guarantees of a decent living to the citizens of a democratic state, simply because they are citizens, constitutes today a concept of such normative power that it can sweep aside all opportunist considerations that might be raised as objections.

3. What Basic Income Has to Offer to Poor Countries

At this point, it is not too difficult to deduce the profound political and economic sense that BI makes for poor or underdeveloped countries. As experts from such different countries as Brazil, Argentine and South Africa have pointed out, in a world that is increasingly interconnected where globalisation all too frequently appears in the least desirable ethical and political forms, the radical need for a BI that guarantees existence is stunningly clear. If one wants to talk about *development* without mouthing the usual sterile and harmful clichés, the vital importance of throwing off the ties of socioeconomic dependence that have, in so many social and geographic contexts, led to situations of extreme vulnerability needs to be taken as a basic premiss. When the asymmetries of power that characterise civil society around the world are so abysmal, between rich and poor countries and within most poor countries, and when what is at stake is covering the most basic nutritional needs for the survival of tens of millions of people (which also means rectifying serious ecological damage in many cases), talking about the guarantee of a Basic Income means we are talking about nothing less than a *guarantee of the*

material existence of citizens. In poor countries, we believe, an unconditional Basic Income would constitute a highly operative proposal for eradicating poverty, constructing a more egalitarian society and offering freedom to everyone in a non-vacuous sense of the word.

In December 2002, the Brazilian Senate approved a law that was passed in the Chamber of Deputies in December 2003 for the gradual introduction of a BI as of January 2005. As the advocates of this initiative have stated, the law was passed in the awareness that BI constitutes an ideal and essential measure for those economies that are characterised by great inequalities of income and wealth and by the fact that huge sectors of the population live in conditions of utmost poverty. This proposal is especially valid for countries like Brazil or East Timor that, after many years of dictatorial regimes, have undertaken the commitment to resolve their most pressing social and economic problems through improving the mechanisms of democracy and offering better conditions for the possibility of full citizenship.

The Constitution of East Timor enshrines these principles. The articles cited below demonstrate a belief that, in order to build a just and democratic society, it is necessary to stimulate those values that emerge when the social, economic and political sphere in which individuals move aims at equality and social cohesion, without denying the propensity of the members of our species towards improving their own personal conditions of existence. In such contexts – so the Constitution of East Timor suggests – opportunistic leanings can give way to trying to achieve more just conditions of existence and the organisation of social relations that give real meaning to the concepts of freedom and democracy. In brief, the Constitution offers a vision of the community and social values that are deeply entrenched in the axiology of East Timorese society, while also being totally compatible with ethical principles that are present, one way or another, and more or less felicitously, in all cultures.

In any case, when a BI is proposed in poor or underdeveloped countries, the aims are the eradication of starvation and the most extreme forms of poverty (without this endeavour involving administrative mechanisms that would mean that the beneficiaries would be burdened by ties of dependence on the administration) improved income distribution, and the creation of job and professional opportunities that would be real and substantial. This is why it is

frequently asserted that a BI can give sense to, and articulate a large number of development proposals that otherwise, while very well-intentioned, are frequently attempted as isolated initiatives that not properly coordinated with the general setting of political, social, work and solidarity priorities and are therefore condemned to failure. These involve issues that are crucial in poor or underdeveloped countries, for example, agrarian reform, how to make credit available, increasing the number of and reinforcing cooperative endeavours, agricultural projects on the local scale, extending public education and health service facilities, and so on. In effect, a BI, in guaranteeing a minimum universal and individual income equivalent to that representing the poverty line, would be a highly effective mechanism for eradicating child labour and bringing children into the classrooms. This system, being much simpler, also cuts down on public spending. In contrast with a conditioned system that has many levels of income support, with a BI system it is clear what minimum income people have, which also obviates the need for State controls.

To repeat, BI is not merely a means of directly combating poverty and inequality. The advocates of BI also have a vision of offering the population as whole better opportunities for enjoying real freedom, of attaining goals like enhanced capacity-building through better education and literacy programmes, more widely available preventive medicine, an improved territorial balance between rural and urban areas, stability for rural settlements and activities – the latter being of particular importance in the case of East Timor, given the huge population displacement that has occurred in recent years.

In brief, BI is presented by researchers and scholars as an effective measure for eradicating starvation and hunger and drastically reducing inequality while also stimulating the economic dynamism that is essential for the economic, social and political development of poor countries. The material independence arising from the guaranteed subsistence offered by a BI could create the conditions for sustained economic progress that would better situate great numbers of the population for opening up autonomous and vital productive opportunities.

In no case does BI mean heading in the direction of a society of passive citizens waiting to be fed by the next State hand-out. BI is not an alternative to working but, on the contrary, is a way of enabling individuals to take initiatives,

something that is impossible in present-day conditions of poverty and social exclusion. In other words, BI is a way of using to better advantage human resources that are presently wasted as a result of social injustice and indigence.

BI has a huge impact on individual freedom. As Amartya Sen states in his *Development as Freedom*, real social and economic development in the poorest countries can only occur when there is greater freedom of choice for all members of the society. BI has a great deal to offer in this direction.

4. A Brief Social and Political History of East Timor

East Timor, the world's newest independent country (May 2002), consists of the eastern half of the island of Timor (which is part of the Lesser Sunda Islands group) plus the enclave of Oecussi in the north of (Indonesian) West Timor, and the Atauro and Jaco islands, a total area of 15,007 km². The geographic coordinates are 8.50 S and 125 55 E. This location to the north of Australia meant that the island of Timor represented a geo-strategic prize for competing colonial powers as far back as the sixteenth century when East Timor was eventually claimed by the Portuguese, while the Dutch took the western half of the island. The Indonesian invasion of East Timor on 7 December 1975 after the progressive nationalist party FRETILIN (*Frente Revolucionaria de Timor Leste Independente*) declared independence in the wake of the ad hoc decolonisation that followed the "Carnation Revolution" in Portugal in April 1974, was the beginning of an occupation of more than twenty-four years (never recognised by the United Nations and condemned in both the General Assembly and Security Council) that took a toll of over 200,000 lives, over one third of the 1975 population. Not a single family was unaffected by the tragedy. Against ferocious odds, the people of East Timor never gave up in their tenacious struggle for their freedom, independence and national identity.

The political changes in Indonesia after the fall of General Suharto eventually led to a Referendum in East Timor, on 30 August 1999, in which an overwhelming majority voted in favour of independence. This was intolerable for diehard (and still powerful) members of the Indonesian Armed Forces who, with trained militia, reduced the country to ashes in a deliberate campaign that displaced some 80% of the population and destroyed almost all the infrastructure. Today, the phoenix of the democratic process that was begun by

the young FRETILIN leaders almost thirty years ago must rise from those ashes in circumstances that are still very difficult. East Timor is still burdened by its repressive past and the extent of the tragedy can be seen in the population figures alone. According to statistical estimates of the pre-invasion birth-rate, the population should exceed a million people today, but it is only some 770,000, an increase of less than 100,000 thirty years after a Portuguese census gave the figure of 688,771. Almost 28,000 East Timorese are still (May 2004) in West Timor under the control of the militia. Contrary to popular belief, East Timor is not (should not be), in principle, a poor country. Its oil and natural gas reserves (according to International Law of the Sea, which, however, Australia refuses to recognise, thus denying the country essential income at a time when it is crucial for laying the foundations for future development) situate it as number twenty on the world list and its organically grown coffee is considered as one of the world's best. However, it is a country that was ravaged and despoiled by the occupying forces whose commanders treated it as their personal business domain, signing over the oil and natural gas reserves to Australia which thereby earned itself the shameful distinction of being the only country to give de facto recognition of the illegal occupation in return (January 1978). Today East Timor is totally dependent on donor countries, in many cases the same countries that sold weapons to Indonesia throughout the occupation. In this situation, any project that can empower the people of East Timor and offer the basic means to work for their future as a country is of crucial significance. The introduction of a Basic Income could represent the most effective and most wide-reaching way of accomplishing the East Timorese dream of real independence, which is eloquently enshrined in the Constitution. But this independence also means freedom of dependence on outside countries.

5. A Human Rights Constitution

While the political situation of East Timor is complicated in these early days of post-conflict reconstruction, nation building, reconciliation, and while the slow recovery from the tremendous trauma of the last three decades and the attendant economic problems are still conducive to destabilisation activities by pro-Indonesian elements, especially among the unemployed and disaffected

youth, East Timor has excellent leaders and there are many possibilities for creativity too in this almost *tabula rasa* situation. It is supremely important that young people should have the chance to be able to work in such way as to accomplish the principles that are expressed in the Constitution. Some examples follow:

Every citizen, regardless of gender, has the right and the duty to work and choose freely his or her profession. (Part II, Title III, Section 50, [1])

The State shall promote the establishment of co-operatives of production and shall lend support to household businesses as sources of employment. (Part II, Title III, Section 50, [5])

The law shall promote equality in the exercise of civil and political rights and non-discrimination on the basis of gender for access to political positions. (Part III, Title II, Section 63, [2])

The resources of the soil, the subsoil, the territorial waters, the continental shelf and the exclusive economic zone, which are essential to the economy, shall be owned by the State and shall be used in a fair and equitable manner in accordance with national interests. (Part IV, Title I, Section 139, [1])

The structure of the financial system shall be determined by the law in such a way as to guarantee that savings are encouraged and built up with security and that the financial resources necessary for economic and social development are provided. (Part IV, Title II, Section 142)

The Constitution, then, aims at a fully-functioning democracy where the direct participation of the entire population is seen as essential for its sustainability. Now is a key moment for reinforcing this young democracy and for providing it – its people – with the means for making it strong and lasting. We shall argue that, in all priority areas of East Timorese nation building today – institution-building, capacity-building, human rights and a strong civil society – a BI would be the most effective means of establishing a democratic system in which there is a proper balance of key areas with the highest possible degree of national participation, even by the poorest and hitherto most excluded members of the society.

6. Basic Income in East Timor as a Means for Achieving Constitutional Goals

East Timor has some particular features that would suggest that the benefits of a Basic Income would be even more tangible here than in other places where the results might also be expected to be very positive.

* East Timor is essentially an agrarian economy with 90% of the population based in the rural area (before the massive displacement of 1999) and 75% engaged in primarily subsistence agriculture. It is at present (until the oil and natural gas revenues start to flow) one of the poorest countries in the world, with an estimated GDP per capita of US\$304 in 1991, so that at least 50% of the population receives well below the internationally-established threshold of absolute poverty: US\$1 per day. However, the figures do not reveal what poverty really means in a predominantly rural subsistence economy like East Timor's and it is important to identify exactly who are the poorest and most vulnerable members of the community, in short:

- Farmers: (a) in areas most prone to flooding and landslides (e.g. Viqueque and Manufuhi); (b) in areas affected by security problems (like Bobonaro, Maliana and other border areas); (c) with very small plots and poor land; (d) land tenants; (e) without livestock.

- Certain families: (a) with many dependent members (the elderly, disabled, war wounded, mentally ill, and small children); (b) with many children (the poorest families tend to have nine or more children); street children.

- Women: ("Poverty in East Timor has a female face."⁷) (a) household heads (widows or divorced women and their children who are less likely to attend school); (b) rural women with less education and who are exposed to greater health risks; (c) the many women victims of violence, rape and psychological trauma.

- The homeless: Some 90,000 houses (some 70%) were severely damaged or destroyed in the militia violence of 1999, with the highest

⁷ See *Building Blocks for a Nation*, A Common Country Assessment (CCA) Report of the UN Country Team, November 2000, p. 9. We have drawn on this Report for the economic and social data that appears in this paper, unless otherwise specified.

concentrations being in Dili, Suai, Manututo and Los Palos. Many of those people who do have houses lack potable water and basic sanitation facilities.

The only way rural households have been able to withstand so much destruction and so many upheavals and shocks has been through basic survival strategies, but while these may ensure survival from one day to the next, they are no basis for community production or sustainable development. For these most vulnerable people in the population a BI would offer incommensurable opportunities, starting with meeting the most basic of human needs. Survival strategies in the capital include market vending and informal economy trading of cigarettes, cans of petrol, kerosene ... and washing cars. Begging is starting to appear among the elderly and some children. At present, donor strategies include micro-credit programmes but these do not even begin to address the magnitude of the problems, which are national in their scope and only amenable to solution at this level if the results are to be far-reaching and long-lasting (as many former proponents of micro-credits have found out in other places).

* East Timor is a very small country and administering a Basic Income would be much easier than in other countries, in particular with regard to price control (inflation) once it is implemented. As a universal measure, it would also help to avoid problems of stigmatisation (that tend to be a feature of subsidies to the poor in welfare states), in particular in a society that is fully engaged in the processes of reconciliation after the long occupation and war. A Basic Income would appear to offer great possibilities for reintegrating former militia members as useful, productive members of the community. It follows that the possibility of productive work that a BI would offer could play an essential role in restoring the social fabric, and thereby functioning communities.

In these virtually *tabula rasa* circumstances, introducing a BI would not mean so much adapting an existent system to accommodate a BI, as starting from scratch with clear, simple and accountable economic criteria. It would help to maintain the already-existing high level of community values and solidarity in East Timor, and this should make it possible to introduce modest but comprehensive local reforms all around the country so that the ripple effects would eventually be felt at national level, for example in self-sufficiency of food production, breaking down the deeply-entrenched and deadening dualism in the economy between the modern non-Timorese sector and the rural subsistence

economy, dealing with environmental damage on the national scale through local initiatives, improving marketing and transportation systems nationwide and redressing the marginalised position of women.

* East Timor is presently negotiating the oil and natural gas rights for the huge reserves of Timor Gap. Although according to international law (1982), most of the reserves belong to East Timor for geographic reasons and because the Timor Gap Treaty that that Australia signed with Indonesia (December 1989) was illegal because Indonesia's annexation was never recognised *de jure* (except by Australia in 1978). The Australian government has now withdrawn (2002) from the UN International Law of the Sea agreement so as not to have to renounce the lucrative business that brings US\$1 million into the treasury every day (making East Timor Australia's biggest donor) and has created obstacles to prolong negotiations until it literally has needy East Timor over a barrel, trying to force it to agree to the worst possible deal. It is estimated that what legally corresponds to East Timor will represent some US\$12 - 17 billion over thirty years. The national budget is at present US\$100 million, less than a third of what Australia is taking from the disputed reserves. This US\$365 million could finance a BI of US\$35 per month. "The Australian government has now withdrawn (2002) from the UN International Law of the Sea agreement so as not to have to renounce the lucrative business that brings US\$1 million into the treasury every day (making East Timor Australia's biggest donor).

* If East Timor did receive its rightful share of the Timor Gap reserves, what might happen? The UN Common Country Assessment Report (henceforth CCA Report) of 2000 notes a "very weak trickle down" (p. 28) effect when it describes the highly compartmentalised dual (mainly foreign urban and rural subsistence) economy and continues (p. 31): "The experiences of other countries should provide valuable lessons for East Timor as there is a risk that the economic benefits from the oil revenues will be concentrated in a relatively small foreign-dominated enclave economy, rather than broadly benefiting the population." While it is clear that Nigeria is a very different country, with a very different history, there are some economic, social and political considerations that make of it an example that could serve as a salutary warning with regard to centralised control of high-earning natural resources. The damaging effects of this go way beyond the spectacular corruption of a few civilian or military

(elected and non-elected) leaders. With its first instalments of oil revenue, the Nigerian government was under pressure to increase public spending (which rose by 200% between 1974 and 1978). However this apparent attempt at spreading the benefits was not accompanied by the demand for transparency that held for the taxation revenue and thus began, in this new state with weak political and civil society institutions (like East Timor), the system of cronyism that has caused the great disasters for which Nigeria is known above all. Like most states that depend on income from extractive industries, Nigeria rapidly changed from being an exporter of agricultural products to a major food importer and the ensuing inverted ratio between income and expenditure soon reached unsustainable proportions. Government policy depended almost entirely on a system of handouts and distribution of favours, while the communities in the exploitation areas were the most adversely affected with increasing poverty, all kinds of human rights violations, ecological catastrophes, etcetera, all of which soon led to instability and war and the military coup of 1984. All decisions related with contracts were centralised in the president's office and they were allocated according to the political support they promised. The federal (and therefore the state) system collapsed and even when oil prices climbed, Nigerian per capital GDP fell dramatically from US\$1,000 in 1980 to US\$260 in 1995. By 1997, the foreign debt had risen to around US\$30 billion. It is calculated that more money has ended up in the banks of Geneva and the Cayman Islands than in the health and education sectors of Nigeria.⁸ A further danger raised by the cautionary tale of Nigeria is the use of oil concessions for currying favours in the region.

A BI in East Timor financed with oil and natural gas revenues would be one way of avoiding such pitfalls by bringing about an immediate horizontal distribution which, thanks to the egalitarian nature of such a policy, would help to avoid the tragedies embodied by Nigeria and other countries that have permitted large-sale revenues to remain in the hands of a few people at the top, quite apart from the fast-acting and far-reaching economic boost it would mean.

* Such a policy would function as a system of micro-credits for everyone, received on a monthly basis, without external interference and avoiding the

⁸ See *Corporate Responsibility and Human Rights Violations in Nigeria's Oil Producing Communities*, Human Rights Watch Report, January 1999.

pitfalls of the micro-credit system of distribution that, in fact, benefits a very small percentage, and not the poorest, of the population, usually people who are on or just above the poverty line, and not the still-more excluded people who are well below it. Although the United States Congress has theoretically prioritised helping the world's poorest people, the aid allocated for this is only US\$2 billion. Again the individual credits involved range from US\$1,000 in Europe, US\$400 in Eurasia and US\$300 in the poorest countries.⁹ And this US\$300 is one-off! In East Timor, an Asian Development Bank survey¹⁰ reveals that micro-credit initiatives were not very successful. Conditions for obtaining credit included guarantees (usually having a public service job, or a husband with such a job in the case of women applicants) and a woman seeking such credits had to have the signed permission of her husband. Given the high rates of illiteracy, lack of assets and impossibility of access to public service jobs, rural credit generally went to men or a few women with relatively substantial resources. Finally, apart from being ineffective on the overall scale, micro-credits would even seem to be positively ill-advised in a situation like East Timor's where the criteria of selection, distribution and monitoring could be very damaging in the still-fragile process of reconstituting the damaged social fabric of small communities where almost everyone is needy, and when some (like the returnee militiamen) are known to be responsible for much of the damage.

* In East Timor the highest State officials earn only some US\$700 per month. A BI of, say, US\$40 per month would represent for the very poorest family with, for example, six dependents, a stable monthly income without any form of discrimination, of US\$320. In a hamlet of twenty similar families this BI would bring in US\$6,400 per month, enough to finance a hand tractor, livestock, and a small transport business ... at the community level in a very short time. Small isolated communities would again be linked together in market networks and people could begin to move out of the overcrowded towns back to the countryside and stable food production beyond the subsistence level. Assuming a total population of 800,000, this would represent an overall sum of US\$384,000,000 per annum, while Australia's illegal takings from the oil and gas reserves in the Timor Sea presently amount to US\$365,000,000. In the

⁹ *The New York Times*, 29 April 2004.

¹⁰ Cited by CCA Report, f.n. 6 above, p.75.

UNTAET (the UN transitional government) population census of 2000, it was estimated that 41.1% of the population was less than 14 years of age.¹¹ Another BI scheme could be, for example, a BI of US\$40 for those over 14 years (US\$226,176,000 p.a.) and US\$30 for those under 14 years (US\$118,368,000 p.a.), which would represent a total of US\$344,544,000 for the Treasury, less than what Australia is taking in the Timor Sea reserves. Different figures and combinations could be considered.

* Still more impressive is what these figures represent in comparison with what East Timor is now spending on food imports: US\$237,000,000 per annum. This is about 62% of an overall BI of US\$40, or 69% of a BI of US\$40 (for over 14 years) plus US\$30 (for under 14 years). Social and economic life before the invasion was based on agriculture with a significant community-based component. The success of the Pilot Project of rice cultivation with buffaloes in the isolated community of Uatulari (a problem zone because of the high degree of militia activity), financed by the *Generalitat* (Regional Government) of Catalonia (US\$142,680 in total), has proved that even the most difficult areas can achieve self-sufficiency in rice in a very short time¹² with a very modest financial input. In other words, the saving of US\$237,000,000 p.a. in food imports could eventually cover about two thirds of a BI. To look at the figures another way, a BI of US\$40 per month for everyone in a hamlet of twenty eight-member families represents US\$76,600 p.a. compared with the annual average of US\$47,560 that the much bigger community of Uatulari has received from the *Generalitat* of Catalonia over the last three years, a contribution that has completely transformed economic and social life in Uatulari.

Export of food crops in the future is not out of the question either, if we consider that a community like Uatulari is already distributing rice seeds to other communities and producing a small surplus. Furthermore, given the nature of East Timorese society, stable food production means restoring the social fabric that was destroyed with the killing of livestock and general havoc of the occupation years and especially the months after the 1999 referendum, as Uatulari has also demonstrated. This “social capital” is a necessary – but not sufficient – condition for reinserting the 280,000 people who were displaced

¹¹ CCA Report, p. 116.

¹² Reports available on request.

from East Timor during the militia violence, including militia members themselves. Evidently these people cannot be received into a community that does not exist because it has no productive base. Furthermore, including the returnees in a BI scheme would go a long way towards their reintegration and establishing peaceful coexistence apart from providing them with a means of sustenance.

Another aspect is that there was a massive migration to the capital of Dili in 1999, a problem of population imbalance that is yet to be solved, in particular with unemployed, traumatised and disaffected youth with a great capacity for violence and especially susceptible to the attempts of diehard former militia and pro-Indonesia elements to create instability. Another group that needs urgent consideration is that comprised by the 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 today. They are the country's heroes and yet are economically and therefore socially excluded. In short, a revived economy on the basis of a BI would favour many essential processes of reconciliation besides improving the general democratic processes that the East Timor government so desires to make a reality.

* The Vienna Declaration of the 1993 World Conference on Human Rights recognised that "... poverty is a brutal denial of human rights and that a guarantee of human dignity requires eradication of human poverty and social exclusion".¹³ History has shown again and again that the poor are excluded from the decision-making processes that directly affect them (those living in the oil concession areas of Nigeria, to give one compelling example), so that they are not only deprived of the benefits of development efforts, but are often radically affected in the most negative ways, including such cruel "development" measures as scorched earth policies and massive population displacement, as in the case of the South Sudanese traditionally living in oil concession areas. Yet the 1986 Declaration on the Right to Development states that the right to development is an inalienable human right.

¹³ CCA Report, see f.n. 6 above, p.33.

* A glance at some economic and social indicators gives a still clearer idea of what a BI in East Timor might represent in economic and human rights terms, what its validity would be in terms of the Constitution and the government's desire for truly participative democracy. The statistics offer a disheartening picture and one that would seem to be demanding not a series of piecemeal responses to specific problem areas, but a sustained global solution that would eventually become sustainable. East Timor is starting to build a nation from almost zero in material terms or, as one observer put it, "it is important to emphasise just how low East Timor's starting point is".¹⁴

Life expectancy: 49 years.¹⁵

Illiteracy: 53% of fifteen years and above. 95% of the schools were badly damaged or destroyed in 1999. Nearly 70% of the women are illiterate.

Unemployment: 80% - 90% of the urban population. Here, it must be recalled "survival agriculture" in the rural areas cannot be qualified as "gainful employment". 90% of the population before 2000 lived in rural areas and agriculture provided the livelihood for about 75% of the workforce. However the vast majority of the rural population was engaged in basic subsistence agriculture. 60% of rural households were engaged in animal husbandry before the crisis.

Income: Before 1999, 49% of the population was below the internationally-established poverty line of US\$1 per day. This figure increased sharply after the militia violence of 1999 when real GDP was estimated to decline by almost 40% and prices rose by 200% in many cases. Per capita income in 1999 was estimated at US\$215-230, making East Timor one of the poorest countries of the world, along with Chad and Niger. However an Asia Development Bank survey found that in 964 households, half of which were urban, cash income was less than US\$0.07 per day or US\$25.55 per annum, just over 10% of what is considered as the world's lowest income figures.

Water and Sanitation: In Indonesian times, only 48% of households had access to clean water and only 38% to sanitation. Given that 70% of East Timor's houses were destroyed in 1999, we might assume that these figures could have dropped probably to around 15% and 12% respectively.

Population: (in May 2000) 0-14 years, 41.1%; 15-64 years, 57%; 65+ years 0.9%. The figure to bear in mind here is that at least 60% of the population is under 30 years of age. Figures for population growth are not reliable, varying between 2.2% and 3% p.a. but the total fertility rate figures suggest that the number of children that would be born alive to a woman, in

¹⁴ CCA Report, see f.n. 6 above, p.30.

¹⁵ José Ramos Horta, "Suit a Distraction for East Timor's Nation Building", *Australian Financial Review*, 17 April, 2004.

accordance with age-specific fertility rates is 5.7, which suggests the higher range of population growth estimates.

Population density is about 53 people/Km², a relatively low figure.

Health: Infant mortality is estimated at 85 deaths of children of under one year per 1,000 live births, while for under five years the figure is 124 deaths. Maternal mortality rates are estimated to be as high as 850 per 100,000 births. These figures are among the worst in the world and new data presently being collected suggest that they will be much higher in the next surveys. Preventable diseases like diarrhoea, malaria, febrile illness, acute jaundice syndrome, respiratory tract infections and measles are major causes of illness and morbidity. This is combined with other factors such as lack of clean water and sanitation, low knowledge of health and nutritional issues and only 20 of the country's doctors remaining in East Timor in the aftermath of the 1999 violence.

GDP: Overall GDP in 2001 was estimated at US\$303,000,000. Agriculture accounted for only 21.3% (in an overwhelmingly rural economy).

Imports: Nearly all food, accounting for US\$237,000,000.

Exports: Oil and natural gas exports depend on current negotiations with Australia but could represent some US\$12-17 billion dollars over thirty years. Coffee could eventually account for some US\$50 per annum. Other possible sources of revenue are ecotourism, marble and cash crops like coconuts, candlenut oil and sandalwood.

Foreign aid: US\$2.2 billion (1999-2002).

The economic priorities today are the following:

- Increasing agricultural production, security of production, self-sufficiency in food, and eventually production of export crops. Traditional rural activities include slash-and-burn shifting cultivation, mainly of maize, cultivation of rain-fed or irrigated rice, smallholder plots of tree crops (coffee in the highlands and coconut in some lowland areas), house gardens (maize, cassava, beans, vegetables, use or rental of buffaloes to prepare the ground for rice planting, livestock raising (water buffalo, cattle, horses, pigs, goats, sheep, chickens and ducks), mainly for income rather than consumption, harvesting forest products (tamarind, candlenuts, fuel-wood, sandalwood fruits and sago and yam in case of hunger/starvation). East Timor's organically grown coffee fetches some of the highest prices on the world coffee market. Some 40,000 rural families depend on coffee. The big Portuguese and Indonesian coffee estates covered about 20,000 hectares. There is great potential in this resource.

- Processing crops at village level. This generally means cooperative initiatives, with rice huskers, etc..

- Improving rural infrastructure, giving better access between villages and districts to promote market networks (with openings here for small transport businesses). Petty trading activities involve fruit and vegetables, palm wine, fuel-wood, salt, crafts, eggs, palm wood for traditional-style buildings, coconuts and copra.

- Promoting integrated development projects at the regional level. For example the Pilot Project of rice production with buffaloes at Uatulari is about to enter this phase after only three years of modest funding.

- Ecotourism: East Timor is a beautiful country but stability and infrastructure are essential requirements for establishing this sector.

- Environment: short term measures will prove to be unsustainable (as they have always been) given the nature of the country's problems and their side effects. Steep land, heavy seasonal rains and thin calcareous soil with the corresponding erosion problems, especially after serious deforestation occurring during the occupation (because of economic exploitation and military strategy), cyclical (El Nino) droughts and flash floods all affect road transport and maintenance, agricultural production, health, and increase (mainly women's) subsistence work loads. For centuries, East Timor's economy and commerce was based on forest products such as sandalwood, honey, beeswax, ebony, teak, spices, and other products used for domestic purposes (plants for traditional medicine, housing materials, food, fuel ...). Deforestation has brought an end to this but it is an area of the economy that could and should be revitalised as an ecological measure, with good planning and cooperative endeavours. In any case, a BI would reduce the pressure on forest if people are not driven by poverty to sell bundles of fuel-wood or collect it for domestic purposes in the absence of any other kind of fuel.

- Livestock: this aspect of economic life has traditionally been very important in East Timor, and is a key to boosting the rural economy today. Restoring the buffaloes to Uatulari after the previous animals had been slaughtered meant immediately providing the "machinery" for preparing the abandoned rice-fields (the buffalo tread the irrigated soil to compact it prior to planting the rice seedlings) and a source of milk and occasionally meat, while they also restored old community values in being an animal that was traditionally seen as community property. Some 208,700 hectares of East

Timor's land is available for pasture (about 34% of the total farming land), and only 39% of that is currently in use for livestock. Household chickens and goats are important for example, and could represent a major part of the domestic food and nutritional economy. Even though livestock presently represents only about 7% of the agricultural sub-sector, it is fundamental in that access to livestock would meet a major part of the nutritional requirements on which every economic initiative must be based. A BI would have a major effect in this sector at the domestic, local and regional levels, as the Uatulari project suggests.

- Small businesses and services comprise another important sector, in both rural and urban areas and represented some 12% of the GDP in the last decade (though great fluctuations owing to the occupation, the violence of 1999, the UNTAET interim government period and the two years of independence must be taken into account). After the destruction of 1999, small local businesses of electricians, plumbers etc., are a great need.

- Security in East Timor is an economic issue, as an essential condition for all economic activity (a "chicken and egg" case because a stable economy and society are also essential for security) and especially for attracting investment and tourism and establishing trade relations.

- Capacity-building ("human resources") requires basic materials – schools, classrooms, desks, chairs, books, stationary ... so that there is a big space for small businesses (carpenters, for example) here.

- Credits: Many people once hoped that micro-credits would provide the stimulus for establishing the kinds of economic initiatives described above, but early hopes have died with the problems that have arisen in different places. BI, as a stable system offering permanent micro-credits to everyone, is a way of freeing these vital productive capacities among a population where they are not presently visible because of the paralysis that poverty causes.

* One further related factor has been raised above and that is the poorest families are those with most children. Having more children is seen as a form of compensation for the children who die in early infancy and, furthermore, children are seen as the only possible form of social insurance for the parents as they get older. That the mother's health is usually severely undermined by her many pregnancies and giving birth in inadequate conditions is a lesser

consideration in these desperate circumstances. A side benefit of a BI could well be that this form of social insurance would have the long-term effect of lowering the birth-rate, thereby redressing the population imbalance (at present skewed dramatically towards the young and dependent members) and improving the health situation. As the population becomes healthier and more balanced, this might well eventually create the conditions for a higher BI.

* Finally, in countries that have at least the façade of democracy in terms of periodic and “fair” (a moot point when one thinks of the money that is poured into a campaign in which the candidate who has most money at his (rarely “her”) disposal has the best chances of winning) elections, it is hardly surprising to find that the poorest people do not vote. For example, in the United States, of the group of people below the poverty line, only 38% voted in the elections of 2000, while, of those people with means representing twice the poverty line, 68% voted.¹⁶ Thus, there is a high correlation – negative, *ceteris paribus* – between income level and political participation, if only at the level of voting.

7. Some Final Considerations

Basic Income is not a new concept and it has taken different forms. The implementation of a BI in East Timor would depend on many factors. It could be introduced all at once, or it could be taken in stages, starting with the neediest members of society. The Executive will need to study all the relevant social, economic and political factors and determine the amount to be paid and the speed (and possible phasing) of implementation for covering the whole population. The economic progress of the nation and availability of resources will always be taken into account and its introduction should, if possible, be accompanied with an educational campaign as to what economic options it would ideally (from the individual and national points of view) entail.

It is instructive to consider what has happened in Alaska, even though it is very different from East Timor. In 1976, the far-sighted Governor Jay Hammond told the 300,000 inhabitants of Alaska, that they should not think only of present generations but also of the future ones. Noting that oil and natural resources are not renewable he proposed setting aside 50% of the royalties and to set up a

¹⁶ Committee for Community Change, Washington, cited by *Harper's Index*, March 2004.

fund that would accumulate, for the benefit of everyone. The proposal was approved in the State Assembly and by referendum. Today, the Alaska Permanent Fund dividend system has made Alaska the most egalitarian, in terms of wealth, of all the states of the USA.

This is not a new idea and, in fact, it takes us back to Thomas Paine, theorist of the French and American revolutions. In 1795 he stated in *Agrarian Justice*, which was presented to the French National Assembly, that since property was held as common wealth among the American Indians, he did not see as much destitution among them as he did in European cities two hundred years ago. However, it made sense, he said, that if somebody cultivates the land, then that person should have the right of the income arising from the labour, but every landholder should separate part of that income, or a common fund, so that it would belong to all the citizens in that nation. Once the fund had accumulated enough, it should pay a basic and equal amount of capital, or income, to all members of the society. This was not a gift but a right that arose when private property was instituted in that society. Thomas Paine emphasised that this principle should apply to all nations.

It would appear from our research that the foundations of a truly democratic society in East Timor – freedom, responsibility, deliberation, self-realisation and civic life (and the general right to freedom from external interference of a truly sustainable, stable country) – could be very well served by the introduction of a Basic Income. We should recall, in conclusion that if the general population in any country does not control at least 50% of that country's acquisitive power of money, then money has more sway in that society than humanity itself in the organisation of economic and social life, as is all too clear in the disastrous situation of our world today, which has arisen from the very undemocratic fact that a few mega-rich individuals and their corporations dominate the global economy.

Barcelona, May 2004