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Unconditional cash transfers and the five turnarounds: beneficiaries' perspective

THE LONG ROAD TO A SOCIAL DIVIDEND PART 3

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> **“The thing that people in power fear the most is a population that has basic security and time.”**
>
> **David Graeber**

In the first two papers in this series, starting with “The long road to a social dividend” (Webster, 2022), we argued in general terms for a universal basic dividend (UBD) as a form of basic income that is derived from the use of the commons. Going wider, the discussion in “On the macroeconomics of transition and the search for clarity” included macroeconomics, especially fiscal and monetary systems. In this article we close the loop by asking about the evidence from trials of universal basic income (UBI, not UBD) by asking about the evidence from significant trials of cash transfers (usually a basic income) i.e. what was done and where? We then ask about the role of these cash transfers – principally how they are spent and, as importantly, what they mean for personal and family decision-making, for inclusion and empowerment. Perhaps, at scale, a UBD could connect significantly with all or most of Earth4All’s ambitious five turnarounds.

The core of this paper will be the examination of what happens when unconditional, periodic, universal (at least to everyone in a specific community) individual ***cash*** transfers are made. The nomenclature may not be a ***dividend*** or even a ***basic income***, but it is ***cash transfers*** – not goods, vouchers or access to only some kinds of goods or service. There are two reasons for this. First, a complete basic income trial at a national level has rarely if ever been done, although an **Iranian scheme** came close, and the statewide Alaskan scheme was discussed in “The long road to a social dividend”. Second, if any evaluation comes solely from discrete pilot studies, then it is soon evident that particulars vary enormously among them. Hence the simplified core criteria above.

First, the evidence. Miriam Laker, an activist with GiveDirectly, speaking in May 2023 at the conference Will UBI (Really) Change the World? Global Evidence on Basic Income, made the claim that cash transfers are the most researched intervention outside the medical field. This may seem surprising, and Laker locates some of this intense examination of cash in “donor priorities or lack of trust for people in poverty”. The criticisms of cash transfers frequently include the idea that they will lead to dependence; that the rich have to pay for the poor and it is “our tax money”; and that increased use of temptation goods such as alcohol and tobacco will follow. Finally, there is the suspicion that the positive cash transfer impacts are not sustainable. Laker notes that evidence to the contrary is rarely enough for the critics. This deserves some further reflection.

In his study the ***Rhetoric of Reaction***, academic Albert Hirschman proposes that conservative thinkers and rhetoricians rely on three basic persuasion techniques: “perversity, futility and jeopardy”. In short, unintended consequences will arrive to make things worse for the recipients and/or it won’t make any real difference (or last very long) and/or the change will put the overall economy and societal order at risk. It seems easier to associate poverty with poor decision-making by individuals or evident misfortune rather than a lack of agency caused by a simple lack of cash. In this case, individuals should show they deserve support before any welfare is distributed, and should be monitored to show good value for the welfare provided. Indeed, recipients can be sanctioned or have welfare withdrawn if they don't meet the behavioural criteria set. This all has resonance historically, according to Hirschman, as the same rhetoric applied to the question of slavery or votes for women.

In India the reaction around **giving women cash transfers** in the detailed Self-Employed Women's Association (SEWA) case study included emotionally appealing arguments, including that women would become disempowered because men would seize the cash to buy liquor, and that women would drop out of employment with UBI, further reducing India's already low female workforce participation. All arguments essentially concluded that UBI would disempower women by pushing them back into the home.

What manifested instead were these five positive effects:

Welfare: girls' nutrition, health and schooling improved more than for boys of similar ages and social backgrounds (boys also improved), with the nutrition effect being greatest for girls aged two to five years old. Teenage girls experienced the greatest gains in schooling, with secondary school registration and attendance significantly increasing during the experiment.

Equity: women and men in lower-caste and tribal households experienced the most progress towards equity, as basic income provided a way out of exploitative debt for these families.

Economic growth: changes in the workforce were qualitative rather than quantitative. The overall participation rate in the workforce did not decrease for women, but the type of work that women were doing did change, with big increases in own-account activities – farming, livestock and small businesses – improving both their incomes and their agency. Women's engagement in multiple activities grew, thereby raising household earnings and **further increasing economic security**, since they could rely on other activities if one activity had a setback.

Empowerment: as a result of receiving UBI, many women gained a voice in how their household income was spent, with a ripple effect of gaining a voice in the community too.

Sociological gains: though there was no significant decrease in men's alcohol and tobacco consumption during the 12-month experiment, consumption did not, in fact, increase, as one argument against UBI asserted. Some villages did see a decrease in alcohol consumption. Some of the women in the experiment speculate that because household funds were now being spent on more productive assets, there was less money to spend on alcohol and less time for the men to sit around and drink, as they too became engaged in the work to improve their families' living situations.

This was only a one-year trial, but a follow-up study after five years found that because many families had bought assets such as livestock, started businesses or simply brought fallow farm plots back into use, the benefits had continued. The cash transfers had started the ball rolling, and most families found they could sustain the momentum. SEWA also reported changed attitudes among Indian politicians in the last five years towards cash

GiveDirectly summarised the evidence for the impacts of cash transfers generally (Figure 1).

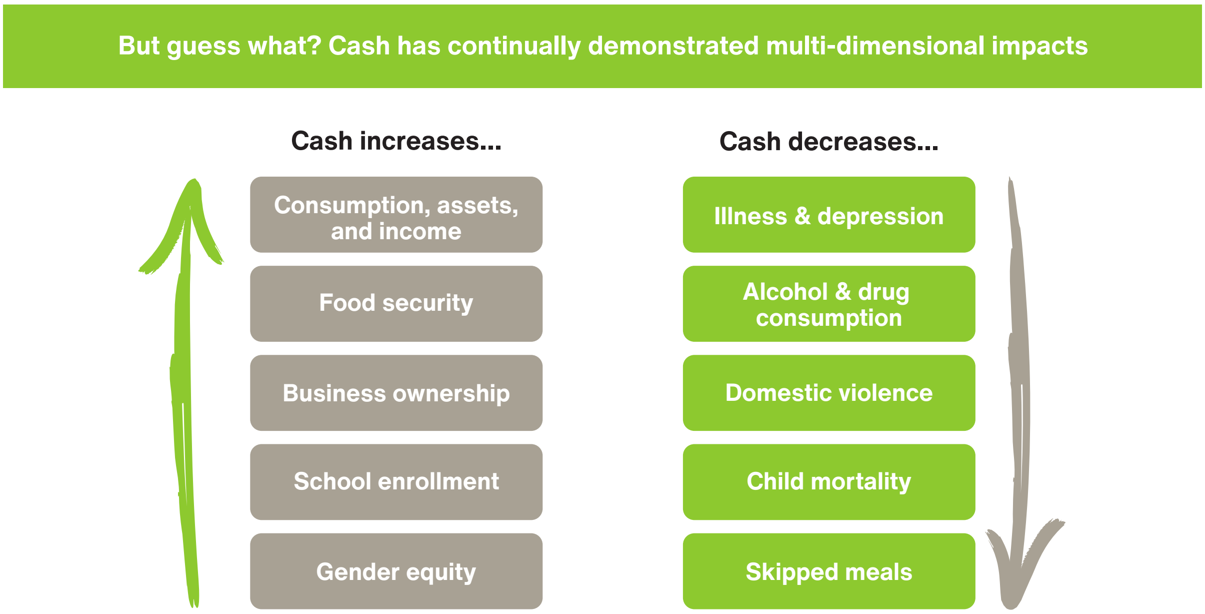
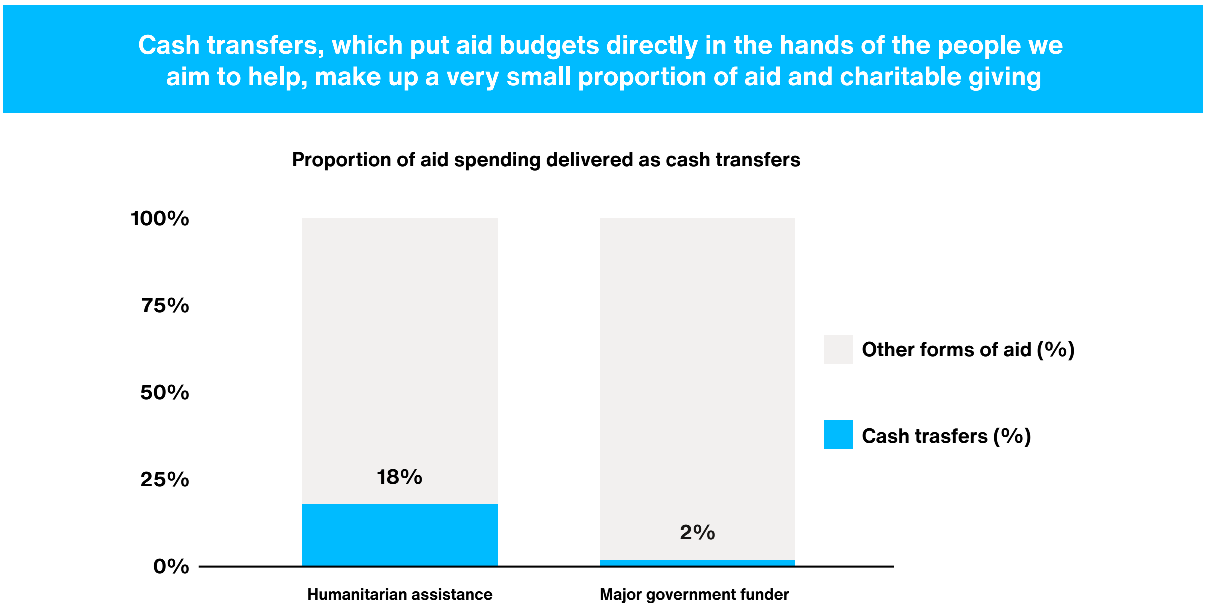


Figure 1. Multi-dimensional impacts of cash transfers. Source: GiveDirectly.

GiveDirectly has a wealth of available evidence on the impacts of cash transfers, including a graphic (Figure 2) that compares cash transfers as a proportion of total aid. It begs the question as to why the proportion is so low, given the positive impacts.



Adapted from CaLP, (2020) & ICAI, (2017)

Figure 2. Proportion of aid spending delivered as cash transfers. Source: CaLP Network (2020).

One way of refocusing may be to frame a basic income as both necessary and inevitable. Sarath Davala, one of this paper's co-authors, is a sociologist based in India and is currently the chair of Basic Income Earth Network and the research director of a basic income pilot called Workfree implemented in the city of Hyderabad, India. Sarath makes the case by observing that humankind is at the threshold of monumental changes. Technological advancements triggered by the logic of our reigning economic system are leading us into a new world whose contours we are yet to comprehend. Welfare systems of the 20th century are becoming redundant because of their failure to meet the challenges of the current century. We are rapidly moving towards artificial-intelligence-led production and distribution systems, where the role of human beings could be limited.

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This is both a threat and an opportunity. The threat is that the vast majority of the global workforce will suffer deprivation of basic human needs at unprecedented levels. It is also a great opportunity to redesign our society at a very fundamental level. We should replace our Welfare Systems with Care Systems. Universal Basic Income is the very foundation of this new society.

A basic-income society is one that provides every human being with solid and secure ground to stand on. And that ground is cash – given to every individual, periodically and unconditionally. It is available to everyone, like the air we breathe. This society transcends the work-leisure binary and is structured so that basic income fulfils some of the basic needs of an individual, and then leaves it to the individual to decide how much and on what terms to participate in the labour market. This is a society that prioritises freedom, dignity and care and perhaps the most evolved form of social organisation. Given our current predicament, it is not only necessary but also inevitable.

Before examining the explicit links with the Earth4All five turnarounds, two other perspectives on the supply of commons wealth dividends/basic income deserve attention. Both are around boundaries. First, should commons wealth funds from extracted resources be national? And second, can the fundamentals of a basic income also come from communities via a complementary currency?

Dividends across the divide

Laura Bannister, also a co-author of this paper, is the executive director of Equal Right – Economic Justice Without Borders. She summarises the first perspective from the standpoint of her organisation: Earth4All's dividend proposal would address inequality within countries, but would leave inequality between countries untouched. Worldwide, the richest 10% take a massive 52% of global income, while the bottom 50% are left trying to finely slice their tiny 8.5% share.

If the Earth really is for all, we need to be bold enough to think beyond borders. Citizens Funds need to either be international, with total pooling of revenues between high- and low-income countries, or there needs to be a significant degree of redistribution between national or continental funds.

Without this bolder vision, the funds and dividends risk replicating the same global inequalities that the Giant Leaps are trying to address. Imagine, for instance, a citizens fund filled up via carbon emissions fees. The average person in the United States emits over 150 times the carbon dioxide (CO_2) of a person in Ethiopia, so 150 times as much money would be collected in carbon fees for the US fund. The dividend would then be 150 times higher, so people in the United States might get, say, \$150 per month, while people in Ethiopia would get only \$1.00, despite suffering equivalent or even greater harm from climate breakdown. This is the opposite of climate justice, racial justice and global justice.

With international pooling or redistribution of revenues, dividends really could be transformative for the world, greatly reducing global inequality and contributing significantly to all of the Giant Leaps we so urgently need.

This unintended consequence can easily be avoided by designing this system change with global justice in mind. With international pooling or redistribution of revenues, dividends really could be transformative for the world, greatly reducing global inequality and contributing significantly to all of the Giant Leaps we so urgently need.

A community circulation using a complementary currency

The UBD or UBI assumptions are around cash and commons wealth. The cash supplied is the national currency, even if it arrives digitally and is created by fiat (legal tender backed by the issuing government) or is ultimately supported by international financial arrangements such as special drawing rights agreements – an asset created by the International Monetary Fund – at the national level. But there is community wealth too, and a long history of local or regional currencies that often run alongside the national currency. They are usually described as mutual credit systems, and examples include community exchange systems, local exchange trade systems, and the negative-interest currencies introduced by economist and market socialist Silvio Gesell in the Depression era. Money – outside the commodity sphere where grain, silver and gold are examples – is at heart a social technology based on trust, on promises to pay. Researchers Gabriela Cabaña and Julio Linares (2022) describe mutual credit systems as potentially democratising money's creation and institutions, forming a money commons, where credit is issued, co-owned and administered democratically from the bottom up, by the people, rather than by the state and private banks. With mutual credit systems as a basis, we build on the understanding that money is a set of promises we make to each other, and we ask what questions and obstacles must be addressed for a democratic money commons to emerge.

A contemporary complementary currency that is activating community wealth is the German distributed ledger (blockchain) initiative at Circles. It has a basic income component too.

Cabaña and Linares summarise the Circles protocol as a way that people issue debt-free money, equally and at a constant rate. This non-state credit system is blended with the idea of unconditional basic income, becoming the basis of Circles' UBI, a bottom-up monetary creation process controlled by the individual peers in a network, not by banks.

And if it sounds complex, it may be because we carry around a picture of relationships to banks, to the state and to money, which is quite at odds with what is proposed here. It might also be because it is complex.

Commons wealth dividends and the five turnarounds

Earth for All: A Survival Guide for Humanity identifies poverty, inequality, empowerment, food and energy turnarounds and these carry example policy interventions (Figure 3). Unsurprisingly a UBD, a social dividend (based on obligations around commons wealth), is flagged under inequality, alongside support for collective labour (trade re-unionisation) and progressive taxation (with an emphasis on wealth taxes). The basic dividend is in a mutually reinforcing relationship with the others: at some level, a basic dividend allows the freedom to say no to work or working conditions perceived as unsuitable or exploitative. This in turn can leverage better minimum-wage agreements, though low wages being offered ***because*** there is a dividend in place is something to guard against in policy terms. A UBD encourages union membership by removing some of the impact of dismissal for joining a union, for example; in a tightening labour market, because of UBD, organised labour has more traction. Labour's share of GDP should rise at the cost, critics say, of reduced flexibility in the labour market (Noguchi, 2018).

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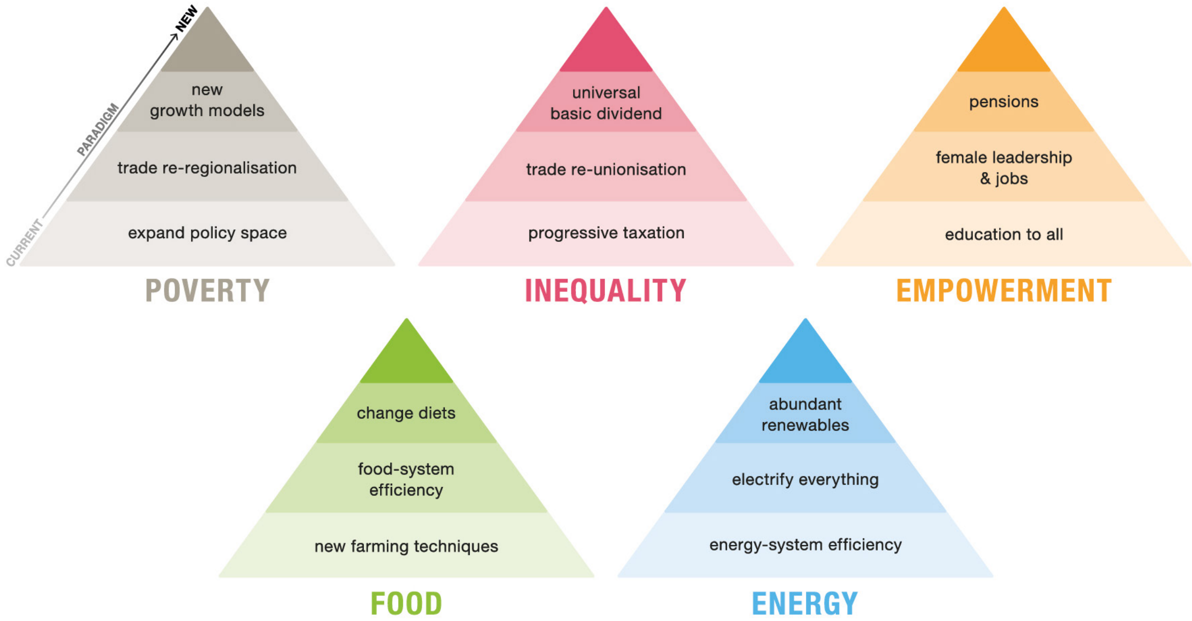

Figure 3. The policy interventions needed to achieve the five extraordinary turnarounds recommended by Earth4All.

Progressive taxation (discussed in the second paper of this series, "On the macroeconomics of transition and the search for clarity") can be used to shape the outcomes of overall income changes, including those induced by a basic dividend – using the logic of "pay first, tax later". Shaping consumption through progressive taxation can be done as well, if, say, a carbon fee/dividend is part of the mix. If then, further down the line, this applies to a growing number of enclosed commons, there will be three main upsides: prices will reveal full social and environmental costs, encouraging conservation and alternatives. The richest 10% consume in the most profligate way, and a user fee/dividend would dampen this activity while protecting the low-income groups. In addition, it would prompt a growing contribution to citizens' funds. Walter Stahel (2013) wrote that the tax system can reorientate taxing towards non-renewables and away from renewables, with property (especially land value) taxes, material waste taxes and fossil fuel taxes going up, while taxation on people, renewable energies and industrial-economy profits goes down.

Because of its structure, a UBD is synergistic to many of the other aspirations in *Earth for All*. In the empowerment turnaround, trials of cash transfer programmes in low-income countries have been particularly important to women (see the SEWA case study above) and act as an automatic form of pension. In many countries, even basic education comes with school fees, and there is evidence of spending on fees and at a community level (pooling) to pay for additional tutors/childcare. This does not absolve governments of providing basic services and, for example, specific support for women and disadvantaged groups, which represent serious additional investment and mark the overall ambition under this turnaround – but UBD as a systemic reorientation of the economy's structure is central.

This can be said under the food turnaround too. Charging real prices for fossil fuels, taking away subsidies over time and using the funds, in part, towards a UBD increases the market viability of local production of food, especially through use of regenerative agricultural techniques (avoiding artificial fertilisers, using cover crops and interplanting, for example). It also gives the small or micro farmers (near subsistence) valuable additional income to buy supplies (animals or fruit trees or a motorbike to carry produce to market) or time (to seek out new farming techniques or for soils to repair). Alternatively, a basic dividend might be used to seek employment or start non-agricultural enterprises. A GiveDirectly recipient is quoted as saying "Not everyone wants a goat". He bought a musical instrument and started a band instead. The point is that choices are increased. Much of the chapter on the food turnaround is located at bigger scales – around food-system efficiency and changing diets. The latter is especially true of high-income countries, but UBD recipients are customers too, and affording better diets matters very much to health and wellbeing wherever one lives.

The UBD impacts on between-nation poverty and in energy turnarounds are more diffuse, but the proposed profound adjustments to international finance could bring about the use of new money to establish decent cash transfer programmes with the aim of circulating income impactfully – in the productive economy, free from odious debt and the dollar hegemony, while preventing capital flight, as discussed in *Earth for All*.

Part of a country's UBD can be based on capturing resource rents and redistributing them (discussed in the first paper of this series and earlier here). It is well known that raw-material extraction is both an advantage and a curse for many low-income nations. Never mind the impact on the environment and people. So it is heartening to see interest sparking in the idea of a revised licence to mine (Hagan et al., 2021) or even materials as a service to underpin sustainable resource use. Resources are used profitably but never used up. In this reimagining of the value chain, property rights are separated out (an ancient categorisation) but are allocated differently from the common practice today, where all four tend to be bundled. The key component is ***usufruct***.

1. The right to use or enjoy a thing possessed, directly and without altering it (Use).
2. The right to derive profit from a thing possessed: for instance, by selling crops, leasing immovables or annexed movables, taxing for entry and so on (Usufruct).
3. The right to alienate the thing possessed, either by consuming or destroying it (e.g. for profit).
4. The right to transfer the property to someone else (sale, exchange or gift) (Rau & Oberhuber, 2023).

Let's look at this in the context of copper.

Usufruct's role in UBD generated by raw-material extraction

Let's imagine for example a country such as the Democratic Republic of the Congo (DRC) with a rich copper reserve (this could also be a community). Instead of selling the rights to mine copper to a foreign mining company, the DRC only gives out a licence to the mining company – which allows the company to extract the material and sell the right of usufruct to producers. The producers create solar panels and lease the copper of the DRC. A part of the continuously generated income will still go to the mining company for its work; however, another part will go to the DRC – which will now benefit from continuous value creation through the resources extracted from its territory. In addition, a part of the revenue stream can be used for a mining closure plan aimed at restoration of environmental and social damage caused while the mine was in operation.

A UBD is a foundation for change, and its systemic impacts are perhaps why it is gathering so much interest: it provides multiple benefits that reinforce each other in related sectors, permanently increasing the economic security of individual humans. Enabling money systems are crucial, however, especially in the majority world, and making the case for resource-constrained but not money-constrained approaches may be key. In other words, if progress is moving from pilot programmes to politics, then UBD is an easy way to win over voters. And as discussed in depth in the second paper of this series, modern monetary theory could ultimately become the way to address some of the challenges of "how to pay for it".

We conclude this series on the "Long road to a social dividend" with James Robertson's remarks at the Sharing Our Common Heritage conference – a prescient summary from nearly 25 years ago. Let us hope the road does not take another 25 years.

> **"The time may be passing when the great majority of citizens, excluded from access to land and other means of production and from their share of common resources and values, could nevertheless depend on employers to provide them with incomes in exchange for work, and on the state for special benefits to see them through exceptional periods of unemployment. For the future, all citizens may be expected to take greater responsibility for themselves and their contribution to society, in exchange for recognition of their right to share in the value of the resource taxes and green dividends."**
>
> **James Robertson**

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Earth4All is an international initiative to accelerate the systems changes we need for an equitable future on a finite planet. Combining the best available science with new economic thinking, Earth4All was designed to identify the transformations we need to create prosperity for all. Earth4All was initiated by The Club of Rome, the Potsdam Institute for Climate Impact Research, the Stockholm Resilience Centre and the Norwegian Business School. It builds on the legacies of *The Limits to Growth* and the planetary boundaries frameworks.

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