

Social Contracting for UBI in Namibia:

Investigating in Foreign Aid Basic Income [FABI]

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One of the main challenges of implementing Universal Basic Income (UBI) in developing countries is its financing in a political environment of weak state capacity and low or eroding tax bases. This kind of political, social and economic poorness leads to the conclusion that a Foreign Aid Basic Income (FABI) might be a solution to resilience-enhancing development assistance. In some sense, UBI pilots in Namibia and Kenya financed by non-governmental organizations provoked the idea that governmental foreign aid should support the UBI implementation, enforcement, and maintenance as long as the new UBI economy in the developing country stabilizes itself towards a generation of robust tax revenues. Then, a tax transfer system with UBI could be effectively implemented. FABI should be a transitory foreign aid transfer system towards a well-developed and resilient nationally self-financed tax transfer budget. The WEF_FABI FRIBIS team investigates this in the perspective of connecting Water-Energy-Food security and social resilience and sustainability support by FABI to promote the setup and stability of resilient and self-determined communities in Namibia.

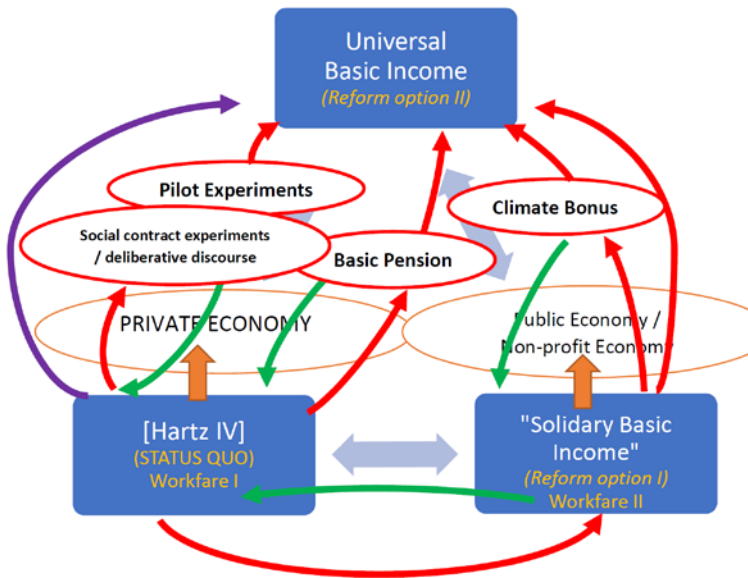
The tax capacity of a developed country and its interest in development aid for making developing countries resilient, sustainable, and robust for a successful and autonomous participation in globalized world give the donors the potential for support of self-determination of the citizenry in the recipient country. This may help in developing own ideas of creative spending of time in paid work, voluntary activities, and creative leisure time so that economic and social living is developed out of the citizens' interest. This isn't the case for paternalistic in-kind assistance and foreign investment which may lead to external control and land or water grabbing where recipients stay heteronomous.

The logic of social contracting and the empirical investigation and identification of a FABI social contract is based on the idea of many contractarians (John Rawls, John Harsanyi, Dennis Mueller, James Buchanan, Anthony Atkinson, Bernhard Neumärker) that contracting is principally defined by unanimous agreement under necessary and sufficient conditions for a normatively qualified social contract. Different contracting preferences may be allowed but no specific knowledge about the own post-contractarian position or asymmetrically distrusted decision power in the contractarian stage. Compared to real life this sounds artificial and out-of-this-world, but sufficiently controlled and repeated experimenting may lead to institutional and constitutional conclusions for rules codified in the social contract against which arguments not surviving the contractarian test normatively fail. Failure means that the argument or the proposed rule can be identified as based on particular interest and, therefore, irrelevant for a normatively qualified social contract.

The motivation for experiments is twofold: First, contractarian interest and contractarian preferences of the citizens towards or against UBI and/or FABI have to be identified. Second, pure theoretical considerations lead to many reasonable principles, and the choice between them is systematically an open question.

Social contracting is, then, a deliberative reform strategy and competes against other approaches which are summarized in the following graph:

Reform strategies/models for UBI implementation



Big Bang Reform:

All or nothing (Switzerland [direct democracy] by ultimate voting)

Gradualism - Strategy 1:

Switzerland [direct democracy] with repeated voting

Gradualism - Strategy 2:

(a) WF [Hartz] → SBI, (b) SBI → UBI [representative democracy]

Gradualism - Strategy 3:

(a1) WF [Hartz] → Pilot exp. on UBI *in the field*, (b1) Pilot → UBI [representative democr.]
 (a1) Social contract *lab* experiments [simulation of the deliberative discourse for public reasoning], (b2) UBI, if it is "discourse robust"

Gradualism - Strategy 4:

(a) WF [Hartz] → No Means Test (for pensions) [sub-aspect (for a specific transfer)], (b) NMT → UBI (no means test for all) [representative democracy]

Gradualism - Strategy 5:

(a) Climate bonus/premium (head transfer) as sub-aspect financed by a carbon tax as a return on managing the common good "Climate Protection" [public economy] (⇒ transfer amount as residual payment!), (b) realizing UBI via "financially sufficient" climate protection: increasing carbon tax + fine dust tax + returns on managing further common goods [redemption of "privatizations"; expropriations when private exploitation is "wreckless/ruthless"(e.g., speculating / gambling on land and housing)]

Revision of the first step (a) under gradualism

Namibia, e.g., has experienced a pilot experiment called BIG Pilot which started 2008 and which had to come to an end in December 2009. In Germany the

Social Democrats tried to introduce a Basic Pension of 1050 EUR for every citizen with a working period of at least 35 years at a stretch. Another important reform option in discussion is the Climate Bonus equal for any citizens and financed by the carbon tax revenue. Whereas the Basic Pension and the Climate Bonus would be partial basic come payments, BIG (and the Finnish pilot) as well as the Social Contract Lab Experiment strategy concentrate more on the choice of a full basic income: Common to these reform strategies is that they are steps in a gradual reform strategy towards real implementation of a full basic income. If the results would not be satisfying, one could go back to the status quo (usually a workfare system) without revising a complete reform. On the other hand, as the Finnish case demonstrated, a first gradual step might be too small to generate valuable results, and, then, the basic income movement might be stopped and blocked too early. The advantage of the Lab experiment is that you can repeat and refine it making the results more significant and robust.

Example for testing UBI in the lab: E.g., for the contractarian choice of just redistribution schemes, Rawlsitarian Maxi-Min as well as Harsanyi's Rule Utilitarianism can be based on contractarian logic, so that the choice between them it theoretically unsolved. Norman Frohlich and Joe A. Oppenheimer stated in their famous book "Choosing Justice" (Berkeley at al. 1992) therefore: "We contend that ethicists have been unsuccessful because they have been using inappropriate methodology. [...] Our use of experiments to generate consensus on questions of distributive justice [...] has led us to conclude that the experimental laboratory provides a method for making cumulative progress in ethics." And "1. Can groups generally reach unanimous decisions regarding principles of distributive justice? 2. Will groups that can reach consensus always agree on the same principle? 3. Will the consensus settle (as Rawls argued) on the difference principle - the principle that makes the worst-off individual as well off as possible? Or will groups opt for maximizing

expected utility as Harsanyi argued? Or will another principle [like a certain floor constraint, wage subsidy, or basic income (the author)] emerge?”, and finally, “Where does empirical inquiry fit into a quest of a theory of distributive justice? One answer to that question is direct and simple: it stems from the role of impartial reasoning in determining rules for just distributions. Specifically, we advocate empirical work because it is difficult to determine the conclusions of impartial reasoning.” Since both theories claim validity, but only one solution of the two, or even another one can be true, one needs a contractarian experiment on the issue. Principles that survive with unanimous support have a claim to validity as principles of justice. Those that do not show any strength at all are presumably rejectable. This is the contractarian challenge of UBI and FABI, also. The central question is not whether a contract has ever been entered into but whether such a contract would ever be entered into under the specific conditions, and, if so, what its content [UBI!? FABI!?] would be.

Testing people’s choice in a “veil situation” (impartial choice of income distribution rule, schemes by design of experiment) is very often connected to the choice-relevant degree of risk aversion and inequity aversion (in our example assumed relevant contractarian preference dispositions). UBI in its reason and amount as a contractarian agreement depends, then, on risk aversion and/or inequity aversion, e.g., the risk to get poor or the socially tolerated degree of inequality. The redistribution scheme experiments deal with (a) the trade-off between high income and insurance against worst case (dealing with risk), (b) the trade-off between highest and lowest income (dealing with inequality), (c) the trade-off between marginal (Harsanyi) and highest (Rawls) basic income. Results should be robust to yield a generally valid theory.

The experimental design with basic income can follow a usual structure: Prior to experiment, we provide excessive information to probands about distributional theories, above all Harsanyi and Rawls,

and not so much / at all on UBI. Test persons in pre-tests can be students, with the lab in the field then a representative mix of the citizenry. Typically, one chooses groups of 5 or 9. The experiment based on four different distributional schemes:

- Maximin,
- MaxAvg,
- MaxAvg s.t. income floor /UBI,
- MaxAvg s.t. (1) income floor /UBI, (2) income ceiling (range as measure for inequality)

The justification of introduction of the income floor, UBI, and the income ceiling is based on the constitutional interest in (partial) Basic Income for all as general insurance and/or range reducer as well as on UBI as very simple redistributive schemes between Maximin and MaxAvg.

The probands have to choose unanimously one of the following schemes:

<i>Income Distribution</i>				
Income Class	1	2	3	4
High	\$ 32,000	\$ 28,000	\$ 31,000	\$ 21,000
Medium High	27,000	22,000	24,000	20,000
Medium	24,000	20,000	21,000	19,000
Medium Low	13,000	17,000	16,000	16,000
Low	12,000	13,000	14,000	15,000
<i>Average</i>	21,600	20,000	21,200	18,200
<i>Basic Income / Floor Constraint</i>	12,000	13,000	14,000	15,000
<i>Range</i>	20,000	15,000	17,000	6,000

Table: Frohlich, Norman; Oppenheimer, Joe: Choosing Justice, Berkeley at al. 1992, p. 38.

The social contracting in these computerized experiments follows a two-stage-structure:

1. Introduction of the experiment logic and test on understanding of the procedures:

- Instructions
- Introduction to distributional schemes

2. Discussion in chats and anonymous voting via computer:

- Computerized discussion and unanimous vote

> totally anonymous cooperation towards unanimity (no unanimity: play again!)

> payoffs (e.g., goodies or \$) proportional to the personally assigned income (outcome)

- Repeated play up to the point where a certain scheme is a stable unanimous choice

Consistent results of these experiments [SoCoLab 2013, 2017, 2018] were, first of all, the general support of some basic income scheme as the basic principle of fair income distribution which may indicate a new version/principle of a „Social Market Economy“. Furthermore, we detected a sequential logic in the chat protocols:

- Basic Income first (Justice, Insurance)

- Final social choice depends only on more or less range (weighing the problem of income inequality)

- If that is solved, then market transactions und market distribution could be acceptable (Efficiency)

Research and application challenges of Social Contracting for the Namibian Case:

> Lab Experiment, Online Experiment, Field Experiment, Paper & Pencil Survey?

- how to test impartiality in a survey? (E.g., in Sweden they managed it)

- how to substitute the chat protocol?

> Relevant Namibian Scheme:

- Distributive Relevance? What to solve in Namibia?

- Detecting the relevant preferences and principles for justice in the Namibian citizenry

> Poverty, redistribution, vulnerabilities (ecological, Land Grabbing, ...)

- Expected effects and impact of UBI

- Principally relevant versions of UBI

- Testing Paradigm Shift (efficiency, equity, sustainability first/dominant?)

- Integrating FABI (Foreign Aid Basic Income):

- How to combine WEF and FABI in such a scheme

(e.g., ecological and social resilience of different Foreign Aid schemes combining sustainability support and UBI)

> Role of eco-social vulnerability as a measure for different UBI schemes:

Integrating climate damage and land grabbing losses (i.e., resource exploitation and post-colonial expropriation)

> How to move from foreign-financed (FABI) to self-financed UBI Base on tax bases formed by FABI activities?

> What “federal” level in Namibia is appropriate?

(The WEF_FABI team beliefs in villages and other small entities so that, in the end, the whole Namibian society may become (more) resilient against ecological and economic “attacks” (??))

> The PennState and FRBIS partners need a lot of hints, data, and so on and so forth from Namibia

> The contractarian outcome gives a lot of argumentative power to the Namibian BI actors!

One research and application outcome may be a “Socio-Ecological Governance Structure” for Namibia. This has to be solved when the relevant data form WEF and FABI for resilient villages, regions, and suburbans will be systematically exploited. This would mean a reform agenda for a resilient and just socio-ecological transformation towards a society, the Namibians would like to choose for themselves, where the choice can be built on autonomous and free citizens being productive and creative in the way they individually prefer. It is assumed that this individual position is supported by an adequate social contract.

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