A BASIC INCOME FOR CENTRAL AMERICA:

TOWARDS THE ERADICATION OF EXTREME POVERTY IN THE REGION

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Copenhagen, Denmark
11.04.2011

ACKNOWLEDGEMENTS

I would like to thank Pablo Yanes, Rubén Lo Vuolo, Daniel Raventós and Makieze Medina, for engaging conversations, advice, and inspiration.

I am much obliged to Willy Zapata and Juan Carlos Moreno-Brid for their trust and critical supervision during research, and the opportunity to publish the proposal thereafter.

I am deeply grateful for all the kind support provided by the staff from ECLAC sub-regional Headquarters in Mexico City.

I profoundly appreciate Peter Wad's helpful comments and advice.

I am indebted to Sara Norup Hellener for logistics and administrative help.

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LIST OF ABBREVIATIONS:

BI Basic Income
BIEN Basic Income Earth Network
CA Central America
CCT Conditional Cash Transfers
CELADE Centro Latinoamericano y Caribeño de Demografía (Latin American and Caribbean Center for Demography)
CESCR Committee on Economic, Social and Cultural Rights
ECLAC Economic Commission for Latin America and the Caribbean
EIU The Economist Intelligence Unit
FDI Foreign Direct Investment
GDP Gross Domestic Product
IADB Inter-American Development Bank
ICAES Instituto Centroamericano de Estudios Sociales (Central American Social Studies Institute)
ICEFI Instituto Centroamericano de Estudios Fiscales (Central American Fiscal Studies Institute)
IMF International Monetary Fund
MIFAPRO *Mi Familia Progresa* Program
MDG United Nations Millennium Development Goals
MN$ New Mexican Peso (Mexican currency)
NAFTA North American Free Trade Agreement
ODA Official Development Aid
OECD Organization for Economic Co-operation and Development
PPP Purchasing Power Parity
Q Quetzal (Guatemalan currency)
SICA Sistema de la Integración Centroamericana (Central American Integration System)
UN United Nations
UNRISD United Nations Research Institute for Social Development
UNU-WIDER United Nations University – World Institute for Development Economics Research
WS Welfare State

ABSTRACT

In view of persistently high poverty and indigence levels in Central America at the outset of the new century in spite of a plethora of existing programs targeting the problem, this study investigates whether, how and why a Basic Income can eradicate extreme poverty in this most unequal region of the world.

The paper therefore investigates the hypotheses of an efficient and effective eradication of extreme poverty in the area through the implementation of a regional universal unconditional cash transfer to all citizens. Such a program would guarantee every beneficiary, independently of income, age, occupation, or family background, survival. The study further postulates that this scheme would be more effective and more efficient than currently employed poverty reduction programs. Moreover, it hypothesizes that a Basic Income, albeit being a wide-reaching and comprehensive program, would be feasible in financial, and practicable in institutional terms.

On the basis of a pragmatic research approach and a heterodox economics framework, this analytical-predictive case study of a Basic Income in Central America scrutinizes theoretical and location-specific empirical data to reach a conclusion upon its postulates.

Its findings indicate that indeed, a Basic Income would effectively, through its universal reach and ability to lift people out of poverty, eradicate extreme poverty in the region, and alleviate relative poverty. Simultaneously, the proposal would further income redistribution, enhance education, future productivity and growth, promote macroeconomic stability, and ease migrational pressures. Concurrently, it would do so in an efficient way thanks to low administrative costs and its propensity to foment economic growth.

Moreover, the comparative analysis of a Basic Income to existing programs shows that the former, for the same reasons, would be more effective than currently employed targeted and conditional programs which do not seem to effectively reach their target population, maintain those reached in a situation of acute poverty or threat thereof, and face high selecting and monitoring costs. The analysis also shows that a Basic Income seems to operate more cost-efficiently than the programs in place to date; however, for lack of reliable data this hypothesis cannot be accepted unconditionally at the time being.

The study investigates how to implement such a program considering regional specificities like a young average population, proposing two alternative, gradual implementation schemes that start by covering the most vulnerable part of the population to then proceed to include the remainder. The paper estimates the costs of covering the entire region's population with a transfer of 1.25 international dollar per day per head, and shows that such a proposal would be economically affordable and beneficial, while offering a novel and universally just stance on poverty eradication.

In this vein, a Basic Income can be financed even by relatively poor countries as those in the region in question, since it could partially rely on endogenous finance, monies freed from

existing programs becoming obsolete, an improved tax system and international or -regional funds. The institutional framework in place would enable the immediate implementation of the proposal, and the political climate at the time being seems propitious due to increased emphasis on regional integration and the search by multilateral organisms for a region-encompassing extreme poverty eradication scheme.

A Basic Income scheme would establish a paradigm change in development policy thinking of the region by moving away from the uncertainty of palliative, short-term oriented programs featuring conditionality and means-testing, towards a rights-based, preventive approach of poverty eradication. The paper hence concludes that a Basic Income can effectively and efficiently eradicate extreme poverty in Central America at the outset of the new century.

I. INTRODUCTION

A world in which 1373 million people who live on less than $1.25 a day (World Bank 2005) coexist with 1210 Billionaires collectively owning US$4.5 trillion (Forbes 2011) is one of extremes: extreme poverty and extreme inequality. In fact, inequality has never been as pronounced as today: while the poorest half of the world population hardly owns one percent of global household wealth, the richest two percent own more than half of total wealth (UNU-WIDER 2006).

There are at least two good reasons why everybody, including those belonging to the second group introduced, should be concerned about this development. The first one is intrinsic: Extreme poverty is much more than insufficient income. It means hunger, deprivation of proper health and education, diseases and chronic malnutrition, not being able to make life plans, fear for the future and minimal job options, diminished life expectancy, powerlessness, lack of representation and access to public services, marginalization and social exclusion, experience of violence, and loss of liberty to design one's own life[1] (Krozer 2010).

Therefore, the UN *International Covenant on Economic, Social and Cultural Rights*[2] established in its article 11 the "right to adequate nutrition which guarantees the possibility of enjoying the highest level of physical, emotional and intellectual development" and "the fundamental right to freedom from hunger and malnutrition". The "core obligation" of the States is to "take the necessary action to mitigate and alleviate hunger" and grant "*economic access* at all times to adequate food *or means for its procurement*" for "*every* man, woman and child" (CESCR 1999: Paragraph 6-8; emphasis added). This statement focuses attention on two points particularly important for what is to be discussed here: it places *universality* at the center of any ethical application against extreme poverty, and the State as primordial actor. Furthermore, it

[1] This list describes but some of the wide-reaching effects the different dimensions of poverty in terms of depth, breadth and duration exert on all areas of human existence, far beyond "just" income, consumption and resource deprivation (Clark& Hulme 2010). Deliberately, this proposal to some degree omits deeper analysis in areas of impact in political, social, personal, philosophic and other realms of being, concentrating chiefly on (socio-) economic and financial implications. However, impact of a BI on these realms are acknowledged and promoted at least as positive "side effects".

[2] See ww.hrweb.org, as well as its Additional Protocol of San Salvador adopted in late 1988 by the OAS, www.oas.org

shows that in today's world of splendor, it is unacceptable and outrageous that still one in every four people lives under conditions of extreme poverty (World Bank 2010).

For those sufficiently cynical to not deem this first argument valid enough for actually caring, the second argument points to the, often interrelated, phenomena of extreme poverty and inequality actually affecting *everybody* directly – through economic and social costs imputed upon society as a whole, be it in terms of high inequality crippling economic growth (Nissake &Thorbecke 2006), high levels of violence and criminality related to both inequality and poverty (Sen 2008), or further proliferation of informality and deterioration of public infrastructure due to low income and taxation levels (Ahmed et al. 2007). Ever more economists argue that economic growth (or lack of) is intrinsically related to inequality and poverty levels of a region (e.g. Moreno-Brid& Ros 2010).

Despite long efforts and years of attempts of poverty eradication – that did bring temporary improvements in the first years of the new Millennium – trends remain volatile, and from 2008 onwards, indigence levels actually started to rise again in Central America, the most unequal region of the world (ECLAC 2009). These developments have to do both with internal and external[3] factors, including, *inter alia*, its historical particularities such as (fairly recent) long and bloody civil wars and political dispute, (related) sluggish responses to (economic) problems, corruption and large scale emigration, on the one hand, and global forces[4] of conditionality on finance, insertion into the international markets and pressures to liberalization on the other hand[5] (Robinson 2003).

[3] Nissanke& Thorbecke (2006) assert that the risks and costs brought about by globalization can be significant for fragile developing economies and the world's poor. This downside of globalization is most vividly epitomized during times of financial and economic crises. The costs of the repeated crises, associated with economic and financial globalization, falls disproportionately on the developing world, and often on its poor who are the most vulnerable. On the other hand, they hold that the benefits from globalization in booming times are not necessarily shared widely and equally in the global community.

[4] How poverty is affected by globalization is carefully demonstrated by Nissanke & Thorbecke (2006) when scrutinizing the "causal chain openness-growth-inequality-poverty" where they establish that the link between the first two segments is highly contentious, whereas concerning the second and third unit, "high initial inequality is detrimental to economic growth". Furthermore, through its negative effect on future growth, inequality influences poverty. Thus, "the widespread increase in inequality has been detrimental to the objective of poverty reduction, because large rises in inequality have stifled growth, and because poverty, at any given growth rate of GDP, falls less rapidly in the case of a more unequal distribution than in the case of a more equitable one" (p.1344). This causal sequence leads to the obvious policy implication that "successful poverty alleviation depends not only on favorable changes in average GDP per capita growth but also on favorable changes in income inequality" (ibid).

[5] For a more precise analysis of the interplay of these, often antagonistic, forces refer for instance to Robinson's (2003) study of the regions recent history and how globalization has transformed it.

Concerned by this distressing dynamic, this paper proposes the eradication of extreme poverty in this region through a new and straightforward means: the implementation of a universal Basic Income (BI) grant, guaranteeing every citizen, whatever her occupation, age, or background, survival. Besides the reduction of poverty, the proposal simultaneously furthers income redistribution, enhances education, future productivity and growth, alleviates migrational pressures, and promotes macroeconomic stability (Krozer 2010). By this means, extreme poverty in the most unequal region of the world could be eradicated.

Such a wide-reaching proposal must surely be both infeasible and unaffordable? As a matter of fact, this paper argues it is neither: most of few features necessary for the implementation are in place, and costs are relatively moderate considering the momentum expected from the scheme (ibid). Moreover, evidence from both high-income and lower-income countries suggests that poverty levels are drastically reduced after social transfers have been implemented, especially if these were comprehensive and aiming at a universal coverage (UNRISD 2010). In spite of the novelty of this particular proposal to the region, there is thus ample room for optimism that a paradigm change towards this new concept will improve a wide array of poverty-related issues.What would a BI do different in terms of poverty eradication, and could it be better at achieving this goal than existing policies? In the remainder, this paper will demonstrate the foundation for realistic optimism that indeed a BI would effectively and efficiently eradicate extreme poverty, with positive side-effects on inequality, education, economic growth and thus would be worthwhile to pursue.

A. OUTLINE OF STRUCTURE

To this end, the paper is divided conceptually into 9 chapters. After defining research question and hypotheses, clarifying the main concepts used throughout this paper to assure mutual understanding and laying out the applying delimitations (Chapter I), the Methodology followed in this investigation is described in Chapter II. In continuation, Chapter III introduces the concept of a BI and embeds it into the context used by this paper, firstly by discussing the need and urgency for action in the environment under scrutiny justified by the relentless current circumstances of poverty and inequality in the region, leading also to why this proposal is relevant to a number of high profile organizations, followed by a BI definition and theoretical undercurrents, to be consecutively placed into a developing country context. This part of the thesis thus deals with the theoretical and analytical notion of a Basic Income as such. Subsequently, the question of its effectiveness will be critically scrutinized: Chapter IV approaches this problematic by contrasting a BI with existing schemes qualitatively on the basis of a number of criteria established. Chapter V further analyzes the expected effectiveness of such a scheme, by outlying (and analyzing) the estimated effects a BI would have on the region.

The following two chapters deal with the specificities of a particular proposal for the region: the dimension of a BI's (cost) efficiency will be illuminated in Chapter VI by entering the quantitative dimension. Quantitative comparison of costs and level of existing schemes to a potential BI will be researched, parallel to further qualitative arguments brought forward. This chapter also provides two alternative implementation schemes for a BI. In continuation, the financing (options) of such a scheme will be discussed in Chapter VII to investigate its financial feasibility. After having shed light on this dimension too, the institutional requirements of a BI implementation will be investigated in Chapter VIII, including the necessary "practicalities" and political questions, looking into its institutional feasibility. Finally, the conclusion (Chapter IX) will respond to the research question posed at the outset, and present a brief future outlook of the Regional Basic Income for Central America.

The insights created by this inquiry are hoped to intrigue other stakeholders to the project. While I have been engaged in this agenda for the past two years, especially during my work with the United Nations Economic Commission for Latin America and the Caribbean (ECLAC) in 2010 – with humble contributions to the spreading of what I consider a fabulous policy proposal, including the publication of the paper *A regional basic income: Towards the eradication of extreme poverty in Central America* (2010) by the UN and speaking at a regional expert conference on the topic – I hope to interest academic and educational institutions like Copenhagen Business School in fostering further research on the topic, as well as inspire

ECLAC and other organizations in the region (especially the regional Integration System SICA) to consider application of such a policy in the area.

B. RESEARCH QUESTION

Considering the problem of persistence of poverty in the region, and lack of results brought by existing schemes, the question to ask is:

Whether, how and why can a Basic Income scheme for Central America reduce extreme poverty in the region in the early 21st century?

C. HYPOTHESES

This paper consequently sets out to reach a conclusion on the following hypotheses:

a) A Basic Income can be e*ffective* (in terms of accomplishing the objectives it set out) and *efficient* (in terms of costs) in reducing extreme poverty in CA in the early 21st Century.

b) It can do so both more *effectively* (in terms of accomplishing the objectives it set out) and

c) more *efficiently* (in terms of costs) than currently employed means in CA, mainly Conditional Cash Transfers (CCT).

d) It is feasible in financial and institutional terms.

D. DEFINITIONS

Before indulging in the analysis and discussion of the specific means to eradicate extreme poverty, it is necessary to harmonize understanding by defining how a few basic essential and potentially controversial concepts are used throughout the present paper:

Poverty refers to a lack of resources or capabilities that can be determined in absolute or relative terms. The latter usually describes a fixed proportion of the mean income of a population that an income earner is not able to surpass and is thus closely related to an area's inequality patterns; the former represents the *inability to satisfy basic needs*, defined in reference to a poverty line that has a fixed purchasing power determined so as to guarantee (physical) survival (Nissake & Thorbecke 2006). The most commonly used international extreme poverty line is the World Bank's revised $1 per head per day at Purchasing Power Parity (PPP) line, since 2008 updated and fixed at $1.25[6]. Despite its wide-reaching and well-known shortcomings, it continues to be a useful tool considering that practically all international poverty comparisons refer to this line. This is also why the present investigation bases its analysis on the $1.25 PPP per head per day reference. According to most recent studies (e.g. Chen & Ravallion 2004), absolute number of poor (below the original 1$-line) has only fallen in Asia (mainly in China) and risen elsewhere, and the number of people living under $2 per day has actually increased worldwide (ibid).

It is important to bear in mind the difference between eradication and reduction of (extreme) poverty. While it is arguably impossible to eradicate *poverty* due to its relative nature which only allows for reduction compared to some concept of richness, it *is* possible to eradicate extreme poverty, which is fixed to an absolute threshold. Often, these two concepts are confused or used carelessly in the literature. This paper declaredly aims at *eradicating* extreme poverty (and reducing relative poverty).

Central America geographically comprises seven countries: Guatemala, Belize, El Salvador, Honduras, Nicaragua, Costa Rica and Panama (from North to South). However, in the present context it is understood in its traditional conception as the (economically) integrated area of the historical "Federal Republic of Central America"[7], comprising Guatemala, El Salvador,

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[6] The dollar ($) here refers to "international dollar", or Purchasing Power Parity, and should not be confused with the US dollar (US$). It describes the equivalent of what US$1 can buy in the US, for other countries. Both terms will be used throughout the text indiscriminately. If the US currency is meant, this is indicated by "US$". Also: In spite of the World Bank using 2005 Purchasing Power Parity terms, this paper uses current exchange rates considering significant political-economy changes influencing livelihood of the population in the countries in question over the past couple of years.

[7] A republican democracic sovereign state existent from 1823-1840 that gained independence from Spain to later be annexed by the First Mexican Empire. Its regional coverage preceded the present day states of Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica, as well as the present-day State of Chiapas (Mexico). Due to civil war and political discrepancies it dissolved into its constituent parts in 1840. Thus, the region, geographically, comprises seven countries, while economic and political integration is mainly encompassing the five "traditionally" Central American countries of Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua, which will also be the focus of this proposal, further justified e.g. by Guerra-Borges (2009: 108): "Article 1 of the Protocol states that 'Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama are an economic and political community that aspires the integration of Central America'"(own translation), qualifying that Panama never considered itself a member country. The focus is, however, by no means meant to be

Honduras, Nicaragua and Costa Rica. The reason for starting with a proposal for the defined area is its history of integration and common measures, pinnacled in the creation of the Central American Integration System, SICA[8], and its close historical experiences. This definition does by no means exclude the option of amplifying the proposal to a larger areal eventually.

Basic Income at its most general is defined as an unconditional and universal transfer scheme. Concretely, it offers an income paid by the government to each member of society, irrespective of her willingness to work, her income or wealth, her household constellation, or area of residence (Van Parijs 1995). It can be supplemented by conditional schemes, but operates independently of those to provide a basis below which no citizen can fall. To this material foundation, all additionally earned income is added. In principle, no recommendation as to the level of such a transfer is included in the definition, since it might vary considerably depending on the declared aim of the proposal at hand. Consequently, it can be related to some notion of basic needs, fall short of those, or exceed them (ibid).

Development shall be defined as involving the "organization, mobilization, combination, use and distribution of resources *in new ways*" irrespective of the form these resources might take (human beings, land, capital, or a combination thereof) (Leftwich 2000). According to Leftwich (2000), development inevitably creates disputes amongst individuals and groups since different configurations entail different losers and winners, and thus by definition is political (as opposed to managerial or administrative in a technicist way). This notion is important in relation to a proposal as the present one in that it should not be understood as a "purely" mechanical redistribution exercise, but as bearing real effects on real human beings. It means that development, albeit not at all a zero-sum game, can be described as a (competitive) relation of change between the economic, social and political (and arguably environmental) realms.

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exclusionary, and should be viewed rather as a starting point to be extended to other countries eventually.

8 For its initials in Spanish: Sistema para la Integración Centroamericana

E. DELIMITATIONS

It lies in the nature of the inquiry, that a number of delimitations that aim at focusing the discussion are necessary; at the expense of all-encompassing information comes better understandability and clarity. Firstly, a BI has been advocated by scholars from the most diverse backgrounds throughout the last couple of decades, alternatively seeing it as a socialist project, a "capitalist road to communism" (Van der Veen & Van Parijs 1983/2006), a genuinely liberal proposal for a Negative Income Tax (Friedman 1962[9]), as an unconditional transfer on the basis of a global transaction tax (Tobin[10] 1967), or a "Critique of Economic Reason" (Gorz 1989). Historically, scholars even trace the BI legacy back to Thomas Paine's "Agrarian Justice" (1795), taking henceforth the shape of an administrative reform, libertarian, humanist or republican inquiry. It can be all of those. Nonetheless, this investigation commits itself to exploring and explaining the developmental capacities of a BI in a defined context, namely the region of CA at the outset of the new millennium.

Others have eloquently and convincingly argued for aspects lightly passed over in this proposal, including its philosophical undercurrents and justifications only superficially discussed in this context (refer e.g to Van Parijs 1995, Raventós 2007), its strong impact in the feminist debate (refer to Pateman 2003, Medina, forthcoming) and environmental discussion (not much literature is dedicated to this aspect as of yet it seems, in spite of potentially large impacts a BI might have on the environment) – both are only marginally encountered here. Neither is a large space dedicated to a historical BI chronology (see e.g. Pereira 2009; Standing 2008). Finally – although by no means to imply the exhaustiveness of this list – the numerous proposals for the European Union, individual countries of hers, the US and other developed country contexts, are reprehensibly neglected[11]. This decision is defended on the basis that, considering the scope and timeframe, little new could be contributed to these discussions within the framework of the

9 Milton Friedman also in 1966 advocated a very small NIT, i.e. a refund of unused income tax deductions, as a substitute for all other social welfare programs (Garfinkle et al. 2003)

10 James Tobin and James Meade advocated a far more generous NIT that Friedman, which was referred to as a universal tax credit or "demogrant" and was to substitute for only a limited set of existing programs, for the US and UK, respectively (Garfinkle et al. 2003).

11 Refer instead to the Basic Income Earth Network's webpage www.basicincome.org where a great number of proposals are collected

present investigation: this paper argues that a BI proposal for a developing country context is founded on different premisses relative to a higher income country proposal, thus focusing on the explanation of particularities to such a context rather than citing arguments that are known to be less relevant from the outset. Nonetheless, it *can* contribute by combining existing knowledge about the general functioning of a BI with the more specific regional insights and data/knowledge of the area. This being said, while Chapter IV specifies *why* the region is chosen as a conceptual unit (as opposed to, say, a country of the region), arguably different data levels could have been selected than those utilized here, studying CA as a collection of countries compared to each other, although a certain level of integration is presupposed. This choice is justified by the newly awakened interest in the integration agenda of the regional entities governing the area, searching for a unified poverty eradication strategy. At the same time, country level data is provided so as to not impede progress on the implementation of the proposal should parts of the region wish to advance at different speed than the rest[12].

Another deplorable victim to the scope and timeframe of this project is the deeper-reaching discussion of a BI's impact on inequality. Although a major (maybe *the* major, at least in the European debate) rationale for its proposal is related to distributional changes primarily, i.e. inequality, this paper mainly focuses on the poverty eradication aspect of a BI (to the detriment of the inequality debate). While self-evidently considered throughout, essentially, only the extreme form of inequality – when a large proportion of the population lives in extreme poverty – is scrutinized, with the focus on the poverty aspect rather than inequality as such[13].

Lastly, the overarching, ultimate goal of the proposal is the complete coverage of the Central American population by a secured income above the extreme poverty threshold, as described below. Although a broad and multifaceted conception of poverty as capacity deprivation (Sen 1999) is embraced as the more realistic picture of the true nature of the problem, this paper, chiefly for sake of clarity and comparability, deliberately makes use of the – rather narrowly conceived – international threshold of extreme poverty as personal income below

[12] Such a phenomenon of differential integration is rather typical in the area, as also in other regional “blocks”, namely the EU
[13] Refer to, e.g. *Redesigning Distribution* (Wright ed. 2003) for a more thorough analysis of the inequality issue

$1,25 PPP per day, irrespective of local deviations[14] (Krozer 2010). Arguably, this might constitute a gross omission of real differences on the local level and thus ignorance to the vulnerabilities and indignities that plague the lives of many people in poor countries (UNRISD 2010) and the special needs of specific groups of individuals. However, no income metric, however multidimensional a perspective, can fully account for the complex deprivations that exist in poor countries (UNRISD 2010). Nonetheless, this paper does not pretend to address these special needs altogether; rather, it aims at creating a different minimum base for everybody below which nobody can fall (Fourier, 1803). This means that differentiated needs beyond a basic security continue to exist, and will have to be addressed appropriately and independently, beyond the reach of a BI and the scope of this proposal (Krozer 2010).

[14] This is because there is no consistency throughout the region on measuring (national) poverty using income and measuring it using expenditures. This lack of consistency makes it difficult to compare rates of poverty in different LAC countries. Consider, for instance, Honduras, where 72% of the population in 2005 lived below the country's poverty line, while 36% lived on less than $2 a day, or Chile with 5% of the population living on less than $2 a day, but 19% below the country's poverty line. By contrast, in Jamaica about 22% of people lived below the country's poverty line, but 43% made less than $2 a day, and in El Salvador the numbers were 39% and 41%, respectively (Perry et al. 2006).

II. METHODOLOGY

This study sets out to discuss the case of a BI for the region of CA at the outset of the new millennium. Before entering the discussion, the methodology followed in this investigation is explained in this chapter to avoid the pitfall of lack of accountability and hence threats to reliability of the results obtained during the investigation.

A. RESEARCH PHILOSOPHY

"Good social science is problem driven and not methodology driven in the sense that it employs those methods that for a given problematic, best help answer the research questions at hand" (Flyvbjerg 2006: 242). This rather pragmatic stance underlies also the present research undertaking, since it grants the researcher a "freedom of choice" in selecting the "methods, techniques and procedures of research that best meet their needs and purposes", allowing for mixed method approaches not strictly committed to any one system of philosophy and reality (Cresswell 2003: 12). This notion stems from the pragmatists' view that the world is not to be conceived as an absolute unity with a strict dualism between the mind and a reality completely independent of the mind; rather, truth can be "what works at the time" (ibid). Pragmatists follow the "what works" approach, concerning themselves with applications and solutions to problems (Cresswell 2003). In most cases, as in the present one, it will be a combination of qualitative and quantitative methods of data collection and analysis that will be best at achieving the desired results (Flyvbjerg 2006).

Although in Cresswell's (2003: 11) description that "Instead of methods being important, the problem is most important" the approach receives the air of being unstructured, pragmatism, and the version applied in the present inquiry, is not to be regarded as random picking of available research methods. Rather, the philosophical underpinning of mixing methods lies in the attention given to the specific research problem and the subsequent "using (of) pluralistic approaches to derive knowledge about the problem" (ibid). This means that elements from various ways of knowing are cherished. For the present case, this is manifested in the understanding that, on the one hand, the traditionally Social Constructivist point of view of the importance of context, and the consciousness of the researcher's own experiences and backgrounds shape her interpretation of the investigation; in Robinson's (2003: 8) words: “All observers of the social world are also protagonists in it”[15]. In his view, the job of the critical social scientist is to provide a perspective on the social universe, which, grounded in underlying reality, allows for properly conceiving the structure, character, and historic tendencies that are at work in a given social reality (ibid). On the other hand, the framework also supports the Objectivist aim of describing a causal relationship between the variables proposed in the hypothesis, as well as the consternation that “data evidence and rational considerations shape knowledge” (Cresswell 2003: 7), if and when standards of validity (and reliability) are followed. This orientation underscores the importance of applying multiple perspectives in terms of theories and paradigms, to counter the threat to validity of (inevitable) research bias. The different knowing claims are not mutually exclusive ways of pursuing research, but rather complement each other in trying to reach a substantial conclusion, hence making of the research process a cross-fertilizing communicative undertaking where the academic instigation gains from the engagement with stakeholders in the area and vice versa.

B. THEORETICAL-ANALYTICAL FRAMEWORK

The research philosophy adopted in this paper is linked to a specific conceptual framework. As all paradigms, this set of theoretical principles is built on particular underlying ontological and epistemological assumptions, circumscribing the appropriate domain of inquiry to which these principles are to be applied (Robinson 2003).

The theoretical-analytical framework of this paper is oriented at what Draibe & Riesco (2007a) call the integrated approach of economic and social policies, adhering to the conviction that social and economic policies cannot/should not be meaningfully separated when fomenting development is aspired[16]. Nonetheless, orthodox economics continues to treat these two dimensions quite separately, if anything considering social policy under the perspective of

[15] Robinson (2003) claims to not believe in “neutral social science” since all observations are also theory and value-laden, and how the world and the possibilities of social action are perceived will shape social protagonism. He holds that because proper conceptualization of the social world is required for an effective intervention in the world, social science is “an enterprise undertaken in explanation of the social world and, as such, a guide to social action” (ibid).

[16] Such an approach is far from new, considering that Keynes tried to understand his “virtuous circle” in nascent welfare states by following such a unified approach (Draibe & Riesco 2007a), but it is still relevant, and also still contested

factors of production (ibid). However, most of the countries that have been successful in exploiting the benefits of globalization and the current "world system" are those that have adopted heterodox policies – reflecting their national conditions and reality, as opposed to fully embracing market-conforming prescriptions (UNRISD 2010). This paper thus embraces a heterodox economic vision, with no "artificial" division between economic and social policies.

Ontology as the study of the basic nature and structure of reality bears fundamental difference from the orthodox to the heterodox strands (Lawson 2005): while the former is based on methodological individualism, assumes unlimited rationality of economic agents, and centers Economics around scarcity and exchange, the latter embraces a holistic and integral, or global, ontology of "procedural" rationality and views Economics centered around the reproduction of economic values through processes of production and distribution (Lo Vuolo 2009), institutions are viewed as helping to reduce uncertainty in such environments of change. This ontological difference links to a central discussion between the two fronts, namely the question of economic *growth* versus economic and social *development*. While the one side deems economic growth as self-sufficient and intrinsically valuable, the other wants to see it as instrumental to development. What is the perceptual difference between these two concepts? Economic growth has to do with size, value, and wealth, which is why its "fetich indicator (ibid) is GDP/income (per capita). Development, on the other hand, is linked to the changes that make the economic and social system more complex and allow it to also change "quality" instead of only "size" (ibid). It is understood by the heterodox directions and thus the present paper not as simple quantitative growth of certain elements that compose the economic and social system, but by changes that those relations that identify the system experiment. Thus, the increase in wealth produced is but one of the indicators of this complex process; beyond growth, development must make the transformations of the different parts of this complex economic and social system harmonize and compatible (ibid). Thus, the central question for heterodox schools is the study of modes of creation *and* distribution of wealth, and hence to the analysis of effectiveness beyond solely economic growth rates for the proposed strategy.

Analogously, orthodox epistemology is instrumental, while heterodox epistemology constructs its hypotheses on the observation of reality (ibid), coinciding with the pragmatic research philosophy adopted above, and Flyvbjerg (2001) stressing the need of both context and theory to occupy central positions in the social sciences. This means that heterodox streams of thought try to reveal evidence of the detected phenomena within a concrete economic system (ibid), chosen as a region here. Despite their acceptance of all theory as a simplification of reality, this simplification is not to distort reality[17]. Since this paper is concerned with the realistic display of the concrete economic situation in a specific context, it seems more appropriate to adopt an integral view of the economic system – to the detriment of constructing a model that resists all defiance, is, however, not applicable to the real circumstances of the human context under investigation – and thereby adopting a pragmatist, heterodox position.

Finally, in that it does not follow the formalistic-deductive approach commonly associated with orthodox economics, based exclusively on mathematical tools, heterodox economics is a rejection of a very specific form of methodological reductionism (Lawson 2005)[18]. Heterodoxy acknowledges the insufficiency of mathematical methods when dealing with social analysis, due to its understanding that social reality depends fundamentally on transformative human agency, and thus must be intrinsically dynamic/processual (ibid). This illustrates again the difficulty of meaningfully separating the different policy areas of a highly interconnected State/Society duality, which instead needs to be understood as an organic relation where components mutually (re)construct each other and themselves[19]. The policy proposed here does thus not attempt to separate the domains of impact in terms of pure economic and social

[17] As would be the case for orthodox thinking, where theories are regarded as tools, or instruments, that are built less to show "real" functioning of the economy than to construct models that are designed to predict the needed conditions to reach an equilibrium stage/state – supposing that this state of equilibrium is the optimum stage for organizing an economic system (Lo Vuolo 2009)

[18] This does however not amount to a rejection of mathematical-deductive modeling altogether; rather it is a rejection of the *insistence* that formalistic methods are always appropriate only (Lawson 2005)

[19] Lawson (2005: 17) goes even further: if the social ontology provides a conception of all social phenomena (which he lists as "being open, structured, intrinsically dynamic in a manner dependent on social transformation, and highly internally related through social relations") then "there is no reason to suppose that there exists an economic sphere or any other sub-domain of the social realm with phenomena devoid of such properties" and thus "the materials and principles of social reality are the same across economics, sociology, politics, anthropology, human geography, and all other disciplines concerned with the study of social life" – hence "there is no legitimate basis for distinguishing a *separate* science of economics" and Economics was best viewed as a division of labor within a single social science. Albeit this reasoning seems attractive and logically conclusive this differentiation has no practical value for the present paper, and for sake of not creating additional confusion, leaves the commonly accepted separation between the different realms continue to exist.

effects, respectively, but rather sees all impact as interrelated and pointing towards a common, central goal, qualitative development.

C. RESEARCH STRATEGY AND DESIGN

This investigation sets out to analyze the (theoretical) case of the likely impacts on poverty reduction of a Basic Income scheme for the region of CA. The unit of analysis is hence the BI scheme in its geographic, economic, social and political context, including its implementation process as a socio-economic policy. Little research exists on the topic specifically conceptualized for and integrating a particular context like the one presented here, making of the study a somewhat paradigmatic case. As the philosophical and theoretical-analytical frameworks discussed above show, pragmatist research is always embedded in political, social, historical (and other) context, applying a theoretical lens "reflexive of social justice and political aims" (Cresswell 2003: 12).

This is surely true for the present proposal: Considering the report's declared aim of establishing whether, how and why a BI can reduce extreme poverty, the research strategy followed to solve this knowledge problem is of an initially exploratory, and later on both explanatory and consequence-analysis, or predictive, nature. This implies the need for both qualitative and quantitative data sources, since it considers both concrete, context-dependent knowledge and the ambition to pursue a more formal analytical generalization (Flyvbjerg 2006). Consequently, a mixed methods strategy is applied, comprising different, though complementing elements: it is based on factual empirical evidence and the analysis of existing policies aiming at poverty reduction on the one hand, and a theoretical analysis of a BI's effectiveness and efficiency vis-à-vis those other schemes, based in large part on existing literature, on the other hand. Furthermore, it draws on quantitative data that will be generated to validate the conclusions reached upon scrutiny of existing knowledge, while at the same time shedding further light on the impacts of the described scheme. This means that the design of the report follows a transformative procedure using a theoretical lens as an overarching perspective while following a hypothetical-deductive reasoning: initially a concurrent procedure of mixing methods is aspired, whose intent is to converge and triangulate quantitative and qualitative data so as to provide a comprehensive analysis of the research problem, and consecutively a sequential procedure aims at elaborating on the obtained findings and expand the knowledge about the matter at hand (Cresswell 2003). Theoretical triangulation on the other hand is not exclusively applied so as to cancel out one method's bias by applying others; methods are combined rather to reach insights into various levels of the investigation of which some could have remained hidden with the use of purely one method.

In sum, this strategic policy research (case studied) follows a multi-methods approach based on knowledge claims that are consequence-oriented, problem-centered and pluralistic (ibid) and thus pragmatic in nature; it employs a research strategy that collects and mixes data in a simultaneous and sequential fashion, of both quantitative and qualitative sources.

D. DATA COLLECTION AND PROCESSING METHODS

The research to this investigation revolved around two main axes: a thorough and systematic literature review on the topic of poverty reduction through a Basic Income and the development of quantitative (and qualitative) data for such a scheme in the specific region. A large part of the research was conducted simultaneously for this thesis and the research project with the ECLAC, the latter following the objective of identification of novel poverty reduction policies for the region. The resulting paper has been published in late 2010[20]. Albeit chronologically preceding this thesis in public appearance, in fact progress on both projects has been simultaneous. Consequently, considering the overlap of investigation and data processed, parts of this paper “draw” on Krozer (2010), although research was conducted originally for the purpose of this thesis.

1. Data Sources

Important sources for the quantitative information are UN population data bases and government statistics of the States in the region. Qualitative data is extracted from a plethora of sources,

[20] Krozer (2010): “A Regional Basic Income: Towards the eradication of extreme poverty in Central America”; UN.

featuring textbooks; diverse documentation in the forms of academic papers of existing proposals, progress reports, internal records, formal studies and evaluations of related programs, as well as personal documents including e-mail correspondence, notes and reports of events, and news and media articles; archival records of international organizations (chiefly UN organisms) and official/government communication, both in statistical and qualitative form; and direct information from residing in the region for several years (Yin 2009). Self-evidently, these sources include both primary and secondary data, and while not exhaustive, provide broad-facetted insight into the issue under investigation.

2. Data Collection Methods

Initially, a preliminary and general literature review was conducted, leading to the narrowing of the topic and identification of questions to be further investigated. Once the research aim was established, Data Collection Methods for this investigation submit to a "loop strategy" of continuous collection-and-feedback/review phases: in the first phase a draft of the project was elaborated on the basis of existing literature and quantitative data generated with the aim of creating a simulation, which was then submitted and presented to a group of experts on poverty reduction in the region (ECLAC staff and external observers). With the comments received, the second phase adapted critical issues, to then present the proposal in a public radio interview to a non-expert audience, importantly and usefully obliging for high simplicity and clarity in the presentation. With the resulting feedback, a short (15 pages) paper was elaborated for and presented at an expert conference on the topic held in the region[21]. Again, feedback was incorporated into the proposal, which was "fine-tuned" and published in December 2010 by the UN. This event heralded the final loop; evaluation of the published paper enters this thesis.

Parallel to this loop logic, semi-structured expert interviews are conducted: a topic-specific one in the first phase, two additional ones in the third phase concerning the region and the proposal, respectively, accompanied by an open group interview. The rationale for following such a design lies in the desire to triangulate existing literature with expert opinions as well as

[21] *Segundo Encuentro Iberoamericano sobre el Ingreso Ciudadano Universal*, Mexico City 25/26 November 2010

lay perspectives, which often are at least equally valuable considering the ability to ask surprising questions and have different points of departure.

3. Data Processing Methods

The general analytical strategy involves both relying on theoretical propositions and the dual use of quantitative and qualitative data. The specific (analytical) technique applied relates to what Yin (2009) calls "Pattern Matching", where an empirically based pattern is compared to a predicted one. Should the patterns observed coincide, strengthening internal validity, causal inferences can be made. In the present case, impact of an (independent) policy on the dependent variables of effective and efficient poverty (reduction) will be analyzed. Superior results by existing programs or a BI could be seen as two alternative, or rival mutually exclusive "explanations" that are expected to lead to diverging patterns, following Yin, and allow for drawing conclusions to the degree that the respective patterns match predictions.

E. RELIABILITY, VALIDITY AND ADEQUACY

As has been stated above already, "researcher bias" in the form of preconceptions is impossibly excluded; however, prior knowledge and opinions about the issue under investigation must not necessarily influence the study negatively as long as an adequate set of analyzed observations is assured. This adequacy is approached by an initial general review of the available data and sources, and the subsequent more specific yet comprehensive investigation. The strength of the proposed methodology lies in its mixed methods research design, considering both qualitative and quantitative information, with theoretical underpinnings from a broad variety of schools.

The construct validity (Yin 2009) of this paper is thus addressed by the multiple sources of evidence considered in the data collection phase. Furthermore, the "loop" strategy for collection ensures constant review and update of the propositions forwarded. Internal validity (ibid) is accessed by the pattern matching strategy explained above, and the fact that several aspects of the proposal are cross-checked, instead of solely its main objective. External validity (ibid), which is to allow for analytic generalization, is searched by the triangulation of empirical data with the theory used. Through the detailed explanation of the strategy followed in reaching conclusions at all steps, as well as the provision of the calculations conducted, reliability of the study is intended to be maximized. Clearly, open expert interviews and group discussions are hard to replicate. However, at no stage of the investigation did the results obtained from these sources independently "prove" any point; rather, the information extracted here was used when corroborated by other sources.

However, an ideal situation would allow for the construction of a Microsimulation model (or alternative method) to correctly and more detailedly interpret the handled data. Unfortunately, at the time being such an undertaking, though it would have been the method of choice for the present paper, is impossible due to a lack of access to reliable and updated household survey data in the region. Sadly, the same applies to consistent government spending/budget and tax related data in general, making cost benefit analysis and comparison extremely burdensome. It is for this reason that the present paper chooses to revert to the alternative strategy of mixing methods and let qualitative and quantitative information supplement each other.

In sum, the paper will rigorously test the hypotheses against the data, so as to develop and arrive at a valid and well-grounded conclusion (Saunders et al. 2003) yet conscious of its external limitations.

III. EMBEDDING A BASIC INCOME IN ITS CONTEXT

Economic change enticed by technological revolution enables humanity to reach unknown levels of wealth with ever less physical work. The flip-side of these extraordinary technological, labor saving achievements, however, is that they lower workers' bargaining power over wages for fear of redundancy (Krozer 2010). Consequently, ever fewer jobs paid ever less money, for an increasing number of people, leaves them with less disposable income. Nationwide, this lowers private consumption capacity, ultimately stagnating economic growth (ibid). In a situation of skyrocketing under-/unemployment, this leads to increasing levels of poverty and misery (Huerta 2009). Such a vicious circle holds true for the entire, interconnected world. Disproportionately affected, though, are those regions already hampered by high incidents of poverty and inequality. On the backdrop of these global dynamics, the rationale for issuing this proposal features two main factors, contemplating the "why here" and the "why now": for one, as has been indicated above, the region of Central America hosts some of the most unequal countries in the world with an unambiguous need for progressive action. On the other hand, current development programs are not efficient enough to substantially alleviate existing circumstances of poverty. Both of these factors, as well as the alternative proposed to ameliorate them, i.e. a regional BI, are described in this chapter.

A. NEED AND URGENCY TO ACT IN CENTRAL AMERICA

To say it upfront: CA won't be able to meet agreed targets such as the Millennium Development Goals (MDG) should progress continue at the current pace. Although it boasts to be a "Region of peace, development, liberty and democracy" (www.sica.int), really over half its population of roughly 41 million people suffers from poverty and extreme poverty (Krozer 2010). It is the most unequal region of the world in terms of income distribution and social equity, and experiences extreme levels of violence (Cantón 2010). This points to the relevance such a proposal holds for a number of international and intergovernmental organizations.

Albeit the number of poor people globally had fallen before the global economic and food crises (until 2005), progress across regions was highly unequal and mostly owed to China's rapid growth (UNRISD 2010). Recent years have actually witnessed an increase in poverty rates again, as explained in the introduction[22]. On the backdrop of this gloomy picture, the commitment to the Millennium Development Goals in 2000 represents “the most important promise ever made to the world’s most vulnerable people” (UN 2010). However today, ten years later, this promise is far from being fulfilled. Disturbingly, in its 2010 progress report, the UN asserts that for the first and most basic goal, eradication of absolute poverty and hunger, “progress is insufficient to reach the goal if current tendencies persist” in Latin America (ibid), while ECLAC (2010c: 23) estimates chances to be “more remote” now then two years ago.

Not only are the targets not met, which could be considered problematic on a purely symbolic sphere, but the situation of society's most disadvantaged is actually exacerbated: incomes of poor households diminished due to higher unemployment following the economic downturn, while prices of staple foods remained high in 2009 (UN 2010). This development contributes to a considerable reduction in the effective purchasing power of poor consumers, who, spending a substantial share of their income on basic foodstuffs (ibid), see their situation further deteriorating. While this dynamic indicates how global forces affect even the most “far-off” countries, it particularly illustrates that current attempts to curb poverty have not been able to ameliorate the inexorable effects of external shocks like international food and financial crises for the poorest part of the population (Krozer 2010)[23]. The persistence of poverty and aggravation of inequality in the region have profound implications for development where programs do not seem to propel “trickle down” to the poor and economically insecure. On the contrary, economic insecurity is extremely high in a context of informal labor markets reaching

[22] This “yo-yo” dynamic makes it necessary to look at the “big picture” of globalization (Robinson 2003): it becomes increasingly difficult to understand interrelationships and systematic functioning of the world today without accounting for globalization as the defining macro-social dynamic of our epoch. Crises triggered in one part of the world can create poverty in a completely different one. As Robinson rightly asserts, the world witnesses the emergence of new economic, political and social structures with the breakup of pre-globalization world order. Not all of those are dividing in their disruption though; unifying regionalization patterns and transnational emergent structures can be observed in both the Northern and Southern hemispheres. The existence of these tendencies does not imply, however, that internal developments of countries should go unnoticed and become meaningless in todays world. Rather, both dynamics need to be taken into account when trying to understand current circumstances and designing policies for development, since impacts from both tendencies will impact the local situation. In this vein, improvements created within a poor region should also benefit the rest. However, problems of this “rest” also further impedes development in the poor countries. An example of this dynamic is technological progress explained above.

[23] According to Standing (2008: 2), existing forms of aid and conceptual paradigms have shown “limited effectiveness, especially in contexts of systemic shocks” such as ecological disasters or epidemics (as has been recently witnessed by the isthmus in connection with the Mexican Svine Flu H1N1), which provoke “mass entitlement failures in which whole communities are blighted by economic setback”.

over half the population (ECLAC 2010a)[24], and where losing ones job means losing ones livelihood. Concomitantly, fostered by globalization but also climate change, external shocks have increased in numbers and the risks communities and individuals are exposed to, are intensifying in both scope and breadth (Standing 2008). Suffice it to mention that 42.4 % of Nicaraguan children live under extreme poverty conditions, and half the children under 5 years old in Guatemala suffer from chronic malnutrition (ECLAC/UNICEF 2010).

To bolster security the second target specified in the MDG set out to lower the percentage of "working poor"[25]. These workers, in spite of having jobs, are unable to offset times of crises and low demand for their lack of safety nets and ability to generate sufficient savings (ibid). Working poverty in fact is on the rise due to global crises and related declining output per worker, low productivity of vulnerable employment (UN 2010) and the intimately connected problem of the "vicious cycle of technological progress" described above. Surely these factors hold true for most regions in the world, but the demographics constitute an additional, specifically developing country influence: CA suffers from an "infantilization of poverty"[26] (ECLAC 2010c) due to a demographic structure comprising an extraordinarily large youth[27] unable to escape their social heritage of pressing poverty. This means that a disproportionate part of the population of these countries is extremely vulnerable and dependent, with little options to escape their "fate" (Krozer 2010).

Irrespective of these developments, reactions are lethargic (ibid). Despite some promising achievements by existing programs throughout the region, namely CCT programs, efforts do not seem to bear sufficient fruit to rid the isthmus off its deep-rooted problems. After over 70% of the time allotted to meet the MDG elapsed, only about 60% of the target has been achieved

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[24] Informal sector in the region comprises 50% of the male and 64% of the female labor force, the latter in Guatemala reaching 73%, according to Valladares (2010). For a discussion of the role of Informality in a Latin American context, see Appendix B.

[25] The "working poor" are defined as those who are employed but live in households where individual members subsist on less than $1.25 a day.

[26] Barbeito & Lo Vuolo (1996) state that in Latin America, most poor are children, and most children are poor. This is due both to the elevated number of workers receiving incomes below the poverty line, and the fact that poor families tend to have more children than the rest of the population (ibid). Consequently, youngsters abandon education and not only diminish their current labor power, but also their future productivity irrecoverably. This explains the so-called "vicious poverty cycle" of poverty being essentially hereditary: The youngsters inherit their poverty from their parents, and the parents deepen their own poverty by having to maintain their offspring.

[27] For instance, over 60% of Guatemalan population is aged 0-24 (CELADE/ECLAC 2010).

(ECLAC 2010c). Moreover, the MDG cannot be seen as an objective in itself: even should the target of halving poverty levels from 1990 be met, CA would still be facing extreme poverty levels affecting more than 20% of its population (Krozer 2010). This is not only a violation of their Human Rights (see Introduction), but unacceptable from a social ethics point of view (Sen 2008). It shows, then, should the UN wish to turn these trends around, the promotion of alternative ways to development are highly pertinent, making this proposal a relevant option to consider.

However, due optimism is justified by another particularity of the region: its integration process and aspirations.Formally initiated under the conceptual framework of Raúl Prebisch and ECLAC Developmentalism in the 1950s emphasizing the problem of bottlenecks, the General Integration Treaty establishing CA regional economic integration, mirroring the European Union treaty, was signed in 1960 (Zapata &Pérez 2001)[28]. Albeit the monetary union formalized in 1964 was never implemented in its totality (ibid), and internal struggles like long-lasting civil wars hindered continuous progress on the integration agenda, in 1991 the SICA was established, managing five subsystems – a political, economic, social, cultural and educational one (recently an environmental one was added) – in which cooperation is furthered (Pérez Gaitán 2011). CA accommodates an internal common market, free trade area, with (almost) harmonized external tariffs and a Central Bank; its most recent accomplishment being the establishment of a regional comptroller entity and the reception of more international cooperation than ever (especially for the area of common politics) (ibid). In this setting, the SICA as the responsible organ for regional integration, aims to "achieve a system of regional welfare and economic and social justice" for all citizens of the area, eradicate extreme poverty, and endorse sustainable development, according to its Mission Statement. The importance of achievements in the fight against poverty on a regional level for an economically and culturally, and recently especially in terms of security interdependent and –related area cannot be overstated (Krozer 2010). Moreover, economic advantages of developmental programs of this magnitude are huge enough to constitute significant incentives towards the adoption of integrated politics on a regional level (Draibe &Riesco 2007b). However,

[28] Signature occurred on the basis of the preceding Charter of San Salvador in 1959. For a general chronology and history of the integration process refer to the SICA webpage, or e.g. Zapata &Pérez 2001; for interpretations of the integration process see Guerra-Borges e.g. 1995/2009 and Pérez Gaitán e.g. 2011

at the time being no unified strategy to achieve these goals exists (Pérez Gaitán 2011). This is where the present proposal has much to offer. Its regional commitment is an important asset for a potential region-encompassing strategy. Implementation of the proposal would thereby not only strengthen ties within the region, but ultimately strengthen the region's position towards the outside (Krozer 2010).

In sum, considering this double rationale for "speeding up" development of urgency and need, contrasted by the alarmingly sluggish developments taking place, it is time for international and -governmental organizations to rethink their approach to reaching their set goals. Concretely, it is hoped that the present proposal might be able to inspire the UN and particularly ECLAC[29] as the region's commission, as well as the SICA, to promote a change in the current development paradigm, away from palliative, short-term oriented charity programs, towards an efficient and sustainable poverty eradication program, a universal, unconditional, rights-based support scheme for the region: a Basic Income. The objective of this paper is thus to elaborate and present a scheme that addresses the various, intertwined problems of the region with an uncomplicated, yet effective mechanism, and discuss how it functions as a feasible and viable, less bureaucratic alternative to existing programs (Krozer 2010).

B. THEORETICAL CONTEXTUALIZATION

Before returning to the regional context, the underlying values of a BI should be presented. Depending on their affiliation, participants in the debate about BI have emphasized different aspects, including questions of increased economic efficiency, social justice, relief of poverty, equality of opportunity, or promotion of flexible labor markets, and democratization. The terms of the debate tended to be confined within frameworks of libertarianism, utilitarianism, liberalism, and republicanism (ibid) and recently feminism (see e.g. Medina, forthcoming; Pateman 2003). The present essay would like to step out of this tradition to escape the narrowness of choosing

[29] ECLAC (2010b) in its flagship report "La Hora de la Igualdad" (*Time for Equality*) coincides with these underlying perceptions, declaring that the central value in a development context for the region of Latin America is Equality. Accordingly, this equality is to be understood as a "regional commitment" and birth right for all Latin American citizens – in line with the right to food and health mentioned above – as opposed to being a function of income. This change of direction indicates the crucial importance of responsible, quality politics, and points towards the need for institutionalized protection for the population, a "universal social security" based on long-term oriented public policy (ibid).

either one of these time-honored but restricting isms. Instead, it will briefly present the various sides, to then allure to a pragmatic intermediate position arguing that since a BI accommodates all of these issues, there is no need for exclusiveness.

The first major strand of the BI discussion is the Liberal/Libertarian direction, hosting a broad spectrum of diverse currents: Nozick's arguing along the lines of property rights (enforcement) as a definition of justice, as applied by Hillel Steiner, allows for a justification of BI through the conception of a universal original ownership of the earth (Raventós 2007). Although personally not a defendant of a BI, Rawls' Theory of Justice defining justice in terms of fairness provides another line of argumentation in favor of a BI based on the need for (re)distribution under a certain minimum scarcity of resources (for a thorough discussion of these points refer to e.g. Van Parijs 1995).

Departing from a different perspective, Van Parijs constructed his justice theory of *real-libertarianism* specifically to fit a BI (Raventós 2007). The required set of institutions to make a free society possible includes, firstly, security, i.e. a solid structure of rights; secondly self-ownership, meaning that within the given structure of rights, each person has individual sovereignty; while the third criterion, a leximin order of the set of opportunities as a roadmap to (re)distribution points towards a BI[30]. Whereas he grants a society to be able to be formally free without a BI, it can never be *really* free, he argues, without resources, for every member. His condition of a "leximin" order of a set of "opportunities" allude evidently to Amartya Sen's

[30] Van Parijs (1995) in his seminal book *Real Freedom for All*, promotes a BI for all on the grounds of being freedom-enhancing for the individual members of society, as well as society as such. His "real libertarian" approach to justice and equality rests on the three pillars of security, self-ownership, and opportunity, that are again determined by what he calls the "lexicographic maximum", or short leximin: "What is, then, a free society? It is a society whose members are all really free – or rather, as really free as possible. More precisely, it is a society that satisfies the following three conditions: 1. There is some well enforced structure of rights (*security*). 2. This structure is such that each person owns herself (*self-ownership*). 3. This structure is such that each person has the greatest possible opportunity to do whatever she might want to do (*leximin opportunity*)" (p.25). Leximin opportunities are to be understood in a similar fashion as Pareto efficiency in the economic realm, and the idea roughly circumscribes (summarizes) the *Real Libertarian* view: namely that " in a free society, the person with the least opportunities has opportunities no smaller than those enjoyed by the person with the least opportunities under any other feasible arrangement; in case there exists another feasible arrangement that is just as good for the person with the least opportunities, then the next person up the scale in a free society must have opportunities no smaller than the second person up the scale of opportunities under this arrangement; and so on" – in other words, "the members of a (maximally) free society are *all* as free *as possible*." (ibid) (for further details on description/explanation of the term and its etymological origins please refer to Van Parijs 1995: 25ff).

conception of freedom as describing the real opportunity to engage in what one values[31] (Van Parijs 1995; Raventós 2007). Albeit sharing the conviction that poverty must be seen as the deprivation of basic capabilities rather than in the standard criterion of poverty as a mere lowness of incomes, as opposed to Sen (1999: 87) wanting to "shift attention away from *means* (and one particular means that is usually given exclusive attention, viz., income) to *ends* that people have reason to pursue, and, correspondingly, to the *freedoms* to be able to satisfy these ends" (the former being only instrumentally important while the latter bear intrinsic significance), Van Parijs' real freedom makes special mention of means and not only of rights (which would suffice for formal freedom). Sen acknowledges low income as a root cause of poverty; while he sees (personal) freedoms as both ends and means to development, Van Parijs holds people's income as the essential means, considering it not only enhances the freedom to consume, but first and foremost, the "freedom to live as one might like to" (Van Parijs 1995).

The different strands of libertarian justice theory thinking outlined (Novick, Rawls and Van Parijs) can be amplified by other (liberal) thinkers along the lines of Nobel laureates von Hayek and Friedman, or Tobin and Meade. In spite of reaching their conclusions through different reasoning, they collectively belong to the Liberal defense of a BI and they share the standpoint that no hierarchy exists between different conceptions of the "good life" in any given society (Raventós 2007). According to Ackerman & Alstott (2003) modern liberalism circles around both the affirmation of "equality" in the sense of equality of opportunity "at the outset", and the "liberty" of individuals subsequently using their bestowed resources differently.

A different stream defends the BI through Republican justifications. Also in this tradition the emphasis lies upon reaching freedom for the individuals, albeit its understanding of freedom as non-domination diverges slightly from the libertarian view of freedom in non-interference terms (Lovett 2010), by emphasizing the importance of some sort of equality condition, alluding to a system of "rules" of some sort embracing everybody (which liberals would probably resent as "interference"). Here, an early prominent advocate can be found in Robespierre who in 1793 declares that society is obliged to secure the subsistence of all its members, where "providing the

[31] Sen (1999: 87) explains that "there is a strong case for judging individual advantage in terms of the capabilities that a person has, that is, the substantive freedoms he or she enjoys to lead the kind of life he or she has reason to value."

necessary help against poverty is a duty of the rich towards the poor" and "it is incumbent upon the law to determine how this dept must be paid" (quoted in Raventós 2007: 60)[32].

This view already hints at a notion well beyond the "traditional", liberal understanding of freedom from (external) obstacles. In last consequence, a poor person, from a republican standpoint, cannot be free for lacking the "the material conditions of freedom" (Raventós 2007). This is so since the poor not only are affected by privation and material shortcomings, but also suffer from "dependence on the arbitrariness and greed of others, the demolition of self-respect, isolation and social compartmentalization" – which is why Raventós (2007: 94) argues for a BI as a "highly effective means of giving more freedom to a considerable part of the citizenry" due to its merit of fighting poverty and by increasing citizens positive freedom[33]. Van Parijs (1995: 34), on the other hand, justifies the "institutional set-up" of a BI for offering people the opportunity to make different choices, according to individual perceptions of "the good life"[34].

Although it has long been thought that there exists an inexorable trade-off between approaching "liberty" and "equality", this false dichotomy has been disproven, and cohorts of scholars[35] are working on the "deep reconciliation of these superficially competing ideals" (Ackerman & Alstott 2003: 40). Standing (2003: 142), for instance, aims to reconcile these positions by arguing that the "essence of the answer is that for real freedom, everybody in society must have *equal basic security*. This must be *unconditional* and *individualized*". With "real" he refers to a combination of "negative liberty" as deprivation and unchosen controls, and "positive liberty" as the opportunity to make informed and worthwhile choices. In other words, close to Sen's conceptions, he defines real freedom as the "opportunity and capacity to function rationally

32 Or, as Raventós (2007: 108) puts it, ending poverty "is essential for making people equal, which is to say, equal in the more precise sense of being reciprocally free, and this means nothing other than mutual recognition of the freedom that is bestowed by having the means of material existence".

33 This is not to be confused with Isaiah Berlin's (1969) classical distinction between negative and positive freedom; rather here the Egalitarian notion of positive freedom requiring the presence of abilities, much like Amartya Sen's concept of capabilities (Lovett 2010)

34 Critical of both these positions of individual opportunity, however, are feminists that tend to promote a perception of freedom as autonomy or self-government not only in terms of individual economic opportunities, and the opportunity to participate in collective self-government (in democratic terms), but also individual autonomy, which depends greatly on the prevalent form of authority structure within which individuals interact with one another in their daily lives (Pateman 2003).

35 See, e.g. Rawls (1971), Ackerman (1980), Dworkin (1981a, 1981b), Walzer (1983), Sen (1992), Van Parijs (1995)

and purposefully and to develop one's capacities or capabilities" (ibid)[36] – collectively and individually.

Quite obviously, in their benign forms liberal/libertarian, republican (and other) goals are all and arguably equally relevant, considering their proponents' fights for the basic wellbeing of human beings: liberty from oppression and unnecessary external control (liberals and libertarians), freedom from inequality and discrimination based on social status (republicans) and all other, including gender-based, discrimination (feminists)[37]. Disregarding their differences for a moment, an important cross-section can be found between all these directions: no matter which of these roads is ultimately taken, they can all lead to a BI. In this vein, in spite of the preceding discussion, Raventós (2007: 94) declares that even if a BI "were no more than a measure against poverty, that alone would be sufficient to take it very seriously". It is this "plain" yet important conceptual direction that shall be followed in the present paper. As Raventós further argues, "To the extent that it constitutes a form of access to income independently of whether remunerated work is carried out or not, it is especially appropriate for societies with high and persistent levels of poverty" (ibid). In these, it will be able to further individual and collective liberty, equality and well-being. A BI, more than being "another welfare policy", points at a different way of relating the individual and society (Pateman 2003).

C. DEFINING A BASIC INCOME

Depending on the proposal and author under consideration, a BI can be defined quite differently[38]. Despite a number of common criteria usually present in most serious proposals, even those can be interpreted variedly. A straightforward and broadly accepted definition of a BI characterizes it as an income paid by a political community to *all* its members on an individual basis, *without* means test

[36] Importantly, Standing (2003: 143) does not equate freedom with capabilities or entitlements (unless these terms were defined so broadly as to lack specificity), but holds that basic security for all would facilitate the individual "*freedom to develop*"

[37] Daniel Raventós (2007) states that the only political or economic measure worthwhile taking is one that is desirable in terms of justice, holding that rather than in terms of finance, any policy proposal should be scrutinized in terms of it being just. Indeed, in gross terms, all policy proposals have to follow accepted criteria, usually along the lines of some understanding of justice. In practical terms, nonetheless, justice can be understood quite differently by different people. Essentially, it tends to involve two basic concepts, equality and liberty, both of which can be defended according to different lines of argumentation. A number of the most prominent of lines of argumentation have been outlined above to give an overview over the theoretical conceptualizations and different justifications sought in the BI context.

[38] The Basic Income Earth Network, BIEN, upholds a webpage with extensive information about BI at www.basicincome.org.

or work requirement (Van Parijs 2003)[39]. Lo Vuolo (2010) adds a component of permanency to this definition for the BI to have a lasting effect. As clear as they might seem, these criteria can actually mean quite diverging things.

Starting with the income: While both Van Parijs and Lo Vuolo emphasize that it should be monetary, as opposed to being provided in kind, supplementing instead of substituting other in-kind transfers, Boltvinik (2010) finds that parts could be delivered in special currencies such as food stamps or vouchers. A close relative of the BI, the Stakeholder Grant[40], envisions a "one-off" transfer upon reaching a certain age (usually 21), rather than being paid on a regular basis. Why do BI advocates usually disprove of that? Irrespective of the similarities shared by these two proposals, they embrace two distinct visions of a morally and pragmatically optimal kind of system of redistribution. While Stakeholder Grants emphasize individual responsibility, BI envisions a system of redistribution guaranteeing permanent freedom from poverty to everyone (Wright 2003)[41].

The next part of the definition, relating to the entity responsible for guaranteeing the transfer as a political community, also enjoys broad agreement in theoretical terms. Nonetheless, whether this entity ideally should be a Nation-State, on a supranational or intra-national level, is a contested issue[42]. Why does it need to be a political organism paying the grant, as opposed to,

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[39] While one can surely conceive of broader or more narrow definitions, it is not relevant in this context to discuss them at length, considering that the aim of giving this definition is not "to police usage but to clarify arguments" (Van Parijs 2003: 5). It is, however, useful/worthwhile, to (briefly) scrutinize each of the components of the above definition, following Van Parijs' (2003) line of argumentation.

[40] All citizens, upon reaching the age of early adulthood – say 21 – receive a substantial one-time lump-sum grant sufficiently large so that all young adults would be significant wealth holders. Ackerman & Alstott (2003) propose that this grant be in the vicinity of $80,000 and would be financed by an annual wealth tax of roughly 2%. In the absence of such grants, children of wealthy parents are able to get lump-sum stakes for education, housing, business start-ups, investments, etc, whereas children of non-wealthy parents are not. This situation fundamentally violates values of equal opportunity. A system of stakeholder grants, they argue "expresses a fundamental responsibility: every American has an obligation to contribute to a fair starting point for all" (p. 3). For a comparinson with a BI, see also Appendix A.

[41] Moreover, Van Parijs (1995: 45-6) cites Thomas More (1516: 44-5) as the arguably first (documented) proponent of a BI on this question: "Instead of inflicting these horrible punishments, it would be far more to the point to provide everyone with some means of livelihood, so that nobody's under the frightful necessity of becoming first a thief and then a corpse", explaining that the regular installment style of transfer would be much more effective than an initial endowment in guaranteeing that nobody at any time was so poor as to be forced to steal or to starve.

[42] The case of the Alaska State Dividend (US), which is the only existing case of implementation by a political unit (see e.g. Palmer 1997), illustrates feasibility on the sub-national level. On the other hand, a number of supranational proposals exist, mostly for the European Union (see Genet and Van Parijs 1992, Ferry 2000, Van Parijs and Vanderborght 2001), but also on a global scale administered by the United Nations (see e.g. Kooistra 1994, Barrez 1999, Frankman 2001). Furthermore, one proposal exists for application in the NAFTA region (Howard 2005), which will be explained further below.

for instance, a private body? There are good reasons, including the fact that few private institutions can be made accountable in a similar way as the State for well-being of citizens; few private institutions reach into every remote corner of a defined area; not too many have the financial means for a guarantee of regularity of payments; and even less are able to guarantee contracts thus far into the future. The main, related point however is on the aspect of the redistributive power of the finance for a BI stemming from fiscal sources. Self-evidently, only a political institution has the power to collect and thus finance a BI with fiscal resources and thereby diminish inequality. The particular fiscal tool that would best serve the purpose, is controversial however, ranging from income tax over value-added, a kind of "Tobin tax" on speculative capital movements (such as the fund employed in Brazil for its *Bolsa Familia* program) over a reality of the Alaska Fund being actually a diversified investment portfolio supplied by royalties on its oil fields, to James Meade's proposed social dividend funded through the return on publicly owned productive assets (Van Parijs 2003).

Universality as a criterion could be assumed to be quite unambiguous. Nonetheless, also here disagreement can be found, for instance on whether children should be counted as full members of society: while some advocates propose for children under age to be excluded from the scheme, or rewarded "half price", Lo Vuolo defends the notion that it is exactly before that age that people have to be supported. Garfinkle et al. (2003) in their different simulations suggest different transfer levels for the different age groups. Their findings show that in cost-benefit terms the proposal with the highest relative child transfer level is the most effective one to reduce (overall) poverty, hinting at the importance of a high child transfer level. Furthermore, proposals on an aggregate/household level can be found (see e.g. Huerta 2008). Undisputedly, however, all full members of society would have to be included[43] without having to pass a mean-test or other selectivity criteria[44]. This point is one of the two essential differences to existing programs,

[43] This means that, in practical terms, the only people that could be excluded from receiving a BI would be inmates (considering the high costs of their maintenance) although they would get it back as soon as they were released (the same could apply to "long-term inmates of other institutions, such as madhouses or old people's homes, to the extent that the full cost of their stay is directly picked up by the community rather than paid for by the inmates themselves" (Van Parijs 2003: 7)

[44] It is this criterium that Van Parijs defines as "the most striking feature of a basic income" compared to existing minimum income schemes, the fact that "it is paid, indeed paid at the same level, to rich and poor alike, irrespective of their income level". "Existing schemes operate ex post, on the basis of a prior assessment, be it provisional, of the beneficiaries' income. A basic income scheme, instead, operates ex ante, irrespective of any income test. The benefit is given in full to those whose income exceeds the stipulated minimum no less than to those whose income falls short of it. Nor are any other means taken

importantly abolishing the dichotomy in the tax-and-benefit system between different notions of "means" for the poor and the rich: a broad one for the former, as a reference for cutting benefits, and a narrow one for the latter, by reference to which income tax is levied (Van Parijs 2003).

The second essential divergence from existing programs is the fact that a BI does not want to establish work requirements or other conditionality. Strikingly, it does not depend on *willingness* to work, neither. Instead, a BI is paid as a matter of right, to workers, students, homemakers and tramps alike (ibid). By caressing both a means- and a work test a BI both removes the unemployment trap transforming low-paid or part-time jobs into an acceptable option, and assures at the same time that nobody *has to* work under conditions she cannot accept, through increasing the individual's bargaining power. On the other hand, the work incentives created by the removal of the unemployment trap in fact make a work-test obsolete (ibid). How this is actually beneficial for employment is arguably the most counterintuitive aspect to accept for many people, which is further scrutinized in Chapter IV.

These two key unconditionalities of BI, albeit logically independent, are intrinsically linked, marking a specific way to handle the twin challenge of poverty and unemployment (ibid). Hence, the present proposal aims to bestow every citizen of the region of CA, irrespective of age, gender, income, origin, with the right to an unconditional cash transfer safeguarding access to basic rights such as food and shelter.

D. BASIC INCOME IN A DEVELOPING COUNTRY CONTEXT

The concept of BI has, in preceding decades, mainly been developed for high income countries though (Künnemann 2004)[45]. Likewise, historic experiments like the Alaska Dividend established in 1982 and in existence since then, paying in 2010 $1,281 to each citizen[46], or the brief phase from 1974-1979 of a Canadian BI in "the town with no poverty", Manitoba (Forget 2008), are located within the Northern Hemisphere (Krozer 2010). Consequently, literature on the application of a BI

into account when determining the level of benefit a person is entitled to: neither a person's informal income, nor the help she could claim from relatives, nor the value of her belongings" (Van Parijs 2003: 8). This point is taken up again below.

45 A comparable proposal exists for Mexico by Boltvinik (2008), describing a "Basic Food Income" however fixed to the food basket of the country.

46 Details about Alaska's Permanent Fund Dividend Division can be obtained at www.pfd.state.ak.us.

for developing countries is rather scarce. Notwithstanding, it is in the global South that the last couple of years have witnessed a growing interest for the implementation of a basic income as a means to development for middle- and low-income countries. On the basis of these latest developments, approaches specifically designed for this hemisphere – both on a grassroots level and from the scholarly or political elite – become increasingly significant and advocates become aware of the immense potential of the concept for the developing world – and from within this most populous and yet poorest part of the globe itself (ibid). States in these areas, despite their declared adherence to the Human Rights revised above are often incapable of governing the market *and* the social sphere to a degree that could assure a minimum level of welfare for their citizens. In a context were thus no (functioning) welfare state exists, a BI can function as a threshold of wellbeing below which nobody can fall, without creating the need for a full-fletched Welfare State to be in place since the beginning requiring coordination and planning beyond their capabilities[47].

Lo Vuolo (1995) points to additional considerations for a BI in Latin America. Firstly, distribution of wealth tends to be much more regressive than in rich countries, and secondly the reaction towards the dismantlement of the small existing welfare state in LA is stronger than in the North (more on that below). Additionally, and essentially, problems of social exclusion, unemployment and poverty are much more pronounced in the global South. Finally, instead of improving, Latin America's main problems, the trinity of unemployment, poverty and concentration of income, are exasperating, due to changes in the productive patterns, means of economic insertion in the global markets, and adjustment programs and social policy reforms "recommended" by multilateral (financing) institutions (Barbeito & Lo Vuolo 1996).

Beyond an academic debate, therefore, a couple of Southern countries have moved forward in the process of implementing unconditional cash transfers in their constituencies (Krozer 2010). Brazil approved a law in 2004 establishing the right to a, gradually implemented, Citizen's Basic Income for all Brazilian citizens, irrespective of their social and economic condition. It further upholds an unconditional rural pension program (Suplicy 2007), and in 2009 the civil rights group ReCivitas started a BI pilot project in the village of Quatinga Velho, where

[47] Although ECLAC (2011) acknowledges that degrees of State planning is increasingly *en vogue* in Latin America again. On BI and the Welfare State see also Appendix G.

villagers are paid about US$13 per head per month (ReCivitas 2009). Similarly, the settlement of Otjivero in Namibia from 2007-9 starred a successful experiment, while a national coalition for the implementation of a guaranteed minimum income is struggling for official political endorsement (Haarmann & Haarmann 2007). In South Africa, Bolivia and Mexico, universal pension schemes have been introduced (Yanes 2008) that grew out of existing conditional programs such as the extension of the Mexican conditional transfer program *Oportunidades*, rural old-age component "70 y Más" and the unconditional Pension Scheme for elderly over 68 in the Federal District (Yanes 2010). Mexico City is also the first area in the broader region that legally certified the right for this unconditional and universal pension scheme. Argentina just amended its conditional transfer program to encompass all children (Rodriguez 2007); further expansions of those and similar existing conditional support programs towards other sectors of the population are now being discussed in the public debate (Krozer 2010). The most recent proposal in the wider region, conceived in the aftermath of the massive earthquake in early 2010, advocates a basic income for Haiti, of about $10 per person (BIEN 2010a), while the quick and virtually silent legal establishment of a nation-wide BI in Iran financed by oil gains this fall has caused some upstir in the community (BIEN 2010b).

A number of those designs specifically conceptualized for the developing world are interesting in the context of a proposal for Central America. Considering Otjivero in Namibia being the only experiment under sufficient scrutiny and including an entire (though spatially limited) population, it serves as an interesting source of empirical data for tentative estimation of impacts on a societal level (Krozer 2010). Künnemann (2004) suggests a minimum food income for the least developed countries to guarantee the right to sufficient food intake, anchored as a Human Right by the UN as mentioned above, financed through a combination of indirect taxes and international contributions from donor countries. Albeit the suggested level of transfers paid at ca. 0.3$ PPP is arguably too low for Central America, his proposal offers an elegant solution for poor countries' finance of the scheme by proposing combined national and international financing (Krozer 2010). On a different premise, Huerta (2008) calculates costs for the implementation of a Basic Income in Mexico, as the gradual expansion of the unconditional, universal pension scheme implemented in Mexico City from 2000 onwards to eventually cover the entire population (see also Yanes 2008). The geographic and structural/institutional proximity of Mexico to the region under scrutiny allows for his calculations to serve as a benchmark to approximate levels in Central America and indicate feasibility for the region (Krozer 2010). Finally, Howard (2007) poses some important questions relating to BI as a regional program, in his case for a "NAFTA Dividend" that is grounded conceptually in the argument of a BI disincentivising labor migration in the NAFTA region. Concomitantly, this would be an important step towards reducing regional and international inequality (Howard 2007). Notwithstanding the different premises in Central America, economic migration is a concern there, too, establishing Howard's proposal as inspirational for a regional proposal.

To date, Howard's NAFTA Dividend seems to be the only suggestion for a regional BI including a developing country context (Krozer 2010). Notwithstanding, Central America invites for such a proposal, considering its countries' blatant inequality and poverty levels, on the one hand, while on the other its existing common market, relative degree of integration and small country size and existence of funds – although not "well-distributed" – could facilitate such undertaking (ibid). Certain expectations on behalf of the population towards social transfers and extensive experience with CCT[48] could further prove beneficial. Moreover, poverty and related problems do not respect national borders; as Robinson (2003) argues, development today needs to be seen within a transnational perspective, moving beyond a country-level analysis. As such, a BI for CA would ensure a "regional commitment to poverty eradication" (Howard 2007), which (as explained above) would advance claims of the SICA for a regional project and common goal for development. This overarching regional goal must be embraced collectively to enable such an interstate project.

[48] All countries in question host CCT programs at the time being: Honduras and Nicaragua both started their programs *Programa de Asignación Familiar* and *Red de Protección Social*, respectively, in 2000, followed by El Salvador featuring *Red Solidaria* since 2005, in 2007 Costa Rica initiating *Avancemos*, and finally in 2008 Guatemala joined with its *Mi Familia Progresa* (Johannsen 2009).

IV. COMPARING A BASIC INCOME TO CONDITIONAL CASH TRANSFERS

Before implementation of this interstate project, both a BI's effectiveness and efficiency in terms of extreme poverty eradication in CA has to be established. A thorough analysis of the literature reviewed provides insights into a BI's absolute and comparative advantages in terms of its effectiveness, to estimate whether its implementation would be worthwhile[49]. This will be discussed in the following two chapters. Thereafter, efficiency on terms of costs will be investigated in the chapters to follow.

In an attempt to replicate the achievements of "poster child" programs such as Mexico's *PROGRESA/Oportunidades* and Brazil's *Bolsa Familia* in the mid-1990s, virtually all Latin American countries started their own, more or less successful, CCT programs during the last decade. Lavinas (1998) reviewing minimum income schemes throughout Latin America in the 1990s, concludes that these cash transfers have a redistributive impact that is non-existent in the traditional compensatory programs, introducing into the debate on the restructuring of welfare the idea of basic security for all. Meanwhile, ample evidence of its effectiveness has cash transfers becoming increasingly popular throughout the Latin American continent (Standing 2007), overcoming the presumption of an overall trade-off between redistribution or insurance on the one hand, and growth on the other (ibid). Likewise, following Oxfam International (2005, in Howard 2007: 16), cash transfers are both faster and more effective than most food distribution, while "common fears surrounding cash transfers, such as increased risk of insecurity, gambling, purchase illicit items or domestic violence, are all unfounded". Conceptions like these transformed CCT programs into the "weapon of choice" in the fight against poverty. Few other programs have received as much attention in the region lately. Considering the trust in CCT's superiority over food programs and other more traditional forms of development aid, it is mainly in relation to the former that BI potential shall be compared.

While the scenario described is in principle a desirable development considering additional verified impacts of CCT including for instance linkage effects in the local economy,

[49] This chapter is not concerned with all conceivable existing or ever proposed poverty eradication tools; rather, it aims at offering maximum utility to the region in question by discussing and comparing existing schemes there at present times with the potential introduction of a BI. For a comparison of BI to related proposals refer to Appendix A.

multiplier effects through self investments, and improvements in primary school enrollment (de la Brière & Rawlings 2006) and the positive changes these bring about with relatively small costs, a significant number of CCT-related shortcomings can be observed and documented, far beyond the mixed impacts on actual school attendance and learning identified by de la Brière & Rawlings (2006). Albeit means-tested CCT programs like Oportunidades and Bolsa Familia are steps towards the "right direction" and have shown to be less expensive than to distribute food, "awkward questions remain about the efficiency and equity of the selectivity process" (Standing 2008: 25). Considering a poverty percentage of over 70% of the population for Honduras, for instance, a mere 17% of those poor are covered by the PRAF[50] transfer program (Krozer 2010)[51]. Such statements request further scrutiny comparing conditional to unconditional transfers[52]. Omitting for an instance the cost argument though (which will be taken up again in Chapter VI), to assess either programs' impact, a number of success criteria needs to be established.

Which criteria, then, could function as indicators for effectiveness[53]? Effectiveness is usually defined in relation to the degree to which established objectives are achieved and targeted problems resolved, irrespective of costs; while efficiency means "doing the thing right", effectiveness refers to "doing the right thing" (Business Dictionary). Programs aiming at extreme poverty eradication thus primarily need to be scrutinized in terms of reaching their target population, the extremely poor and achieving the objective of overcoming their current situation. Exhaustive literature research additionally identifies a number of related issues as relevant supplementary indicators, which are looked at in turn in the subchapters[54].

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50 Programa de Asignación Familiar; Family Assignment Program.

51 Should this be defended as a result of bare shortage of funds, it must be considered that in terms of relative costs, a UNDP simulation study from 2005 postulates that cash transfers targeting all children instead of only those identifiably poor, "would have a greater poverty reduction effect for an allocation of just 0.5 percent of GDP" (Standing 2008: 25). Self-evidently, this number might vary according to youth population size.

52 Standing (2008) offers a comprehensive comparison of different transfer and redistribution programs, featuring most prominently the comparison of a BI with food aid and CCT including social pensions and the like. Valid comparison on an empirical level is very difficult though, due to the lack of data to date.

53 The list of criteria selected here is by no means exhausive.

54 In answering the question it is helpful to consider the differences and commonalities of the programs. Considering that employment (labor force effects) plays a large role in overcoming poverty – how do the programs impact individual unemployment? Further considering that macroeconomic criteria foment the chances of employment creation – which effect would the programs have on this field? Among beneficiaries, are chances distributed equally (in gender/class terms) – empowerment? Finally, how susceptible to (political) influence taking and corruption are the schemes? Beyond these commonalities, the programs are built on one essential difference, conditionality. Should this factor be perceived as an advantage or disadvantage in achieving the objectives.

A. REACHING THE TARGET POPULATION

Observers claim that those schemes "aimed directly at poor people via income-testing have done little to alleviate poverty" (Garfinkle et al. 2003: 117). The reasons why programs do not reach large parts of the target population in many cases rest on excessive bureaucracy, lack of knowledge of the program on the recipients' side, or sloppy implementation (Raventós 2007). While conditional transfers do prove successful in certain aspects, they are likely to create a "welfare mess" of "bureaucratic, costly, stigmatizing patchwork of highly complex means-tested welfare" that is "riddled with built-in disincentives to work" (Pereira 2009: 6). The cost of such a systems of inbuilt "poverty traps, unemployment traps, savings traps and behavior traps that are arbitrary, inefficient and inequitable", is grossly underestimated (Standing 2003: 150). The often overlapping structure of a plethora of existing programs (Costa Rica alone hosts more than 39 different assistance programs, as Durán Valverde, 2002, remarks) deprives the entire system of the necessary efficiency on a macro level – de la Brière & Rawlings (2006) assert that CCT program's highest costs occur from targeting and conditionality monitoring – while its constant monitoring by official bureaucracy causes the invasion of privacy on a micro sphere. Albeit some of the larger CCT programs, such as *Bolsa Familia* and *Oportunidades*, have significantly reduced their operational costs in some areas, smaller countries' programs face difficulties in achieving similar results in their administrative costs of targeting and monitoring compliance with conditionality[55]. Honduras' PRAF program for instance continues using 25% of its budget for identification of beneficiaries in 2002 (Bastagli 2010).

Whether it is in spite of or due to the extensive bureaucracy created, most CCT programs suffer from structural biases; for instance, although extreme poverty is more pronounced in rural areas, due to massive rural-urban migration numerically the amount of poor in urban areas is larger by now; Johannsen (2009) stipulates that in 2007, 78% of total poor where to be found in urban areas[56]. This bears important implications for the design of programs in a context of

[55] For instance, *Oportunidades* managed to lower its expenses on identification of beneficiaries from initially 34% to 3% (fewer new beneficiaries have to be identified once the main data base is established) of its budget in 2000 (Bastagli 2010). However, simultaneously, its activity costs related to conditionality enforcement have actually stepped up; although the difference between 22% and 24% does not seem alarming, one should expect a *decrease* in this number as well upon the program's approaching maturity levels.

[56] ECLAC (2009) holds this number to be 66%. Despite the difference, this still represents a significant bias towards urban areas.

insufficient information about the population (Krozer 2010). Moreover, to identify those who qualify for transfer, means tested schemes require an operational definition of “income”, obstructed by the high incident of undocumented incomes in developing countries, with its erratic and substantial fluctuations (ibid). Often, thus, income proxies such as quality of housing need to be collected and analyzed, involving substantial administrative costs (Howard 2007). The result of these (practical) difficulties is a very uneven and incomplete coverage of the target population, frequently not reaching the most impoverished in society (Standing 2008), or only reaching a fraction of those entitled transfers. It is worthwhile to consider the example of Costa Rica's non-contributive pension scheme RNC[57]: The scheme manages to reduce indigence in the beneficiary group by nine percentage points, from 41% without, to 32% with the scheme (Durán Valverde 2002). However, of its target population of poor elderly not covered by any contributory scheme, it leaves about 60% without any economic protection (ibid). In other words, while a problem of overlap and duplicity between the numerous programs exists, a scheme explicitly targeting the uncovered population, misses almost two thirds of it. The same is true for Mexico, where in spite of several poor people's pension schemes[58] over 40% of elderly have no social security whatsoever, 35% of those belonging to the lowest two income quintiles of whom a majority are women (Rubio &Garfias 2010). Moreover, households with pre-school children, without children, and orphans or others living outside family households are not included in education or family programs (Krozer 2010). Such biases not only further skew poverty patterns towards particular disadvantaged groups, the difficulty and costs of implementing the criteria used for identifying beneficiaries can also lead to merely token or discretionary application of the formal conditions in practice (Standing 2008), opening the field for corruption. Additional to the non-application of established income control mechanisms, often identification criteria are unclear, leading to the result that supposedly means-tested programs do not reach the target population of the poorest quintiles; for instance, 20% of school feeding in Costa Rican schemes went to the upper two quintiles (Durán Valverde 2002). Thus, this system of overlapping programs is not only excessively expensive in administrative terms; it also faces problems of duplicity of transfers and lack of evaluation of results (ibid). In Wright's

[57] Régimen No Contributivo de Pensiones por Monto Básico; Non-Contributive Minimum Amount Pension Regime
[58] Including e.g. Oportunidades' old age component, the “70 y más” program, and the capital's universal pension scheme.

(1999: 9) words, "while *statically* means-testing seems like a good way to maximize resources going to the neediest segment of the population, *dynamically,* means-testing reduces the amount available for redistribution".

Universal security schemes, on the other hand, are characterized by simple and low-cost administration, and, by definition, a universal reach, while bureaucracy, and its related misuse, would disappear under a BI (Standing 2008). The take up rate of benefits will conceivably be higher for a universal scheme, since fewer people will fail to be informed about their entitlements[59]. Take up rate for the unconditional pension scheme in Namibia for instance lies at close to 90% – remarkably high by comparison with all other pension schemes in developing countries, and higher than any means-tested scheme operating anywhere (Haarmann & Haarmann 2007). As Howard (2007) argues, a means-test would make the transfer a "compensation for exclusion", instead of a basic right. Since everybody is entitled the same amount, no social stigma is attached to the collection of a universal transfer, an issue often resulting in limited reach of CCT programs (Van Parijs 2003). Moreover, by being non-exclusionary, this transfer introduces an element of dignity for the individual receiving it, eliminating the pejorative "deserving" and "undeserving" poor categories in favor of a sense of unification (Krozer 2010). Taking these points into consideration, while in principle covering its entire target population, even a conservative estimate will locate a BI much closer to complete coverage of all extremely poor than a CCT program.

B. THE CAPACITY TO ESCAPE POVERTY

Labor force, especially low-skilled, are prone to fall into poverty traps or unemployment traps[60], and remain in the informal sector when supported by a means testing scheme. Since taxation of additional income and threat of losing transfers make marginal gains of picking up a new job very small, income thresholds for receiving grants effectively function as a disincentive to work

[59] By this token, a BI should be conceived of as a right in line with Human Rights to food, shelter, etc, not charity; as such it can be compared to universal suffrage, which is simple enough for everybody to be informed about and have easy access to (Künnemann 2004)

[60] Limited choice to working a lot (to make it "worth it") and not working at all (living off the other's work/ the state transfer) due to high opportunity cost. In technical terms poverty and unemployment traps describe an applied marginal tax rate of 100 per cent, which is to say that "one monetary unit of the subsidy is lost for each unit of salary payment that might be obtained" (Raventós 2007: 119). For a graphical description of the working of such traps refer to Appendix C.

(Künnemann 2004). Conditional transfers impose *de facto* minimum wages, keeping people from taking up jobs – even should they like to – that earn less than the guaranteed minimum income, since this would make them financially worse of than maintaining the subsidy (van der Veen & van Parijs 2006). Alternatively, CCT programs are likely to promote the taking up of informal work, which would allow the recipient to augment her income without losing her benefit (Lo Vuolo 1995). This would further decrease the tax base, undermining the available resource base for paying the transfers in the long run. The result of such a policy is twofold: for one, due to a lack of incentives, people will stay out of low-paid jobs, which would subtract their entire remuneration from the welfare they are to receive. On the other hand, such non-accumulability of state benefits over other sources of income "incentivizes small-scale tax fraud, since short-term advantages of having two incomes (welfare benefits and black economy) are difficult to resist" (Raventós 2007: 121). Short-term needs tend to be so pressing that serious longer-term disadvantages pale into insignificance by comparison[61] (ibid).

If, on the other hand, the transfer is unconditional, people start earning additional income as soon as they take up work, independently of the magnitude of the wage paid. Unlike standard type minimum guaranteed income systems, under a BI additional income earned e.g. from waged labor is allowed to be kept on top of the baseline income the BI establishes. This means that a higher BI not only increments consumption power, rising thus aggregate demand, but also raises the individual's ability to consider more readily non-pecuniary features of potential jobs. It allows job seekers to opt for self-employment, part time arrangements, or accepting lower wages for a given job. This way, involuntarily unemployment will decrease significantly, and with a high transfer level Van Parijs (1995: 126) predicts that "all those that wish to perform paid work will actually do so", abstracting from search periods, either as waged labor or self-employed[62]. The underlying rationale for why this prediction is realistic lies in the fact that "the availability of a basic income makes it less costly both to turn down a low-paid job if it is intrinsically

[61] These include both long-term drawbacks like the fact that black-economy work can never be taken into account in future calculations of pensions rights, and not-so-long-term problems such as the impossibility of obtaining unemployment insurance – problems however more closely associated with developed countries' welfare system and not as relevant in the present context

[62] Some critics oppose a BI on the basis of the argument that one should have to right to live off one's own work. Clearly, a BI proposal does not ever oppose the idea that people who want to work for a salary should do so (if they can); instead it upholds the principle that if they cannot, they should be able to live with dignity (Raventós 2007).

unattractive and to accept it if it is intrinsically attractive" (p.167). Furthermore, through the security of income, it would not oblige hard-pressed workers to accept demeaning job positions under any conditions (however bad they might be), thus substantiating their bargaining position relative to the vastly asymmetrical labor relations enjoyed presently and permit aspirations to "higher levels of personal realization" (Raventós 2007: 73). Simultaneously, through diminishing the danger of falling into the poverty trap, a BI would immeasurably reduce the incidence of moral hazards and petty tax evasion on the individual level (Standing 2008).

These points show that a BI is not only more apt to reach the target population of the extremely poor, it is also more likely to make them better off, and enable them to effectively lift themselves out of their deplorable situation.

C. LABOR DE-COMMODIFICATION

Critics, especially in the developed world, tend to discard BI on the presumption that welfare encourages "scrounging" (people choose to be unemployed and live off the state transfers rather than look for work) and laziness. Disregarding the fact that this accusation is generally only applied to the poor that do not work, not to the rich (Raventós 2007), such a choice is actually encouraged if transfers are means tested rather than universal: Costa Rican RNC pension, for instance, expires automatically after 5 years unless a new judicial declaration of continued need is filed (Durán Valverde 2002). Such a requirement does directly discourage a beneficiary to improve her income situation. Moreover, the combination of social assistance and extremely high unemployment in a developing country context subverts the often-presumed association between welfare and withdrawal from the labor force (Seekings 2007). Numerous surveys indicate that most people want to work, and would do so even if they had enough income from other sources allowing them to subsist (Standing 2003). In fact, a critical asset of a BI is its tendency to de-commodify labor. By virtue of being entirely independent of a person's selling, or being prepared to sell, her labor power, it confers a "radically de-commodified economic status to each person" (Van Parijs 2003: 162)[63]. This important "humanizing" feature, which does not discriminate

[63] Several advocates consider the progress towards a decommodification of labor to be the major asset of a BI, e.g. Luis Arizmendi (2010). Van Parijs (2003: 163) argues that "Consequently, BI can be said to increase the commodification of people, in the sense that it fosters participation in the labour market for a greater proportion of people and a longer portion of

between waged labor and other forms of work comprising care and non-profit work for the common good, including education, and domestic work, the latter still mostly executed by women (Standing 2008), is absent in conventional poverty reduction programs.

Indeed, cash transfers do not breed "dependency and passivity" it has been shown, but foster independence and activity (Standing 2008). The argument of poor people not spending incomes responsibly leading to a preference of state transfers "in kind" or pegged to certain conditionality, is empirically defeated: very poor households with little access to paid work, have been shown to spend money received on basic consumption goods, education and healthcare for family members (ReCivitas 2009), well capable of taking strategic decisions on how to improve family livelihood in the longer term through responsible spending patterns (Standing 2008).

It might be objected from quite a different perspective that a BI does make the rich richer because they also receive the benefit[64]. In reality, however, by means of the financing source it can be assured that the relatively rich will contribute more to the funding of the BI than the relatively poor, meaning that giving to both rich and poor is actually better for the poor, since it contributes to a decrease in inequality. Such structuring removes an important aspect of the unemployment trap innate to conventional benefit systems: especially poor people might have good reasons for not taking the risk of losing a regular, reliable entitlement to the acceptance of a job (Van Parijs 2003). If all money earned additionally is offset by a loss of a complementary part of the benefit, one does not have to be particularly lazy to not accept a job yielding such earnings. Given additional costs, traveling time or child care problems involved, one may not be able to afford to work under such circumstances (ibid)[65]. Unlike means-tested programs, a BI makes people better off when working than out of work (ibid).

their lives, while at the same time decreasing the commodification of people by making them less dependent on the labour market for their subsistence".

64 The concern of "Why pay the rich?" is denominated the "Prince William" objection by Le Grand (2003)

65 Moreover, it might not make much sense for employers to offer such jobs – "people who would be grateful for being sacked are unlikely to constitute a conscientious and reliable work force" (Van Parijs 2003: 10).

D. EMPOWERMENT OF THE POOR

Conditionality, on the other hand, presumes that a poor person is not capable of learning to deal with financial issues and acts irrationally, cannot know her own or her children's long-term interests[66]. Conditionality like that in the *Bolsa Famlia* program, for instance, can only be fulfilled when adequate schooling, health and transportation infrastructure exists. While this might hold for urban areas throughout the region, the rural population is likely to encounter large-scale supply (and demand) side market failures (Durán Valverde 2002), and might have to face immense costs and obstacles to comply with the imposition of a clinic-attendance condition and similar conditionality requirements, disproportionately affecting the poorest (Standing 2008). Conditionality also encourages party-politics and loyalty issues with specific constituencies, seemingly playing an important role in the concession of pensions in Costa Rica (Durán Valverde 2002). On the backdrop of rural elderly often not owning legal identification that states their factual age, CCT criteria make it difficult to even comply with age requirements (Rubio & Garfias 2010).

Besides, taking into account that almost one quarter of total costs flow into conditionality monitoring, there should be good reasons for keeping it. If, however, interviews with teachers in Brazil reveal the widespread practice to mark absent children as present for being reluctant to additionally penalizing children, illustrating how perceptions of people on definitions and motivations for conditionality diverge from official conditionality regulation (Bastagli 2010), the efficiency of these criteria can be questioned. Similar to its Brazilian counterpart, the now discontinued[67] Nicaraguan RPS program experienced problems with its conditionality compliance: reportedly, overfeeding of children before they were to be officially weighted and letting students advance to the next year without passing the academic requirements were not uncommon practices (ibid), nurtured by misleading or outright misplaced criteria for beneficiaries' keeping or losing benefits. In contrast, no conditionality or external pressure was

[66] According to Standing (2008: 18), "dealing with those issues directly would surely be more effective than imposing behavioral conditions that eat up public resources in administering them, while perhaps ignoring the structural factors that impede seemingly rational behavior".

[67] Due to its financing relying exclusively on external sources, perception of little local/national ownership and being donor-driven led to the gradual dismantling and discontinuing of the child support program about two years ago (Bastagli 2010)

necessary for participants of the BI pilot project in Namibia to reduce dropout rates from 40% to 5% in six months, showing that, naturally, people have a desire to improve their lives when enabled, and using their resources responsibly (Haarmann et al. 2008). Empirically, it has been shown that social pensions improve old age poverty better than any alternative by being redistributive, affordable and transparent, while counting with low administrative costs. Such schemes have been introduced in Latin America for instance in Bolivia, Brazil, and Mexico City, due to their typically small costs relative to GDP. UNRISD (2010: 17) asserts that "when cash transfers are provided on a universal, unconditional, stable and long-term basis, they have stronger potential to boost people's capabilities to pursue a decent and sustainable livelihood", as do child benefits or old age pensions. Even more critical, Esping-Andersen (1996) declares that instead of reducing inequality targeted and means-tested programs "paradoxically" almost invariably increase it. Hence, programs with less conditionality imply a more efficient and equitable outcome.

Under a universal scheme, both identification and conditionality monitoring costs would approach zero once the original beneficiary data base is established, while poor people would be granted basic economic security in a non-moralistic or judgmental way (Standing 2003). A BI hence would empower beneficiaries both to resurge from poverty, and do so in self-chosen ways.

E. MACROECONOMIC EFFECTS

Universal schemes are fundamentally market neutral in macroeconomic terms, i.e. they do not introduce market distortions, thus having little negative effect on competitiveness: BI schemes do not, unlike means tested transfers, introduce negative incentives to dissave (Krozer 2010). A BI is thus not only cheaper than CCT or food aid, it is also less damaging to the local economy by not depressing local demand but helping to stimulate local markets instead (Standing 2007). In fact, quite to the contrary, a BI would positively affect the macroeconomic situation through the economic growth induced by the augmentation of purchasing power and consequent rise in aggregate demand on the one hand, and the public spending (financing it) on the other. On a cautionary note, notwithstanding, cash transfers on their own might become inflationary if local food supplies are not available, and especially in the aftermath of a disaster, commodity-based aid might need to be used complementarily to restrain inflationary pressures (Krozer 2010). It goes without saying that complementary policies need to be in place for inequality not to surge around a different corner (ibid). Consequently, although arguably inflationary pressures could occur in some situations, these are equally likely to rise under means-tested schemes. Moreover, while a means-tested program would insert market – and government – distortions, a BI would operate neutrally at worst; most likely it would entice the economy to grow substantially, leading to a virtuous cycle of growth and poverty reduction[68].

F. CORRUPTION AFFINITY

An additional problem with minimum income support programs is the so-called “pork-barrel syndrome” (Raventós 2007) which describes clientelism in the allocation of benefits, where politicians allocate resources to their electorates, or try to compel those unsure constituencies to vote for them (Rubio & Garfias 2010). While this problem might be less acute in European welfare programs (although certainly existing nonetheless) it constitutes a large problem in Latin America. Argentina's *Jefes y Jefas de Hogar* (Household Heads) program, for instance, has been “repeatedly criticized for clientelism whereby the agents concede, or threaten to withhold, benefits in order to obtain the submission of beneficiaries or certain services they might be able to supply” (Raventós 2007). Similar accusations have been brought forward by beneficiaries of Guatemala's MIFAPRO programs administration (Acción Ciudadana[69] 2010). Considering that everybody would be entitled to a BI, preferential or discretionary treatment in the allocation of grants would disappear, lowering the scope for corruption significantly.

In sum, from the above discussion it can preliminarily be concluded that a BI would be effective in achieving its goal of eradicating extreme poverty, and arguably do so more effectively than existing programs both in terms of poverty eradication through its wider reach and capacity to allow people to lift themselves out of poverty, and other “side effects”, as defeating the poverty and unemployment traps it would empower the poor, create economic

[68] See Appendix D for the conversion of a vicious poverty cycle into a virtuous development cycle.
[69] Guatemalan branch of Transparency International

growth, diminish incentives for corruption and excessive bureaucracy, and advance the poor's chances to escape poverty effectively. It is then important to abandon the purely corrective, “patching” strategy of poverty intervention, to come to a politics of preventive rationality of empowerment. This surely does not imply abandoning all existing projects or disqualifying success CCT programs did reach, but rather marks a change of direction towards a holistic and universally just approach to poverty alleviation (Krozer 2010). Simultaneously, such a regime would help ridding the region of its jungle-like systems of diverse interfering transfer programs. In light of the underlying assumptions of innate insecurity in “today’s life” on the one hand, and the defeat of the supposition of full employment, on the other, a BI offers a basic minimal security for everybody, while displaying strong redistributive effects (ibid). This both diminishes people’s fear of losing their job, and substitutes for the debilitation of employment as “a mechanism of inclusion and mobility” (Yanes 2010). Hence, a BI by virtue of being universal, does not leave anybody without social coverage, and by virtue of being unconditional, eliminates problems of discrimination and stigmatization (Lo Vuolo 2009).

To be sure, the next chapter will take a look at estimated impacts of a BI upon implementation, allowing for additional insights into the effectiveness of a BI before concluding on this aspect.

V. ESTIMATED IMPACT

Through its linkage with other universal policies such as education and health, a BI permits the embarkment on social problems in an integrated fashion (Lo Vuolo 2009). This means that, when speaking about BI, it is not an isolated subsidy policy that should be envisioned, but an integrated system of public policies that would modify the irrational, regressive and inefficient current system (ibid). In light of those and the above described characteristics of a BI, which impacts can be expected for the region upon the introduction of such a scheme? A number of those, mutually reinforcing, issues affected will shed further light on the effectiveness of a BI, organized according to the time expected to elapse until their materialization[70].

A. SHORT TERM

1. Poverty Alleviation and Food Security

The immediate effect, as is necessary to repeat, is the eradication of extreme poverty, and parallel relative poverty alleviation. Importantly, a BI would ensure food security by providing some level of income security. Damage caused by poor nutrition under the age of five is irreversible (Haarmann et al. 2008). Besides being a human tragedy, high child malnutrition levels translate into a developmental and economic disaster undermining future human capital development and economic growth. Upon introduction of the scheme in Namibia, child malnutrition plummeted from 42% to 17% in only six months (Jauch 2010)[71]. This constitutes an immediate 60% reduction. By securing nutrition, a BI then becomes a human capital investment (Haarmann & Haarmann 2007) in future productivity that, taking into account cumulative levels, points towards a high multiplier effect of improved health/physical condition leading to improved education to better jobs to higher income, additional to the intrinsic value of the individual stages improved (Krozer 2010). Consequently, it is directly the young population that benefits from the introduction of such

[70] The list is an approximation, since it is very difficult to predict the exact order of impacts, as well as their exact time until materialization. This does not make them less important however, whether showing earlier than expected or later.

[71] Considering the limited number of existing cases as mentioned above, empirical evidence where cited for comparison, derives from the Namibian pilot project in Otjivero, being the most carefully studied and at the same time most apt for comparison with CA at the time being: Both are among the most unequal areas in the world, part of the developing countries "club" and with similar sectoral compositions. With the exception of Guatemala, all have a rather small population although Namibia owns a vast territory compared to the Central American countries, and is situated in the Southern Hemisphere.

a scheme, and also indirectly society as a whole through its profound implications for future productivity. Since current chronic child malnutrition levels in Guatemala are even higher at comparably high inequality levels, similar impact can be expected. Even conservative estimations for CA would thus see chronic child malnutrition at least halving in half a year in the case of Guatemala. Moreover, the percentage of households reporting food shortage on a daily basis in Namibia's pilot project decreased by nearly two thirds within the same timeframe and people reportedly improved their diet (Haarmann et al. 2008)[72]. The generally improved health through better nutrition and possibly hygiene will additionally lower costs of an overstrained public health system, without the need for conditioned usage of health services that could introduce bottlenecks in supply or decrease in quality for the provision of services[73].

Thus, a proposal providing all citizens with 1.25 international dollar a day lifts all recipients above the extreme poverty line. Consequently, keeping in mind the higher take-up rate for unconditional universal programs, extreme poverty will fall to rates approaching zero per cent[74], while child malnutrition can be expected to at least halve within six months.

2. Economic Development

But the introduction of a BI in the region would have additional important macroeconomic impacts. For one, a large effect on GDP can be expected, considering the growth generated from an increase in private consumption (due to more disposable income yet low private savings rates in the region), augmentation of productivity in the medium and long term and possibly competitiveness, as well as an amplified internal market (through the inclusion of a large part of the population formerly excluded on the basis of lack of income) (Krozer 2010)[75]. Meanwhile, through the partial decoupling of income and wage labor (de-commodification), a BI implies important impact on wage dynamics, by pushing up wages for unattractive, unrewarding work

[72] Reportedly, since everybody can afford food under the BI scheme, people do not beg for food in the streets anymore, increasing both their human dignitiy and responibility (Haarmann et al. 2008)

[73] The Namibia report finds that residents have been using the settlement's health clinic much more since the introduction of a BI, where they are now able to pay the N$4 fee for each visit, increasing the income of the clinic fivefold (Haarmann et al. 2008)

[74] Garfinkle et al. (2003) calculate in their Microsimulation model that poverty rates of elderly, which in their proposal receive $8000 dollar (an amount that lifts them immediately above the poverty line) will fall to 0.3% or less.

[75] Anticipated autochthonous growth rates based on the private consumption levels will be estimated below

once no-one is forced to accept it to survive (van der Veen & van Parijs 2006). Indeed, empirical evidence from Namibia states that beneficiaries saw their household incomes increase substantially "over and above" the value of the actual transfer payments. This growth was observed throughout all quintiles, but most pronounced in the lowest two which experienced growth rates of 200% in but six months (Haarmann et al. 2008). While household incomes from wages surpassed transfers by 19%, income from farming allegedly increased by 36%, and from self-employment even by 301% during the first year (Jauch 2010)[76]. These effects are explained both by economies of scale for poor multi-member-households and by the increase in economic activity triggered by the BI, especially in the local economy, thus simultaneously fomenting local development and a more than proportional rise in community income (Haarmann et al. 2008). Moreover, household expenditure rose in all categories (though especially in clothing, housing and toiletries), as did savings and insurance take-up (ibid). Disregarding the comparable sectoral composition of Namibia and CA, these numbers might appear very optimistic for the region in question; nonetheless, similar trends could be expected here, too.

A BI hence fosters both growth and development, raising both GDP and per capita income, as well as diversifying options for recipients (expected growth rates are concretized below).

3. Civil Registration and Tax Evasion

Independently of a person's general occupation, since transfers are granted over some kind of registration system, families are incentivized to register their children upon birth, a practice not self-evident today, as well as allowing for a "proper" registration/formalization of the entire population, thus promoting a public sector's better knowledge of the population and its needs (Krozer 2010). This has significant social implications including identity issues on the one hand, while on the other, by combining increased registration with a simplified tax system, tax evasion can be reduced significantly. This point is of paramount importance, considering that a BI would

[76] Regardless, Künnemann (2004) explains that individuals may chose, or be forced to, not to use the opportunities in the market or common sector and thus not receive a "decent income"; however, they would continue enjoying their right to a minimum income. Furthermore, Lo Vuolo (1995) points out that it may actually be favorable if some people valued leisure over paid work, considering the large existing (involuntary) unemployment. This way a BI could give way to strong pressures of market flexibilization, without making it a synonym for loss of quality of life.

hence both curtail the problem of insufficient tax registration, *and* increase the state's financing power for both the program and its remaining duties through the increase of the tax base, allowing for further redistribution. Foundations for this development are laid already in the short-term, while full advantage of such changes can be reaped in the longer run (ibid).

B. MEDIUM TERM

1. Education

Providing families with "income" for their children[77] will enable those to go to school, instead of being obliged to work for basic survival. This activates a multiplier effect of both lowered incidence of child labor and youth criminality, and increased education (Krozer 2010). Again, empirical evidence from Namibia shows that school dropout rates upon introduction of the BI diminished from 30-40% to 5% in half a year, reaching a level of virtually nil within one year (Jauch 2010). Furthermore, with more parents able to pay school fees[78], the schools' stronger financial situation will improve teaching materials for pupils (Krozer 2010). Highly significant for CA, transfers will also incentivize young adults to continue schooling up to technical and professional training or university, if they are not exposed to the fierce obligation to take the "first best" job once leaving school, but instead are encouraged to increase their chances for decent work by improving their productivity (ibid). This, ultimately, improves options for value-added production in the country. At the same time it is likely to lower violence significantly (Otjivero saw a reduction in its crime rates of 42% following Jauch 2010), considering that especially youth is prone to get mixed up with (violent) criminal activity. But also economic and poverty-related crime, such as illegal hunting, theft and trespassing, has fallen significantly[79]. This is an utterly

[77] This point has often invited critics to argue that hence a BI would increase birth rates. There are at least three important reasons as to why this concern can be safely excluded in reality: besides the fact that it is an argument only raised by men, probably underestimating real costs (and pains) of child birth, and women generally being unlikely to consider having a child for about $20, empirical evidence speaks against this false and unfounded presumption. It is well-known that poor families tend to have more children than rich, and a firm negative correlation has been established between family income level and number of children (Barbeito & Lo Vuolo 1996) (obvious examples are fertility rates in developed countries versus those of developing countries). Furthermore, those workers in the formal sector receiving state benefits tend to have less children than the informal workers not eligible for transfers. Finally, there is no evidence that the countless social assistance programs existing in the region today that demand the recipient having children in any way stimulate natality (Lo Vuolo 2009)

[78] Implementation of the system in Namibia had the number of parents paying for school fees double (to 90%) (Jauch 2010).

[79] Interestingly, not only poverty related crime rates fell significantly, but overall crime was noticeably reduced

important point for the region of CA, plagued with high levels of violence and (organized) criminal activity.

2. Inequality

Another main result will be the positive impact on inequality through redistribution of income, especially if it goes hand in hand with a progressive tax reform as indicated above (Krozer 2010). This income redistribution will have significant welfare effects and further elevate demand (Huerta 2009), implying both a broadening and deepening of the home market through endogenous consumption and savings. In combination with the increase in productivity brought by workers' upgrading, employment opportunities will grow significantly (ibid). While traditionally greater equality has often been considered to come at the expense of growth, evidence shows that circumstances offering the appropriate institutional arrangements will actually lead to the opposite effect: lower inequality will contribute to greater economic efficiency[80] (UNRISD 2010), *inter alia* due to spending by poorer groups leading to a boost in aggregate demand. Garfinkle et al. (2003) find both the poverty gap and the Gini coefficient decrease under the simulation of all four of their BI proposals.

3. Economic Security and Entrepreneurialism

Economic insecurity tends to prevent people from taking entrepreneurial risks, because it leaves them with the choice of either buying food for the day to survive, or risking delayed or no returns by investing the money into self-employment (Krozer 2010). Quite understandably, many people will choose personal and family survival as a priority over an entrepreneurial commitment (ibid). Notwithstanding, in CA self-employment is responsible for roughly 40% of regional employment (ICAES). From an economic point of view, thus, a BI is productive, since it fosters risk-taking and

[80] The development of the Scandinavian countries is illustrative here: UNRISD (2010) explains that through a process known as the Meidner-Rehn mechanism, political commitment to egalitarian economic outcomes constrained business from competing on the basis of wage costs, which were consequently higher than those of their international competitors, forcing companies to raise labor productivity to stay competitive. This policy preceded the advance of the region from the middle to the top of the European (and world) income scales. Similar developments could be observed under the New Deal in the 1930s in the US, and the European region as a whole, where countries with a lower inequality are faring better in terms of employment performance. "In other words, business can absorb technological change at a faster pace in societies that systematically reduce disparities in pay structures, encouraging an increase in productivity and raising per capita incomes faster than the global average" (UNRISD 2010: 61)

innovation[81] (Standing 2008) without jeopardizing livelihood, providing income security that can free resources for entrepreneurial investment (Haarmann & Haarmann 2007). The Namibian pilot project documents the emergence of small business activities in relation with the transfers paid, showing money was not only spend on immediate consumption needs, but also used as a basis for income-generating activity (Haarmann et al. 2008). Related, social grants also provide potential labor market participants with the necessary security to invest in *higher risk-higher return* job search, since they can travel further, prepare and educate themselves better than in the pressing situation of being forced to accept the first offer, irrespective of its "inconvenience" (Krozer 2010). Michael Samson (2004) found a correlation between living in households receiving social grants and a higher success rate in finding employment, due to improved productivity – which again results in higher wage increases (Standing 2008). Once the system is established, it will thus importantly affect macroeconomic stability, ameliorating potential negative effects of future crises (Krozer 2010).

4. Empowerment

Unconditional transfers have an important empowerment effect for being paid to individuals, not units such as families or households. This is especially true for vulnerable groups often unable to obtain their own legitimate incomes, such as women, children, elderly, and indigenous[82], possibly shrinking dependency patterns within the family, e.g. through gender emancipation (Krozer 2010). Not being conditioned to a specific family pattern, a BI would advance modifications of domination and subordination patterns[83] (Pateman 2003). Moreover, self-esteem and confidence will increase on an individual and group level. The pilot project in Namibia has shown that community participation increases markedly with the introduction of a BI, by committee-building, counseling fellow citizens on how to improve their lives with the money received, and general community mobilization and empowerment (Jauch 2010). The impact on personal liberty should

[81] In Europe, upon its introduction, "old-age security acted as a powerful force in modernizing agriculture" because it led to more risk-taking innovation (Standing 2008).

[82] The problem of indigenous marginalization is most pronounced in Guatemala, where about 60% of the population is indigenous, but remains the poorest part of the population. El Salvador in comparison hosts but 3% of indigenous people, hence facing a different sized problem

[83] These patterns are, according to Pateman (2003) mutually reinforcing the institutions of marriage, employment and citizenship, often to the detriment of women.

not be taken lightly either, considering that it will free energies to act as a responsible and concerned citizen whose voice is to be taken into account. The Namibian case, for instance, documents that young women have been freed from having to engage in transactional sexual relations (Haarmann et al. 2008). Besides increasing self-determination in relation to choice of life paths for individuals, this development is of utmost importance for the eventual creation of a more active civil society in the region, able to autonomously address its own problems.

C. LONG TERM

1. Migration

It is well-appreciated that migration is a phenomenon not to be associated with extreme poverty, but rather with "simply" poor households[84]. Notwithstanding, since a BI support is all-encompassing, hence also covering the next-poorest income groups, large impact on migration patterns can be assumed to materialize in the longer run. However, the intention of curbing migration – from South to North, rural to urban etc – is a two-edged knife: significant reduction of migration needs to account for remittances (Krozer 2010). Today, they play a pivotal role in local development for having reached more than double the size of net official flows, second only to FDI as external source of finance for developing countries (Howard 2007), and their impact on the national economies should not be underestimated. On the other hand, it becomes clear that remittances cannot compensate for the losses migration generates in terms of brain drain, dysfunctional families and demographic and dependency ratio changes[85] in the countries of origin (Krozer 2010). Most migrants in the region flee from the economic circumstances or for lack of options at home, thus it is here that circumstances have to be changed. If local conditions are addressed directly instead of propelling ever-stricter migration control, perversely feeding into organized criminality (e.g. the "coyotes"), i.e. if people can survive at home, most will not feel the same need to migrate (ibid). In other words, incentives have to be created for staying, instead of

[84] According to the UN (2009) migrants are not randomly selected from the population. In particular, the level of educational attainment of migrants is often higher than that of non-migrants, even after controlling for age, childhood residence and current residence; they are positively selected in terms of education and skills, and they tend to be young, between 15 and 29. These attributes are to assure that they will be doing well at their destination.

[85] UN (2009) calculates rural dependency ratios (including children and elderly) of 81/100, and urban ratios of 59/100 for Latin America. It becomes clear that the remainder of society is ill-fitted to lift such large a group that cannot provide for itself out of poverty, only by means of its labor, hence requiring support.

enforcing disincentives to leaving (Raventós 2007); the latter will never be as effective considering the current push – no "future" at home – and pull – strong demand for immigrant labor in host countries – factors in the wider area. A BI can prove a reasonable alternative for citizens considering migration, simultaneously buffering the impact of loss of remittances on the local economy already in the shorter term (Krozer 2010). The transfers would take over the role as seed money for rural/local economic development, with the distinct advantage of not only supplying those households with migrant workers, but all households (Howard 2007). In the longer term, as jobs are created, poverty declines and income differences shrink (ibid) population increase will moderate and migration pressure is likely to sink due to transfer policies assuaging the underlying causes leading to mass migration.

2. Self-Esteem and Social Cohesion

The final, in economic discussion often overlooked, point raised here is that a BI helps strengthening social solidarity and reinforces community empowerment and social cohesion, while – being universal – it is non-stigmatizing (Raventós 2007). Receiving a dignified income affects people's self-esteem and confidence, and positively encourages and motivates people that currently are marginalized and suffering and often have lost belief in their own capabilities (Fryer 1992). Once some economic security is established, a community is able to plan and develop social solidarity: Yanes (2010) asserts that social relations and usage of public space among Mexico City's elderly changed dramatically when they started to conceptualize themselves as a solidary in-group upon introduction of the unconditional pension scheme. Beneficiaries become autonomous economic and social actors of a community by taking their own decisions on how to spend the money (Standing 2008), which will further impact on dependency ratios (old versus young, working to non-working) both on a family- and societal level. Making the transition to universal social and economic security coverage at a time where the countries in the region enjoy a "demographic bonus" of a young population on the verge of entering the labor force, can become an important advantage in the future, when demographic changes such as the inevitable aging of the population will make those measures indispensable (Krozer 2010). Dealing with these changes now where costs can be borne by the largest part of the population instead of a small percentage of younger people in the future will prove less expensive, and hence politically easier.

Taken together, it becomes clear that important cross-country benefits can be obtained from the wide-reaching "side effects" of universal unconditional income schemes, beyond their principal benefit of poverty reduction, encompassing direct progress on all 8 UN MDGs: ending extreme poverty and hunger; promoting education; progressing towards gender equality; improving child health; augmenting maternal health; combating daunting diseases; advancing environmental sustainability; and fomenting global partnerships[86].

The BI thus proves its effectiveness. But would it also be efficient?

[86] To adequately evaluate the results and ensure desirable outcome of an eventually implemented BI, trustworthy and reliable indicators need to be identified and subsequently tested regularly. Including indicators for the different realms of life affected, the monitoring of the program allows for a more valid outcome, since potential flaws in its structure/composition can be corrected rapidly. Furthermore, close monitoring permits adjusting levels correctly should changes in the macro economy ask for that. Depending on observed outcomes, strategic changes can be undertaken in the set-up and timeliness of the program. The MDG offer a number of relevant indicators that can also in the context of a BI serve to document and evaluate progress.

VI. THE REGIONAL BASIC INCOME PROPOSAL

Prior chapters discussed a BI's effectiveness and established it as a promising alternative in the fight against extreme poverty and inequality, and related "evils of poverty". In the following, a proposal for the region will be elaborated, scrutinizing a potential BI's efficiency in relation to its costs and relative to other programs' costs. Three main issues for a concrete proposal will be discussed. These are the level of transfer, the costs it will entail, and the process of implementation, addressing how a BI can be effective and efficient. This last point will contain two alternative models.

A. TRANSFER LEVEL

For a BI to be effective and cost-efficient, it needs to be high enough to lift every citizen above the level of extreme poverty, identified as lying below a disposable income of 1.25 international dollar day/capita[87]. This level surpasses the "food security income", below which there is a definite risk of hunger and malnutrition (Künnemann 2004)[88]. To this end, it is thus necessary to guarantee them an income of at least $1,25 PPP per day, or the equivalent of $37,5 per month in their national currency (Krozer 2010). The resulting amounts for the countries of the region are calculated and presented in Table 1 below, both in US$ converted amounts based on a PPP conversion rate[89] and in local currency equivalents. The region will be covered by an "equal but differentiated" cash transfer: differentiated in that it takes local differences in costs of living into account, equal since purchasing power of the individuals covered will presumably rise by the

87 Why not fix the level to, for instance, the minimum wage instead? Firstly, no accepted minimum wage exists in the region, and different levels are considered for different sectors even within countries (Mexico e.g. has three independent geographically defined absolute minimum wages, again independent from sectoral levels) rendering comparability virtually impossible. Moreover, in a context where over half of the workers are active in the informal sector, those wage laws and the related social protection does not apply for them. It thus makes little sense to compare the larger part of the population to income requirements that only apply to the adult, formal-sector employed labor force minority of between 50-32% (of labor force, not population!) and where the remainder of about two thirds of the population is exempt from minimum wage laws of the formal sector (Lo Vuolo 2008). Alternatively, also ECLAC indigence lines could be considered, implying somewhat higher levels and thus costs for most countries considered.

88 Obviously, only elementary food needs can be covered by 1.25 international dollar. Rather, such income (in cash or kind) is seen as necessary (but not necessarily sufficient) for food security, while such crude a quantification certainly does not cover the human right to food (Künnemann 2004). A BI is meant to function as a basis, to which all other incomes can be added, rather than a description of actual "basic needs" of any notion (Van Parijs 1995), justifying hence a level of transfer below what can be considered basic needs or other thresholds above the transfer level.

89 IMF 2010 suggested rates.

sake token[90] (ibid). In other words, the proposal considers a program that is uniform, for sake of comparability, and differentiated, for sake of "fairness", where larger dividends would go to the wealthier countries, smaller ones to the poorer (ibid). This option would make poverty reduction "a shared goal of the region" where everyone receives "a tangible benefit of the scheme of cooperation" (Howard 2007: 3), simultaneously avoiding BI-enticed migration within the region.

TABLE 1
MONTHLY TRANSFERS PER CAPITA UNDER A REGIONAL BASIC INCOME FOR CENTRAL AMERICA

Country	Total population (Millions)	Monthly transfer /capita (US$)	Monthly transfer (local currency) [a/]	GDP (Million US$)
Costa Rica	4.58	27.00	13600.50	33 180.00
El Salvador	6.16	18.75	18.75	21 810.00
Guatemala	14.36	21.66	173.25	39 760.00
Honduras	7.47	17.22	325.88	15 290.00
Nicaragua	5.74	13.67	293.63	6 250.00
Central America	38.31	20.00 [b/]		116 290.00

Source: Krozer (2010)
[a/] Local Currency Exchange rate XE.com 12.08.2010.
[b/] Regional average.

Besides the transfer levels, Table 1 also shows the countries' population size and their GDP. This is because these two additional indicators help explain the diverging transfer levels that are calculated on the basis of their PPP, while the three indicators of population size, GDP and transfer level together offer an insight as into the comparative development level of the individual countries. The striking difference between Costa Rica's US$27 and Nicaragua's US$13.67 thus mirrors the different living costs of the respective countries and hence development stage.

To assess relative efficiency of this BI level, the numbers are compared to existing CCT programs, which are promoted as very "competitive" both in terms of levels and costs.

[90] Self-evidently, probably significant *within*-country differences exist in purchasing power and costs of living. However, considering the rather modest size of the included countries and for sake of simplicity, these differences are temporarily omitted. Instead, the amount of transfer is uniform throughout the region in relative terms, (individual improvement in living condition for each citizen of the region is arguably identical), while the absolute level is adapted to cost of living in the different countries, thus roughly related to the countries' ability of carrying out such an ambitious scheme.

In 2008, the Guatemalan government initiated the Mi Familia Progresa (MIFAPRO) program, which, out of a national fund installed for this purpose, pays 150 Quetzals (Q) per family for Education, if these have at least one child of age 6-15, and 150Q for Health[91]. This means that a family, independently of how many members it has, will receive a maximum of 300Q a month, on the condition of the family's timely compliance with the schooling and health requirements. Under all conceivable family constellations, a BI will always grant a higher actual income than MIFAPRO, if and when its level is superior to 150Q (US$18.68), which it is in the proposal at hand (Krozer 2010). In this vein, MIFAPRO will pay 300Q to a simulated family of two parents with two children, as well as with five, while the same family of four would receive 693Q under the proposed BI regime (173.25Q per head) and 1212.75Q for the seven-headed household. Even the smallest conceivable "family", a single pregnant mother, will receive 173.25Q under a BI, and only 150Q by MIFAPRO.

Moreover, there is no threat to take away the benefit from the individual (as would happen to the pregnant mother once her child is born as well as in case of non-compliance with the conditionality imposed under MIFAPRO), allowing recipients to include transfers in their long-term life plans, leading to differing investment patterns. Albeit real exclusion rates are not too high (12,433 families of almost 600,000, representing slightly over 2%, have been excluded in the first half of 2010), the threat of losing the transfer translates in real anxiety, especially considering the low trust towards the system and the little understanding of selection and exclusion criteria people hold towards the program (Acción Ciudadana 2010).

A BI, conversely, bears simple criteria to be understood immediately: every citizen receives a certain designated, and similar, amount. Hence, it would also alleviate the situation for families that are just minimally above any defined threshold. This is crucial because wherever a conditionality of some income threshold is considered, those immediately above but still very poor are excluded, and thus incited to cheat, as is a family becoming slightly too "rich" to qualify for the grant, describing the infamous poverty traps mentioned above (Krozer 2010)[92].

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[91] For details on the program refer to www.mifamiliaprogresa.gob.gt

[92] Moreover, a BI by virtue of being universal also covers non-families, i.e. poor people outside a family constellation of whatever sort such as orphans, elderly, young adults over 15 years old, and families with older children, instead of encouraging the creation (or simulation) of specific family patterns just to comply with the conditionality (Krozer 2010).

Additionally, further differences laid down above come into action: MIFAPRO only aims at covering those in extreme poverty, of which, however, the program can only reach those covered by the term “family”, and even those only partially. Although MIFAPRO claims to have covered 70% of its country's poor living at indigence level, with a program cost amounting to only 0.32% of its GDP, this statement becomes highly controversial once a closer look is taken at the actual numbers. Albeit it is difficult to obtain and consecutively compare trustworthy numbers for the individual programs[93], nonetheless those numbers that *can* be obtained, draw the following ambiguous picture: supposedly, 3.25 Million people are covered by the conditional grant of MIFAPRO, amounting to 22.5% of the total population and thus 39.5% of its poor or 70.5% of its indigence (ECLAC 2010d). Concomitantly, the Guatemalan government states in its MIFAPRO Accountability Statement 2010 that it used a budget of Q670 Million between January and August 2010, or 0.22% of the country's GDP, for the program, of which again 92% were allotted to transfers after reduction of operational costs.

While it might well be true that the second half of the year will bear significantly less costs (say, 0.1% of GDP to make ends meet) and thus the yearly total of 0.32% of GDP would be reached, the point pursued here is a different one: as the government also claims in the same report relating to MIFAPRO, “72% of its beneficiaries receive conditional cash transfers of *US*$1.25 per day” (MIFAPRO Accountability 2010: 66; emphasis added) representing thus 16.5% of total population. *US*$37.5 per month obviously is a higher amount than the here proposed *US*$21.66 per month for Guatemala. However, dividing the Q620 Million paid out in transfers over the 2.33 Million people “covered” (16.5% of total population) results in Q267, or roughly US$34 – through seven months! This number would correspond to a daily transfer of US$0.19, or 0.32 international dollar, which barely marks the “food minimum income” discussed above where the need of one meal per day can be satisfied (Künnemann 2004), but lies far from the “food security line” of 1.25 dollar PPP per capita per day at which some security that the person will be free from hunger and malnutrition can be expected (ibid). The main point of this

[93] In passing it should be stated that Transparency International positions all countries considered in this proposal in the lower half of their public access to information assessment survey for Latin American countries with CCT programs. Costa Rica as the only country in the upper half holds position 7 out of 16 and thus seems to be in a somewhat less critical state, while Guatemala, El Salvador, Nicaragua and Honduras are placed 9th, 12th, 14th and 16th, respectively (Acción Ciudadana 2010).

discussion is that, either the real costs of the program must be significantly higher than the numbers suggested in the reports, or, very likely, the transfer levels allocated by the MIFAPRO program for each beneficiary lie significantly below the extreme poverty line, thus not lifting people above this existence minimum, and staying considerably short of what is proposed in this paper[94].

Other programs throughout the region rely on similar ranges of transfers, suggesting that the level of the present proposal is comparatively competitive. Self-evidently, this does only allow for limited assumptions on real costs in financial terms of the programs compared. Although the paper would have liked to compare costs of the two programs more directly to estimate relative efficiency, it does not seem possible unfortunately to obtain complete and/or unbiased numbers for the costs of the program to the Guatemalan public sector, beyond the further insight that it received loans over US$350 Million from the Inter-American Development Bank (IADB) towards the program (Krozer 2010). Notwithstanding, the case of Mexico City could serve as an illustration: in 2010, the Federal District government spend over MN$10 Billion on direct transfers alone (www.educacion.df.gob.mx). Divided over a population of about 8.8 Million citizens in its jurisdiction, this would suffice for monthly transfers of almost MN$ 100 to every citizen throughout the year (Krozer 2010). This amounts to more than half the amount suggested for Nicaragua in this proposal.

Furthermore, in 2009, the Mexican CCT program *Oportunidades* uses MN$47,800 Million, or 0.4% of GDP, to benefit 5 Million families (Rubio &Garfias 2010). Since the average Mexican family size is four (OECD), and the US dollar worth about 12 pesos, this translates into an average US$16.6 transfer per month (US$0.5 per day) per head[95]. What this investigation illustrates, beyond the fact that Central American countries' governments are a long way from transparent disclosure of their internal facts and functions, is that a BI promises noticeably higher effectiveness in overcoming extreme poverty based on the proposal's competitive levels, and a

[94] Even when assuming that the term "beneficiaries" refers to "families" instead of "individuals" receiving the grant according to the authors of the Report, the proposed numbers by the Guatemalan government add up to 1.26 *international* dollar per household, or US$0.75. Besides, no indication is given as to how many members could be included into such a household, potentially lowering transfer levels per capita even more.

[95] 47,800 Million pesos/5 Million families/4 family members/12months/12US$ exchange rate =US $16.6

first assumption on its efficiency allows for carefully stating that other schemes do not seem as superior in cost-terms as initially indicated. Considering CCT programs' image as an inexpensive means, should a BI prove more efficient then it can safely be judged as efficient in absolute terms. The following part scrutinizes this assumption.

B. COSTS

After having established the designated level for the transfers, and before looking at the possible implementation schemes and related phases, the likely costs for the proposal are estimated. Relative and absolute costs calculated are presented in this part, so as to allow comparison between countries[96] and further insights into cost efficiency.

As can be observed in Table 1 above, considerable intraregional differences exist concerning the costs of monthly transfers. How this translates into overall costs for the program to the individual countries, as well as the region as a whole, can be appreciated in Table 2 below, listing the costs by age groups to be included into the scheme.

[96] For more detailed accounts of the calculations applied and absolute versus relative costs comparison between the countries, refer to Appendices E and F, respectively.

TABLE 2
YEARLY COSTS OF TRANSFERS FOR THE COUNTRIES OF THE REGION, BY AGE GROUP

Country		Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Central America [a/]
Monthly transfer/person (dollars)		27.00	18.75	21.66	17.22	13.67	
Phase 1	Age 0-14 %	25.3	31.5	41.5	36.8	34.5	33.9
	Cost % GDP	1.13	2	3.9	3.72	5.2	2.8
Phase 2	Age 15-24 %	19	20.4	20.3	21.3	21.4	20.5
	Cost % GDP	0.85	1.3	1.91	2.15	3.23	1.59
Phase 3	Age 65+ %	6.5	7.3	4.4	4.3	4.6	5.4
	Cost % GDP	0.29	0.46	0.41	0.43	0.69	0.41
Subtotal Phase 1-3	% Population	50.8	59.2	66.2	62.4	60.5	59.8
	Cost % GDP	2.27	3.76	6.22	6.3	9.12	4.8
Phase 4	Age 50-64 %	12.5	10.2	7.2	7.7	8.2	9.2
	Cost % GDP	0.56	0.65	0.68	0.78	1.24	0.68
Phase 5	Age 25-49 %	36.7	30.6	26.6	29.9	31.3	31
	Cost % GDP	1.64	1.95	2.5	3.02	4.72	2.34
		Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	CA
Total cost (Million dollars) [b/]		1 483.19	1 386.45	3 732.97	1 544.59	942.18	9 089.38
		(4%)	(6.4%)	(9.2%)	(10.1%)	(15.2%)	(7.82%)

Source: Krozer (2010).
[a/] Central America; regional average.
[b/] Includes all Phases. In parenthesis: Costs as % of GDP

Disregarding diverging implementation possibilities for a BI for the moment, including its entire population would cost Costa Rica only 4% of its GDP, while Guatemala would require 9% and Nicaragua even 15%[97]. How do these numbers have to be understood in relative terms? Clearly, they represent an overestimation of the real costs, and are therefore misleading, in the sense that they describe absolute costs, should the *entire* population be covered at once,

[97] The numbers used in these different phases do not include cumulative growth, i.e. program-induced GDP growth is not added in the consecutive phases. Self-evidently, this results in much higher costs for the phases following Phase One than will be the case in reality. Notwithstanding, the rationale for using every year's GDP with the base value of 2010 estimates for calculating costs for the respective phase is that, this way, phases (especially among countries) are easily comparable; moreover, in case of alternation of phases (absolute) calculations still hold, making them exchangeable in case of necessity: should introduction of phases not coincide among the individual countries, numbers would still hold, allowing for certain flexibility to take national context into account. Expected growth, then, will be considered later in connection with financing of the proposal. Clearly, to make the calculations "more realistic", a number of contingent factors could have been included: inflation, population change, annual expected growth of the economy, both program-generated, and "autochthonous". However, these factors, in terms of their inflating or depressing effect on the costs, can be assumed to cancel each other out for the purpose at hand for the time being; for sake of clarity, they are excluded. The numbers presented here are thus approximations, illustrating the proposal's feasibility in economic/finance terms. Therefore, monies reallocated from existing programs towards a BI that will obviously lower the overall cost of implementation significantly are not included, either (see below, finance).

irrespective of economic growth generated in the meantime, and were no external sources of finance included. Neither of these assumptions hold for the present proposal. Factually, for the region as a whole, the average cost per phase suggested is of 1.5%, overall costs for one phase never exceed 2.8% of GDP, which is the level of the first phase (including children); the third phase (the inclusion of the elderly) is with 0.41% the least expensive phase on a regional average. Significantly, after having implemented the first three phases, with a cost of 4.8% of regional GDP, 60% and the most vulnerable population of Central America would be covered. But are these numbers not incredibly large in comparison to most CCT programs' budgets hovering below half a percentage point of GDP, insinuating higher efficiency? Taking a closer look at, for instance, Costa Rica's RNC pension scheme, the program in 2001 cost Colones 13,538 Million, at the time corresponding to 0.3% of GDP (Bertranou et al. 2002). Direct comparison with the BI proposed shows the following: RNC covers 76.000 pensioners with this budget, amounting to 1.8% of the population (ibid). The present proposal offers to cover 6.5% of the population for 0.29% of GDP. Admittedly, the level offered by RNC is somewhat higher than the BI considered here; however, the difference barely reaches 20%, compared to almost four times the amount of people covered. This comparison in fact demonstrates higher cost efficiency of the proposed BI compared to the CCT considered. While it would have been useful to follow the same procedure analyzing comparative efficiency with Guatemala's MIFAPRO in order to corroborate results, this is impossible due to the lack of reliability of data discussed above[98].

Thus, as demonstrated, “crude” cost estimations need to be put into perspective. When turning to current public social expenditure of the country governments for the region as presented in Table 3, it becomes clear that as a regional average, the numbers of the present proposal should in fact not seem as overwhelming anymore. It should be noted nonetheless, that especially the Guatemalan government's public social spending lies far behind the regional average, which, again, is as low as almost half the Latin American average of 18.5% of GDP in 2008[99], and about a third of net social expenditures by the top-spending governments within the OECD group, like Sweden and Germany with 30% and 28%, respectively (Adema 2001).

98 Either the real level of transfers would be incredibly low, or the real costs are grossly underestimated in the official numbers provided (alternatively, the number of real beneficiaries is overestimated)

99 Additionally, public social expenditure on social security tends to be highly regressive in Latin America (Rubio & Garfias 2010)

TABLE 3
PUBLIC SOCIAL EXPENDITURE AS PERCENTAGE OF GDP IN CENTRAL AMERICA IN 2009

Country	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Central America (average)
Public Social Expenditure 2009 (% GDP)	17.2	11.1	7.4	11.4	11.6	11.74

Source: Krozer (2010).

Notwithstanding, given numbers still mean that implementation of the proposal will impact differently according to country, where the poorest (Nicaragua) are also the ones facing the highest costs. Real differences, nonetheless, do not only bear important implications that have to be considered for financing the scheme, they also offer the opportunity to construct a "regional solidarity plan" of differentiated obligations, if member countries commit themselves to prosper as a region, and combat intraregional inequality and poverty beyond their national borders (Krozer 2010).

Conclusively, there are strong reasons to assume that a BI is cost efficient, due to very low administrative costs in both monitoring and targeting and high returns in terms of economic growth created. Furthermore, it seems more efficient relative to existing CCT programs as well, in spite of their claim for low costs compared to reach. However, it must be acknowledged that albeit existing data conclusively corroborates this estimation, for lack of reliable information available, validity cannot be assured sufficiently to unconditionally accept the result. Thus, while not waterproof, data points to a BI's superior efficiency.

C. IMPLEMENTATION

Yet, universal coverage is not to be achieved instantaneously. To ameliorate the start-up costs of such an endeavor, implementation of the full proposal should follow a gradual insertion of different groups within the population. Different implementation schemes could be conceived of, and the proposals presented here are but two possible alternatives. Why do they seem particularly appropriate for the context considered? Both are grounded in particularities of the region, which include a demographic structure highly skewed towards the lower end (i.e. the population is extremely young), and resulting high dependency ratios often forcing youth to consider criminal activities their only alternatives. These characteristics point towards an urgency to offer them a *real* alternative. Both proposed schemes therefore start similarly, by covering the youngest part of the population[100]. The first implementation scheme is divided into five individual phases, each including one additional part of the population. Considering the programs' goals of universality and non-conditionality, it is not recommendable to divide the groups along the lines of certain attributes, as income, family structure, etc. Instead, the most “neutral” approach seems to be organizing the population according to age groups. This convenient separation is also anchored in the existing support programs for the two demographic “extremes” in the region. After the common start, the second option, on the other hand, does not include further groupings. Rather, it consists of an “inclusion flow”, a continuous amplification of the initial group according to criteria explained below.

1. The Five Phases Implementation Scheme (Alternative One)[101]

How should the concrete implementation process forego? Two plausible alternatives will be discussed, starting with Alternative One, the Five Phases Implementation Scheme, delimiting its phases as follows: in the first year, children aged up to 14 years will be covered; the second phase sees the incorporation of the youth between 15 and 24 years. In the third phase, the BI is extended to those residents over 65; by the time of phase four all those between 50-64 years join, for the program to finally, in the fifth phase, cover all citizens.

Phase One: For both proposed alternatives, implementation of the scheme would start by granting the transfer of 37.5 international dollars (as discussed above) to all children aged 0-14. While this phase, based on the percentage share of the population in this age group being the largest for all countries, is the most expensive one, in terms of future productivity it is a specifically important phase: as elaborated above, effects on health, education – including higher education that youngsters will be capacitated for thanks to successfully completing secondary

[100] Due to the region’s very young average population, immediate impact will be extensive upon the inclusion of its entire youth into a program providing for their basic wellbeing since earliest age. Both physical and mental development of the new generations will be significantly impacted. For Guatemala, particularly, a category of age 0-20 would imply roughly half its population! This number is still expected to increase within the next five years or so, before the “demographic bonus” will be felt by the region and the population will start aging slowly (see below)

[101] This division and subchapter is based on Krozer (2010). Phases could, but do not have to, be considered years.

schooling – and levels of child labor are crucial for economic and social development. This group would become the first to be protected universally by a social security, marking the beginning of an integral reform process of the social security system (Barbeito & LoVuolo 2009).

Costs for implementation of this phase vary greatly among the countries: as can be deduced from Table 2, while Costa Rica faces a cost of 1.13 % of its GDP, Nicaragua confronts 5.2%. This important discrepancy is mostly explained by differences in GDP size and in demographic structure between the countries: in Guatemala, for instance, over 41% of the population is younger than 15 years, compared to Costa Rica's 25.3%, naturally incrementing costs for this phase. Notwithstanding, it is also Nicaragua and Guatemala that consequently can expect the largest impact on their future productivity given the share of their population affected by the measure, which is about to enter the economically productive age – in addition to the highest program-generated growth rates.

Phase Two: The second phase sees the integration of the group of youth between 15 and 24 years. It is the integration of this group that will have the strongest effects on security and reduction of criminality, in view of it being the population group most vulnerable to organized crime recruitment and victimization (Cantón 2010). Instead of being forced into (illicit) careers including drug trafficking and prostitution, young people are encouraged to follow their own, self-chosen life paths. Moreover, this phase incentivizes youth to continue studying after a basic education and improve their options for the future by increasing their human capital. Interestingly, all countries share a similar proportion of 15-24 year old citizens (about 20%) but face very different costs as percentage of GDP, ranging from 0.85% for Costa Rica to 3.23% for Nicaragua. In view of transfer levels being significantly lower for the latter, this observation underscores Nicaragua's difficult position due to its very low GDP, where even after adjusting for PPP the transfers would signify an important cost burden.

Phase Three: In the third phase the elderly will be included, i.e. those citizens aged 65 and above. There exists a twofold rationale for covering this group now. Apart from being a fairly small group, meaning that this phase will be the least expensive in terms of paid out monies, furthermore many countries already count with some sort of pension scheme (e.g.Costa Rica's RNC discussed above)[102], meaning that infrastructure probably already exists where a transfer system is in place, lowering costs for registration. Albeit then urgency of including this group is perceivably lower, nonetheless, as stated above, the elderly are a specifically vulnerable age group, given that they eventually reach a stage where they become physically unable to provide for themselves. Table 2 indicates that costs are relatively modest in this phase, hovering between Costa Rica's 0.29% and Nicaragua's 0.69% of GDP.

Upon conclusion of this phase, between half and two thirds of the population – depending on the country – are protected through the BI scheme, eradicating extreme poverty in this part of the population by granting a new base below which nobody is to fall.

Phase Four: The fourth phase now allows for the inclusion of the 50-64 year old, after the most vulnerable groups of society, i.e. the elderly, children and the youth with the most pronounced effects on growth and upgrading of the entire country, are protected. It is the second smallest in terms of population integrated, and hence only slightly more expensive than the prior phase. Its costs remain below 0.8% for all countries but Nicaragua. The rationale for integrating this group now is its increasing economic vulnerability on the basis of ever-fewer available jobs for this age group, especially considering better educated and prepared youth. After this phase every citizen below 25 and above 50 will be covered, amounting to over two thirds of the region's population, for a cost equivalent to less than 5.5% of regional GDP.

Phase Five: The final phase aims at the integration of the remainder of the population into the program, those aged 25 to 49. This group features the most productive part of the population, and thus by assumption that which is "less urgent" to include, compared to the others. Nonetheless, extreme poverty also exists in this category and needs to be eradicated. Furthermore, a number of important benefits accrue from the coverage of this part of the population, including but not limited to labor market changes, augmentation of bargaining power of workers, minimum wage and private sector effects to recap some factors enlisted above, including likely changes in the migration patterns

[102] However, according to their lack of public expenditure in this item, El Salvador, Guatemala, Honduras and Nicaragua still do not seem to have serious pensions systems (Draibe & Riesco 2007b)

in the longer run. Since this is the second largest proportion after the starting phase, it is also the second to most expensive.

2. The Incremental Implementation Model (Alternative Two)[103]

The above described implementation scheme has two major drawbacks. For one, policy makers might be discouraged by the large cost differentials between the stepping-stones and dread initiation of the consecutive phases, unnecessarily prolonging the time needed to cover the entire population. Whereas this in the end is a question of negotiation (see also below), the other issue is more systemic. What to do with those youngsters turning 15 before Phase Two is initiated? Would they lose their benefit again (as is the case in current CCT programs)? An alternative implementation model attempts to resolve this problem.

Just as the above, it starts by covering the age group defined for Phase One, youth between 0-14 years. However, it would thereafter not proceed in phases of age groups, but rather continue covering the original beneficiaries plus the newborn children, until eventually everybody is protected by the grant[104]. This moment would arrive after approximately 60 years. But calculating the cost for such a proposal posits a caveat; obviously, no "hard data" exists for years into the future. This model thus has to rely on prognoses for both main factors influencing the outcome: population and economic growth. Although fairly accurate predictions exist for the former, the latter includes a large degree of speculation, and hence has to be evaluated with certain reservation. Firstly, however, so far excluded future population growth estimations are observed[105].

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[103] This model is inspired by a conversation in Mexico City with Rubén Lo Vuolo in November 2010

[104] Effectively, this means that the limit for receiving the grant is moved one year up every year, with the aim of keeping those covered that started, while including everybody being born after the moment of implementation start

[105] Since CELADE/ECLAC only counts with growth estimations up to the year 2050, costs will be estimated until 40 years from date. Nonetheless, it can be quite confidently assumed that rates thereafter, and considering the impacts of a BI, will not lie above those estimated so far, but rather below as a glance at the tendencies displayed reveals - making current numbers rather "optimistic" estimates of probable real demographic growth rates.

TABLE 4
ESTIMATED DEMOGRAPHIC CHANGE IN CENTRAL AMERICA 2010-2050

Quinquennial terms		2010-2015	2015-2020	2020-2025	2025-2030	2030-2035	2035-2040	2040-2045	2045-2050
Costa Rica	Population [a/]	4.96	5.26	5.53	5.77	5.98	6.15	6.28	6.38
	Growth rate (%) [b/]	1.4	1.2	1	0.9	0.7	0.6	0.4	0.3
El Salvador	Population	6.38	6.62	6.89	7.17	7.44	7.69	7.91	8.11
	Growth rate (%)	0.6	0.7	0.8	0.8	0.8	0.67	0.6	0.5
Guatemala	Population	16.2	18.08	19.99	21.83	23.58	25.21	26.68	27.99
	Growth rate (%)	2.5	2.3	2.1	1.9	1.6	1.4	1.2	0.9
Honduras	Population	8.38	9.14	9.85	10.49	11.06	11.55	11.99	12.37
	Growth rate (%)	2	1.8	1.5	1.3	1.1	0.9	0.8	0.6
Nicaragua	Population	6.19	6.53	6.84	7.12	7.37	7.6	7.8	7.97
	Growth rate (%)	1.3	1.1	0.9	0.8	0.7	0.6	0.5	0.4
Central America	Population	42.12	45.62	49.09	52.39	55.43	58.2	60.66	62.82
	Growth rate (%) [c/]	1.6	1.4	1.3	1.1	1	0.8	0.7	0.6

Source: own elaboration.
[a/] In Million; based on CELADE/ECLAC
[b/] Annual average for the quinquennial terms
[c/] Annual regional average

It can be read from Table 4 that growth rates peak for all countries (but El Salvador) around 2015, thereafter increases slow down again[106]. Nonetheless, CELADE (2009) expects the Central American population to almost double between the years 2010 and 2050. Guatemala is responsible for most of this increase, considering it being the country with the largest share of the region's population already, and assumed to double its size from currently about 14.3 million people to almost 28 million by 2050. The remaining countries of the region are expected to grow considerably less: Costa Rica is estimated to face a 40% growth, El Salvador only 30%, Honduras about two thirds, and Nicaragua one third.

In the anterior model, economic and population growth was assumed to cancel each other out to some degree. This assumption is checked now to the extent that, just as population numbers change, GDP cannot be expected to remain at the current level in another 40 years. A look at GDP growth rates over the past 40 years (e.g. World Bank data) corroborate this expectation. However, it is not only highly complex to predict GDP change over this comparatively long time (as the latest crisis painfully demonstrated), but also very unreliable,

[106] For the actual numbers and a more detailed account refer to Appendix E.

especially in a globalized context of high fluctuation and volatility. Taking these shortcomings into account and keeping in mind the general drawbacks of GDP as a reliable indicator of the economic situation of a country, this paper in its pragmatic spirit uses a very rough approximation to future GDP, based on forecasts by the Economists' Intelligence Unit (EIU) and past accounts by the World Bank/IMF[107]. To be sure, the study adopts a rather conservative estimation of a constant 3% annual growth, slightly below EIU world growth estimations, but far below its numbers for Costa Rica e.g., which up to 2030 reach 3.8%, and even further from average growth rates for the past half century oscillating around 4.8%.

Table 5 estimates the annual costs of the Incremental Implementation model, on the basis of population and GDP growth estimates for the next 40 years. Besides the described Youth Component, it includes a remedy for the alleged delayed impact on reduction of inequality and other important "side" effects in this scheme compared to the Five Phases Model. It ameliorates this problem by the timely introduction of a second and parallel "optional" component to its structure, namely a universal, unconditional and non-contributive old-age pension scheme for citizens older than 65 – which would arguably function much like Phase Three of the above model[108] – the Elderly Component. Albeit the two components independence, they are highly complementary, considering poverty is most pronounced among children and elderly.

[107] Growth estimates are included in Appendix E.

[108] It could even be conceived that the age limit can consecutively be lowered, parallel to the increase of age for receiving the grant from the lower part of the demographic scale. This way, the pace for feeling the positive impacts of redistribution, increased productivity and reduced poverty will be felt evermore, and faster. It has to be considered, however, that the costs for this component would be rising, taking into account the eventual aging of the population, while the growth rate for those of young age is expected to decrease based on the anticipated slow-down of birthrates

TABLE 5
DEMOGRAPHIC CHANGE AND COST PROJECTIONS BY QUINQUENNIAL TERMS 2010-2050

Costs as % GDP per annum		2010	2015	2020	2025	2030	2035	2040	2045	2050
Costa Rica	Youth [a]	1.15	1.26	1.3	1.29	1.25	1.17	1.08	0.98	0.87
	Elderly [b]	0.29	0.31	0.34	0.38	0.41	0.42	0.41	0.4	0.38
	Total Cost	1.44	1.52	1.64	1.67	1.66	1.59	1.49	1.37	1.26
	Total Population	31.8	37.6	43.1	48.3	53.2	57.2	60.2	63	65.8
El Salvador	Youth	2.01	1.91	1.82	1.76	1.67	1.58	1.46	1.34	1.22
	Elderly	0.47	0.45	0.44	0.43	0.42	0.41	0.4	0.39	0.37
	Total Cost	2.48	2.36	2.26	2.18	2.09	1.99	1.87	1.73	1.6
	Total Population	38.8	41.5	44.6	47.8	51	54.2	57.2	59.8	62.2
Guatemala	Youth	3.9	4.39	4.7	4.86	4.86	4.74	4.52	4.25	3.92
	Elderly	0.42	0.43	0.43	0.43	0.43	0.44	0.46	0.49	0.52
	Total Cost	4.32	4.82	5.14	5.29	5.29	5.18	4.99	4.73	4.44
	Total Population	45.9	52.8	58.4	63.1	67	70.4	73.4	76.4	79.2
Honduras	Youth	3.79	4.17	4.35	4.36	4.24	4.03	3.57	3.45	3.13
	Elderly	0.44	0.45	0.48	0.5	0.53	0.56	0.58	0.61	0.64
	Total Cost	4.23	4.62	4.82	4.86	4.77	4.59	4.33	4.06	3.77
	Total Population	41.1	47.2	52.5	57	60.8	64.3	67.3	70.4	73.6
Nicaragua	Youth	5.27	5.38	5.3	5.1	4.81	4.46	4.09	3.72	3.34
	Elderly	0.7	0.68	0.74	0.82	0.86	0.88	0.9	0.92	0.94
	Total Cost	5.97	6.05	6.05	5.91	5.67	5.35	5	4.64	4.28
	Total Population	39.1	43.2	47.4	51.3	54.8	57.8	60.8	63.8	66.8
Central America	Youth	3.23 [c]	3.18	3.19	3.13	2.99	2.81	2.55	2.37	2.14
	Elderly	0.46	0.46	0.49	0.51	0.53	0.54	0.55	0.56	0.57
	Total Cost	3.69	3.87	3.98	3.98	3.9	3.74	3.54	3.31	3.07
	Total Population	39.4	44.5	49.2	53.5	57.4	60.8	63.8	66.7	69.5

Source: own elaboration.
[a/] Based on populations growth estimations by CELADE (2009)
[b/] Based on GDP growth rate estimates by EIU (2011)
[c/] This number diverges from that for Phase 1 in the Five Phases plan because it constitutes an average of the individual country level costs, disregarding relative weight of countries in estimating the size of the youth component on the regional level

Table 5 thus shows the average annual costs over 5-year periods up to 2050, as well as the population covered in this period. Two clear and contrasting trends can be observed in Table 5: after topping around 2015, costs for the youth component tend to decline, due to the slowing down of birthrates, and simultaneously costs for the elderly component start to rise, grounded in the eventual aging of the population. Furthermore, these numbers also show that under this scheme, in ten years half of the population would be covered by the BI, for less than 4% of the region's GDP. Even more astonishingly, by 2050, 70% of the population would enjoy its coverage, for but slightly over 3% of GDP[109]. Moreover, these calculations do not consider program generated growth, which would arguably lower costs significantly (and will be treated in the next chapter). This does not make the Incremental Implementation model cheaper than the Five Phases scheme, though; rather, costs are highly overstated in the prior model by disregarding GDP growth, which this different distribution of costs illustrates.

Which implementation scheme should ultimately be preferred will depend on the possibility of assuring consecutive implementation of Phases, favoring the first option with its "faster" benign impacts. Can such a flow not be assured for political or financial reasons, the incremental option might yield better results. Hence, not for all countries might the same scheme be the most convenient. Presenting both allows for the countries in question to "choose" whichever they deem more adequate. Independently of their underlying differences, both options allow for the coverage of the socially and economically most vulnerable part of the population and simultaneously that with the biggest impact on future productivity and security, first, followed by incorporation of the other groups by decreasing urgency. At the same time, these implementation configurations allow for a gradual transfer from existing conditional programs to the new universal scheme[110].

Manifestly, in terms of efficient financing, the substantial cost of not-implementation needs to be considered for correct cost estimation: current status imposes large financial burdens on the state and hence a small part of the population in the formal sector paying taxes, while social costs in terms of poverty, inequality, migration, lack of health, education and life options of the population, and opportunity costs related to persistently low productivity and competitiveness, circumvent the countries' attempts to improve quality of life for their citizens. Concomitantly, these factors obscure the *real* costs of containing the status quo. Conclusively, thus, it has to be remarked that a program covering 70% of a regional population with a grant that guarantees an existence above extreme poverty for a cost of about 3% of GDP indicates

[109] To estimate a "worst case" scenario calculations have also been run with 1% and 2% growth rates. In the former case, Costa Rica will face a cost of 1.29 for the inclusion of 63% of its population; in the latter case Nicaragua for instance confronts 4.94% of GDP for the including 67% of its population.

[110] Should existing transfers exceed the BI level, both programs can be thought of as a complementary support rather. Beneficiaries will continue receiving the same support (or more), while the –so far excluded – rest of the population will be integrated into the program.

cost-efficiency, especially with view to conditional programs reaching less than 2% of the population (RNC) for a tenth part of GDP.

VII. FINANCING A REGIONAL BASIC INCOME

Little use is an effective and efficient program if it is not feasible. Hence this chapter is of great importance for it assesses feasibility of a BI, further investigating cost efficiency. The numbers presented above illustrated that should the whole program require the seeking out of "new" financing sources, cost burdens would be differentiated throughout the region, and extensive in some countries. Nicaragua, for instance, would face considerably high costs as percentage of GDP. However, this is no impediment to the proposal, especially considering several factors lowering the absolute cost size, that will be described in the following[111]. This chapter thus suggests and describes different sources for funding the scheme, both national and "extra-national", and endogenous and exogenous ones. They should not be regarded as mutually exclusive, but rather as potentially complementary.

A. ENDOGENOUS SOURCES AND THE MULTIPLIER EFFECT

Before considering any exogenous inputs, it should be taken into account that the scheme will, at least partially, create its own financing, through two main sources: program-generated growth and obsolescence of existing CCT schemes. Taking into account private household consumption levels of 84% on a regional average, growth rates induced by additional disposable income would be considerable and almost as high as initial investment[112]. Albeit exact numbers should be handled with caution due to their interdependence with numerous external factors, part of the costs could be covered by capitalizing on program-generated growth and rise in VAT-related government fiscal income through incremental consumption. After the initial round, conceivably as much as half the

[111] As Standing (2008: 25) holds, "the cost of cash transfers is not the primary issue, since even poor countries could afford modest schemes, and most could do so if more aid were diverted to that end". This statement encapsulates various important aspects. For one, costs are relative, considering the extensive positive impacts on the entire population implementation of the proposal would have. Secondly, countries can adapt the transfer level to their capacities, like proposed in this paper. Thirdly, considerable monies will be freed from other programs that become obsolete, and should be employed first (Huerta 2008), for instance transfers by the Guatemalan MIFAMPRO program and the remaining countries' counterparts.It has to be emphasized at this point that, even though parts of the money used for these programs could be transferred to a basic income, financing the latter will not divert resources from the current system related for instance to education or health beyond the reach of a BI, but substitute any conditional subsidy for an unconditional one should the former be lower (ibid). Fourthly, costs need not be burdened by the issuer state only (foreign aid could be employed). Finally, opportunity costs need to be accounted for – in other words: it is always a question of priority.

[112] Saving rates are likely to increase by some amount, lowering average household consumption rates somewhat. Nonetheless, they are likely to remain high considering the rather low level of transfer in absolute terms.

costs could be covered by the created growth. Upon inclusion of the entire population, autochthonous regional average growth is expected to exceed 7%, though large national differences prevail due to differences in investment[113](Krozer 2010).

TABLE 6
EXPECTED GDP GROWTH GENERATED BY A BASIC INCOME IN CENTRAL AMERICA

Expected GDP growth (%) per country	Phase One	Phase Two	Phase Three	Phase Four	Phase Five
Costa Rica	0.6856	0.5149	0.1762	0.3388	0.9946
El Salvador	1.9215	1.2444	0.4453	0.6222	1.8666
Guatemala	3.3698	1.6484	0.3573	0.5846	2.1599
Honduras	2.9293	1.6955	0.3423	0.6129	2.3800
Nicaragua	4.7093	2.9211	0.6279	1.1193	4.2725
Central America	2.6152	1.5790	0.4179	0.7062	2.3916

Source: Krozer (2010).

Either way, real net costs of the proposal arguably will be considerably lower due to the lack of inclusion of "second-round" positive effects of a BI (Haarmann et al. 2008): if it were to lower demand for (public) health services due to an improvement in the health status of people receiving a BI, public expenditure cost of health services would decrease. Likewise, BI-boosted local economic activity would further raise economic growth and GDP.

The other main endogenous source lies in the scheme's freeing of substantial monies from existing CCT programs that become obsolete. Garfinkle et al. (2003) have compared four BI proposals for the US[114], finding that three of them could be financed ("offset") exclusively by the means-testing programs in place today which they are to substitute, i.e. they are self-financing; only the fourth, most ambitious proposal would require additional taxation of about 5% of gross income for all citizens. Albeit such a result might be too ambitious for CA, recalling Costa Rica's 39 social assistance programs helps to understand the importance of these sources for financing. Moreover, it has to be kept in mind that the US proposals revolved around a monthly transfer level of over US$400; the present scheme would not reach US$30.

[113] Besides Costa Rica (2.7%) and Nicaragua (13.65%), the remainder of countries lies around 7%.
[114] The "Standard Plan" consisted of transfers of $2175 per year for underaged, $4000 for adults, and $8000 for pensioners

B. PORTFOLIO FINANCING

Should additional funding be required, it is recommendable to finance the program out of different, independent input sources to avoid a pro-cyclic structure that is overly related to the general wellbeing of the countries' economy, i.e. can pay more in times of upturn when generally more resources are available, and in logical consequence, less in times of economic slum, when they are most needed – as happened in Costa Rica in the beginning of the decade (Durán Valverde 2002). To assure risks of default of any one source are bundled effectively, countries in the region do not have to rely exclusively on internal sources, but could combine these with international cash flows, and maybe regional funds. This combination would, especially in the initial years of implementation, alleviate costs and concurrently minimize risks of such extensive a program (Krozer 2010). In the case of the Mexican *Oportunidades* program, for instance, between the years 2005 and 2009 almost half of financing lay with the IADB (IADB 2006)[115]. To ameliorate start-up costs, a regional BI program could thus be co-financed with partner countries' ODA, international and intergovernmental organizations such as the IADB or World Bank. Conceivably, a percentage of national finance could be specified, leaving the remainder to be financed through international transfers[116]. By this token, an additional advantage of a partial financing through donor countries lies in the program's capacity to link transfers from North to South (international) to transfers from wealthy to poor in the South (national). This way, the program simultaneously addresses national and international inequality (Howard 2007). As distribution becomes more equal, poverty declines, and tax base rises/evasion diminishes, own full financing should be considered with view to potential effects of global crises, and dependency issues more generally, initiated by a phasing-out over time of international funds.

C. TAX RESOURCES

As a matter of fact, a BI could be almost exclusively financed through a more efficient and just tributary system, in combination with the state subsidies systems in place today. To achieve this,

[115] $1200 Million versus $1650 Million paid by the Mexican State.

[116] It could for instance be established for each member country to direct four percent of its GDP (roughly the total cost for Costa Rica), divided over the individual phases, to the program. Alternatively, phase-bound thresholds of between 0.5-1% could be considered. This way, again, responsibilities are "equal but differentiated" for the individual countries and ensure ability to proceed with the scheme irrespective of their different income levels (Krozer 2010).

first and foremost, a tax reform based on equity is needed, and tax evasion end elusion must be combated strictly (Krozer 2010). This point is of utmost importance, considering that for Costa Rica, for instance, evasion represented 3.6% of GDP in 2009 (Mayorga 2010) – an amount only slightly inferior to the total cost of the BI system proposed to cover the entire population. The situation invites to assume that in the region's remaining countries evasion lies at similar or even higher levels[117], and thus impacts even more on redistribution policies of governments, reaching levels that could cover the costs of the proposal (Krozer 2010). Incidentally, El Salvador faces a situation where only 1-3% of its companies are tax registered (IADB 2010). This describes a *de facto* subsidy, or transfer, for (big) companies. When recollected, it could be counted towards the "disposable resources" for a – comparatively infinitesimal – cash transfer to citizens instead (del Val 2007). This requires, however, for tax systems to be simplified greatly, and hurdles and time required to comply with tax regimes, decreased (Krozer 2010).

With complexity reduced, improving income tax collection, especially towards the higher income spheres, becomes paramount for efficiently financing a BI (Huerta 2008). Independently of the final taxing threshold level that would have to be calculated on the basis of unavailable updated household data for the region, this way, as opposed to general resource and value-added taxes, it can be avoided to "charge" the poorest population disproportionately. The main advantage however of financing over income tax is that every citizen will be (tax) registered when applying for the transfer (ibid). Thus, the data base of the population will be enhanced; since the same tributary number is used, compliance with tax regimes can be controlled easily for any commercial or financial transaction. Beyond serving currently scarce demographic research purposes, this base will restrain tax evasion. This way, a positive self-reinforcing cycle can be created, and every proposal for a BI, would, generally and innately, also become an appeal for a more efficient, and just, tax system.

Howard (2007) calculates that a doubling of tax rates of top 10% of income earners for the NAFTA region would allow for a BI of US$1,000 per person in the region. While it might turn out to be sufficient for tax exemptions and tax credit programs to be abolished for complete

[117] ICEFI estimates that in El Salvador and Guatemala evasion levels represent 3.2%, and 5.4% of GDP, respectively, with levels of income tax evasion lying at 63.7% in Guatemala (Observatorio Fiscal no. 115).

coverage, such calculations imply that a modest increase of tax level for the upper decile would suffice to finance the greater part of the transfers for a much lower transfer level[118]. Notwithstanding, it might turn out “cheaper” to fund a BI through expenditure taxes, considering the small size of the population included in the income tax-paying formal labor force. To avoid the above-mentioned problematic of overcharge of the poor, an exemption for basic foodstuff could be envisaged. Moreover, other forms of taxation could be considered, including value-added, resource, inheritance[119] and private sector profit tax, the latter based on the rationale of companies’ strong impact on existing inequality patterns[120] (Huerta 2008)[121].

D. REGIONAL FUND

Another conceivable option for finance is the establishing of a regional fund. Senator Suplicy (2007) suggests for the case of Brazil the introduction of a fund similar to the one financing *Bolsa Familia* today, which receives 0.08% contribution of all financial transactions in Brazil[122]. It could thus be imagined to create a similar, regional fund for CA, financed through a transaction, resource, or even income tax (Krozer 2010)[123]. This regional option could foster unification and a sense of commitment among the countries, while addressing intraregional inequality much more effectively (ibid). Through the imposition of regional control, moreover, capture by local politics can be avoided.

On a different note, accounting for the urgency of environmental action in the region related to hazard and climate change, as well as the adverse impact large program-generated growth could have in the long run on the already devastated region, the proposal of an Energy Tax (Howard 2007)[124], applied these days by Iran in terms of financing its transfers through oil

[118] For the case of Central America, the upper/lower income deciles ratio is arguably larger than in most other regions, allowing for significantly lower necessary top tax rate, or higher BI.

[119] For an interesing proposal of BI finance based on inheritance tax see Le Grand 2003 p.102

[120] He holds that until the mid-1990s, income distributional changes where mostly determined by salary differences, while towards the end of the decade, the determining factor started to become private sector and entrepreneurial activities rents, which are held to be the decisive part of the explanation of inequality.

[121] For a more comprehensive list of possible additional (national) sources see Pereira 2010, p. 22-24.

[122] Pereira 2010, p.15 ff. offers an overview over different countries’ funds and their input source.

[123] Different options could be conceived of for the financing of this fund: it could be decided that everybody exceeding a certain income threshold has to pay a percentage, allocated to the fund (much like Howard’s suggestion of taxation for the higher income strata in North America), or that each country contributes with an agreed amount of GDP to the fund. The money could thereafter be distributed according to cost burdens as % of GDP needs of the participating countries.

[124] For details and calculations refer to Howard 2007, p.20.

tax, should be further explored. This suggestion, be it based on a petrol, carbon or other resource tax of reasonable size[125] for the region, could be applied grounded in a GPD-based contribution by each state (Van Parijs & Vanderborght 2001, in Howard 2007), with the advantage of encouraging energy efficiency. Despite this solution not being strictly "protective" of the environment, it could nonetheless, in combination with (environmental) education, mitigate impacts of hazardous production through encouraging responsible consumption on the one hand, and disincentivize use of non-renewable resources on the other (Krozer 2010). The magnitude of such a tax proposal might exceed the capacity and space of individual countries, hence standing the highest chance of being effective when applied on a regional level – as opposed to national – so as to discourage evasion through transnational transactions, and prompt acceptation among the population (ibid). Considering poverty's close link to environmental problems, crudely observable in the region at hand, an integral solution is forwarded in this context (ibid), requiring however further research.

In terms of political reasons, a coupling of poverty reduction and environmental protection issues could be highly recommendable. Howard (2007) declares that a program of this kind must have great appeal and generate positive feedback, considering it "is affordable without excessive cost for the better-off and… links reduction of energy consumption with economic justice and demographic stability" (Howard 2007: 3).

Summing up, for the region two different yet not mutually exclusive general directions could be imagined, national and regional finance, respectively, potentially supplemented by international aid. Contributions could be collected based on some form, or a combination of income, energy, wealth, and corporate profits taxes (Howard 2007).

The estimations presented defeat the claim that in the developing countries in general no universal system of social protection is financially feasible (Standing 2007). It has been shown that through a combination of input sources, as well as program generated growth and a more efficient tax regime, the costs calculated to be relatively modest compared to their reach, can be

[125] Were energy taxes really high, they would fall disproportionately on the lower deciles of the population, thus counteracting the actual intention of the program of redistribution.

covered, and in a highly efficient way. This holds especially considering that the problem of the region is not a lack of resources, but rather their distribution (Yanes 2008).

VIII. INSTITUTIONAL FRAMEWORK

The previous chapter established financial feasibility of a BI. The other main issue in connection with this aspect is the institutional feasibility, depending on three main themes: the practicalities, required state form and the political disposal to implementation. These aspects are thus investigated in turn.

A. REGISTRATION, ADMINISTRATION AND DISTRIBUTION

Few things need to be in place before initiation of a BI scheme, including registration, administration and distribution aspects; these are available in CA.

Considering registration, the incentives for parents to register their newborns are quite obvious. For listing of the existing population, most straightforward, yet with significant systemic risks, is the optional procedure of "everybody who registers receives" Iran plans to implement for its hardly approved, brand-new version of a national BI (BIEN 2010b). Under such a system of voluntary registration, however, asymmetric information problems, especially in rural areas, have to be taken into account and compensated for by special mobilization. Registration of the population for the program is not a minor issue. Numerous incentives for fraud can be conceived of, confronted with the situation of having to register for cash transfers (Krozer 2010). Biometric information like fingerprints, in combination with birth certificates or other identification can be used to ensure beneficiaries only register for "their" transfer[126].

Thanks to new and ever-improving technology, both administration and distribution of transfers could proceed over a centralized banking system directly (national or regional Central Bank), or alternatively be organized through municipality distribution. Namibia, having one of the most advanced yet simple and efficient systems of paying cash grants, can serve as an example. In relation with its old-age pension system employed, which is mimicked by the BI

[126] Standing (2008: 25) explains how Namibian authorities counter the possibility of fraudulent claims made on behalf of dead people: "[they] ingeniously introduced a burial insurance scheme within the pension; the pensioner, on registering to receive the pension, takes out a mandatory life insurance, whereby funeral costs are covered when he or she dies; application for the burial funds enables the authorities to cancel the card at the same time. Given the symbolic significance of decent burials and their cost, the insurance scheme has been found to be very successful in all respects".

pilot project applied in the Omitara region, every recipient receives an electronic card including names, ID, picture of the holder and a microchip with birthdate, fingerprints and additional information should it be deemed necessary[127]. Vans fitted with cash dispensers then drive to designated payout spots all over the country and the claimant only needs to place her card in the machine, identifying herself via fingerprint[128], to receive the cash (Haarmann & Haarmann 2007). Costs are equivalent to about 30 US cents per person per month, also remarkably low by comparison with other systems (Standing 2008). An alternative for the region would be the pay-out through the rural development banks for instance, considering their presence on the national level, or Postal Offices[129]. This system would have the enormous advantage of getting every recipient into the formal banking system, and enables the beneficiary to decide when, where, and how much of the grant she wishes to withdraw (Haarmann et al. 2008).

Finally, to allow citizens to institutionally claim their right to a BI, it needs to be constitutionally secured, like it is in Mexico City for the elderly, nationwide in Brazil and Iran now (Krozer 2010). Moreover, it needs to be equipped with the legal instruments necessary for citizens to be assured of its enforcement. This can be ascertained only if political authority for the program is not concentrated in the hands of a few individuals (ibid).

B. STATE FORM REQUIREMENTS UNDER A BASIC INCOME

Which requirements towards the state form would characterize a BI, and are these given in the CA of the early 21st century?

In the wake of the 1930 world economic crisis and the settling of the revolutionary unrest throughout prior decades Latin America witnessed the "birth" of renewed strong public sector activity in the social policy realm. Replacing classical liberalism, and formalized as a development theory in the mid-century by ECLAC, the policy bundle was henceforth known as

[127] That system additionally makes provision for a "procurator", a person appointed by the recipient who can receive the grant on behalf of her by means of fingerprint identification, should the person not be able to go collect it personally (Haarmann et al. 2008)

[128] The date and place for payout is then written on the microchip, for record keeping and to prevent double payment

[129] In fact, since July 2008, the Namibian Post Office was conducting the practical pay-out of the pilot project grant via its Post Office smart card saving account system. Every recipient of the grant thus received a savings account with NamPost into which the money is paid once a month (Haarmann et al. 2008).

"Latin American Developmentalism" (Draibe &Riesco 2007b). After presiding over state-led development for half a century, it was in the 1980s replaced by the neoliberal Washington Consensus (ibid). During the 20th Century, however, it coincides with the building of a, albeit "peculiar", form of Welfare State (WS) that ignored different levels and patterns of development, yet successfully played a leading role in modernizing the region (Draibe & Riesco 2007b: 44). Arguably, this contradicted the conventional "stages" view of social policy and development positing that specific policies may be structurally impossible or premature to adopt at certain levels of income[130]. Instead it showed that although structural constraints matter, social and economic policies for poverty eradication did not seem to require any prerequisites, and neither did a country have to pass certain stages inevitably before introducing them (UNRISD 2010). Moreover, comparing economic growth rates in the two respective periods of "developmentalism" and "neoliberalism", it is the former that by far outpaces the latter[131]. This experience proves that the main institutional requirement for a BI implementation is a determined public sector, or developmental state in some broad conception.

Returning to the Latin American WS, Draibe & Riesco (2007b) find it an institution "quite original in more than one sense". Besides the above, another "sense" might lie in the specific kind of regime unfolding in the region. Originally, the aim of any WS is to offer some control in an insecure environment by providing an institutional coverage against contingencies that affect its society's members (Lo Vuolo 1995). Pretending to augment people's degree of social security, which features prominently their income security, and in response to a market that, given its mechanisms, did not exterminate poverty by itself, the "classical" WS was erected, aiming at redistribution, combatting poverty's most extreme manifestations and creating a system of social protection (Raventós 2007)[132]. Accordingly, at the heart of any WS lies the dichotomy of social inclusion versus exclusion; the degree to which some promote inclusion more than

130 The empirical evidence used to support this view includes the fact that social expenditures seem to be highly correlated to levels of economic development and that, in rich countries, the sequence of rights secured followed a certain pattern – civil rights, political rights and then social rights (UNRISD 2010)

131 This paper calculates that for Costa Rica, e.g., developmentalism features average growth of 6%, while over the period of neoliberalism average growth reaches about 3.6%. Draibe &Riesco (2007b) mention a similar point by arguing that growth records of developmentalism are much brighter than neoliberalism's supposedly economy-friendly practices.

132 Lo Vuolo (1995: 17) defines the welfare state as a "combination of guidelines, explicit or not, that determine the forms and ways of *access* to the main social policy institutions, the characteristics of those actors that are included or excluded from this access, and the resources and strategies they might use to gain it (access)".

others is the central element for understanding the divergence between its respective forms (Lo Vuolo 1995)[133].

The procedure in a "conventional" welfare state, as for most current approaches to poverty reduction, is to treat the poor as a residual category requiring discrete policies (UNRISD 2010). Such treatment might be reasonable in a Scandinavian context, for instance; however, where a substantial proportion of the country's population is poor, it does not make much sense to detach poverty from the dynamics of development (ibid). In fact, in those countries that have been successful in augmenting well-being for the majority of their populations, a fall in poverty has had less to do with policies aimed purely and directly at poverty as such than with those pursuing much wider social objectives (ibid). Given this understanding, why is it that the strictly targeted programs continue so *en vogue* with policy makers in the region?

The answer to this (apparent) paradox lies in the particular conception of WS predominant in Latin America. Traditionally, Latin America has been plagued with particularism and vested interests in (social) policy making. When austerity programs and neoliberal reforms forced upon the countries reinforced these traits again (after the developmental period between ca. 1930-1980) (Huber 1996), as opposed to "traditional" regimes, the Latin American version consequently came to be a populist welfare state, in which social policy became something of a "marketing department who's only preoccupation lies in the selecting of its demand, identifying products and niches of what it defines as its market" (Lo Vuolo 1995: 34). Hence, in a WS context where the majority of the population is not covered by any protection system, the nominal "inclusive welfare" regime changes, quite cynically, into one of social *ex*clusion (ibid). Instead of a universal coverage, focalized assistance programs on a massive scale try dealing with the symptoms of this exclusion, without resolving the problem of a situation of underlying organizational principles of society that must be changed. This points towards a crisis of the status quo, where the institutional setup needed to reach fundamental values (such as inclusive

[133] An example here are the different types surging in Esping-Andersen's 1990 created notion of welfare regimes, splitting different welfare models into the categories of liberal, corporative and social democratic, a division which, according to some observers, seems to mirror Richard Titmuss' (1974) classical grouping into a "residual", an "industrial-meritocratic", and an "institutional-redistributive" model (Lo Vuolo 1995). These notions are not discussed in the present context since arguably the Latin American WS does not fit into any of the observed categories.

welfare) is losing consensus (ibid) since, albeit proving positive outcomes, means-tested programs still only come into action ex-post, i.e. after poverty has affected peoples' lives profoundly already (Cassadas 2007). This is so because anything involving means test is innately corrective; hence the Welfare State is characterized by "corrective redistribution" (Van Parijs 1995: 42).

The frustration with the current system, however, makes way for a new, different proposal, yet one which can stand on the base structure heritage from the prior system[134]. Throughout Latin America, there are distinct ways of coping with this problematic where the countries of the Southern Cone and Brazil at the time being seem to be ahead of the rest of the region. It remains to be seen which strategy will ultimately prove effective, but a traditional WS does not seem to be the only plausible option. This means that, to resolve such pathologies of exclusionary dynamics as poverty, under- and unemployment, and marginalization that exist at large scale, it is paramount not only to assist those affected – which could be summarized as the strategy of a traditional welfare regime – but *a priori* counter the exclusionary forces by searching for new operational ways to achieve a universal system radically different from those existing currently in the region (Lo Vuolo 1995). This subtle distinction points towards a susceptible intrinsic difference between a WS and a BI: albeit upholding similar values, as opposed to trying to deal with poverty when it already harms the victims, a BI scheme, by virtue of not being connected to any conditionality or means test, aims at poverty *prevention*, enabling it in an inclusive manner to tackle the problems social exclusion entails for the region. While based on a substantial critique of the assumptions underlying the institutional arrangements of the region's traditional WS, such a model would thus address both the problems of the old system and simultaneously recover the thinking of universal social inclusion. This discussion could be relevant in any welfare state context, but it is especially pertinent and urgent in CA, considering the vast scale of insufficient coverage and its multifaceted consequences.

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[134] The critique of the existing WS hence does not aim to destroy its values, but to build on and exceed them by implementing an institutional system which supplements the Bismarckian welfare state's aim of security and the Beveridgean model of solidarity, with the (Painean) notion of equity, and thereby outperforms the prior systems (Lo Vuolo 1995)

Conclusively, the institutional environment does not host important impediments to the installation of a BI. A WS in the present context is not a requirement nor an obstacle. What is necessary for poverty reduction instead, is effective state action and a sort of developmental state deciding on a "developmental contract" in Wade's (2009) understanding. Sustained progress in combating poverty requires effective states both developmental and redistributive (UNRISD 2010). Leftwich (2000) envisions developmental states as those that have the authority, power and capacity to work through, in and with the market economy, similarly to Wade's phrasing of their "governing" the market. To a greater or lesser degree the countries under consideration do all count with this requirement, albeit currently focussing their efforts on a different, exclusionary direction. The developmental states in the making here would not resemble those existing in other regions today as their emphasis would lie intrinsically and directly on enabling their populations to improve their welfare, and only instrumentally (and indirectly) on deals with the private sector, turning around the existing hierarchy of the past decades[135].

C. POLITICAL DISPOSITION

If then the institutional framework is favorable for the implementation of a BI, it remains to take a look at the political environment. Woolcock (1998: 182) suggests that a community's prospects for "effecting sustainable, equitable, and participatory economic development", which is what this proposal strives to promote, are low where "(1) class, sex, and ethnic inequalities are widespread, increasing and legitimated; (2) poverty is endemic, unchecked by social safety nets and difficult to escape through stable employment; (3) uniform laws are weak, unjust, flaunted or indiscriminately enforced; (4) politics are not freely and fairly elected or voters have few serious electoral choices; (5) dominant and subordinate groups have little shared stake in common outcomes; (6) war, famine, rampant inflation, disease, or chronic underemployment undermine a basic sense of order and predictability; and (7) minorities are overtly or covertly discriminated against." This is bad news for CA, as all seven factors can be observed, to a greater or lesser degree, in the region. Does this mean the proposal becomes unfeasible in political terms? Admittedly, the situation looks complicated. However, these conditions emerge historically, and in the same ways they might

[135] Self-evidently, this concerns only the policy area under consideration. In other realms, e.g. trade issues private sector negotiations *of course* continue featuring as the preeminent element.

erode a "community's stock of integration and linkages, and its organizational integrity and synergy" (ibid), they are apt to change over time. It is human agency (and luck) that plays the most important role in the idiosyncratic and context-specific process of acquiring "good" institutions (Rodrik 2004). Conceivably this means that it is political disposal and dedication that decide over feasibility beyond structural impediments on the long run. Van der Veen & Van Parijs (2006) assert that political feasibility (and hence willingness) depends to a large degree on what can be shown to make economic and ethical sense. This study has shown that a regional BI makes economic and social sense. Political feasibility should hence be achievable.

Removing impediments, in practical terms another issue needs to be raised. Recalling the definition of development at the outset, Leftwich (2000) emphasizes the primacy of politics and the state in development (as does UNRISD 2010). Due to the fact that the inevitable creation of winners and losers through redistribution of resources will cause disputes among groups, all *development* is inescapably political[136] (Leftwich 2000)[137]. Hence, advantage should be taken of the present "window of opportunity" (Draibe& Riesco 2007b) brought by the current situation of macro-political openness in the region. Disputes could further be mitigated by presenting viable intermediate reforms, or partial realizations of the proposed model to be instituted as stepping stones towards the full version in a (near) future (Wright 1999). This has been done in the present proposal. The issue then is that of creating majority political coalitions rallying around this model (ibid). Allegedly, this could prove the most difficult point in overcoming obstacles for an eventual implementation of the BI, not least because of the "complexity and ambiguity of the policy implications" of renewed developmental economics (Mkandawire 2000 in Draibe& Riesco 2007b: 74). However, recalling CA's integration process and agenda, the BI proposal offers the SICA a much needed unified strategy for the poverty eradication policy area making it an obvious ally.

[136] Leftwich defines *political* as "all the activities of conflict, cooperation and negotiation involved in the use, production and distribution of resources, whether material or ideal, whether at local, national or international levels, or whether in the private or public domains" whereby "achieving cooperation and negotiation is always harder where the differences between the interests, ideas and preferences have been sharp and hence less compatible" (2000: 5)

[137] Similarly, UNRISD's Thandika Mkandawire (2000, in Draibe &Riesco 2007b:74) even more clearly cautions that "social policy is a highly political process, touching upon power relations, access to resources and ideological predilections about the role of State and markets".

In sum, while political coalition building on a national level could prove tough but not at all insurmountable, the regional realm would profit tremendously from embracing the regional BI proposal, and its political climate can be considered prosperous for this venture. Political feasibility can thus be imputed.

IX. CONCLUSION

This study initiated by asking whether, how and why a Basic Income could reduce the problem of persistent extreme poverty in Central America at the outset of the new century. It hypothesized that it would do so in an effective and efficient way, and more so than currently employed schemes. After a careful analysis of existing and generated data, the study concludes that indeed a Basic Income as presented here, in accordance with the postulated hypothesis, would be highly effective reaching its target population and lifting it out of extreme poverty, and do so efficiently due to low operational costs and a combination of endogenous and exogenous sources of finance. The investigation further finds that as a program, because of its universality and unconditionality, it would also be more effective in both direct poverty reduction and addressing related problems of the region being high violence, informality and corruption levels, and issues related to social cohesion, public health, education and empowerment, than currently existing targeted and conditional programs. Concurrently, it discovers that although existing numbers ascribe a BI lower costs, i.e. support a BI's superior cost efficiency compared to existing programs, this point would require further scrutiny once more reliable data on existing programs' costs to the public entities in the region is made available. The study continues to show that the proposed scheme is not only desirable, but also feasible in economic/financial, and practicable in institutional terms, which include practical issues such as distribution of transfers as well as institutional disposition on the national and regional level, to conclude that political willingness and aptitude of coalition building are exposed as the only serious potential threat to feasibility.

The findings hence lead to the acceptance of all postulated hypotheses, with the caveats on efficiency and feasibility just described. The thesis moreover elaborates *how* a BI would be most effective, proposing two alternative implementation schemes between which to choose on the basis of the respective local conditions, both starting with the coverage of the most vulnerable parts of the population: the Five Phases plan could in principle cover the entire region in 5 years, while the Incremental Implementation model would take around 60 years to reach full coverage, but do so at very low incremental costs.

The case presented thus argues for the possibility to eradicate extreme poverty in the region of Central America through the implementation of a universal, unconditional cash transfer to all citizens. Such a scheme would establish a paradigm change in development policy thinking in the region, in so far as it moves away from both conditionality and means-testing on the one hand and charity and "altruism" on the other, towards a rights-based, "preventive" approach. As such, it would mark a strategic turn in socio-economic development for the region (Huerta 2009). Depending on political willingness, other – including more ambitious – regimes could be imagined and feasible (Krozer 2010). This study should thus be viewed as a starting point for further elaboration that can be expanded in its conceptual trajectory from a regional extreme poverty eradication program towards (eventually) a dignified income on a level comfortable enough to guarantee a reasonable and ethical living standard for everybody in the region – and beyond (ibid).

Self-evidently, it has to be kept in mind that a BI is a policy, not a universal panacea[138]. Instead of being blamed for not resolving *all* issues directly, however, it needs to be embedded into a compelling framework of other policies and broader politics. There is therefore, in view of the considerable difficulty attainment of a political coalition on the national and regional planes promises to become, the need for daring yet responsible politics in the region (ibid). This study shows that a regional BI could be the starting point for a profound, constructive change towards a more equal society, rectifying the long-standing, disastrous legacies of poverty and inequality in the region. It would put an end to the payment of pure lip service to the "most important promise ever made to the world's most vulnerable people" (UN 2010), and effectively eradicate extreme poverty.

[138] Other pressing issues, for instance of highly skewed distribution of land ownership which is difficult to transform without radical land reforms (UNRISD 2010), would only be indirectly/peripherally touched by a BI.

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APPENDIX A:
A BASIC INCOME COMPARED TO RELATED TRANSFER PROPOSALS

Three of the most prominent (nearly universal or nearly unconditional) alternative proposals are contrasted with a BI.

A. NEGATIVE INCOME TAX

Philippe van Parijs (1995) compares the Basic Income proposal to that of a Negative Income Tax:

The concept of universality epitomized by the absence of a means test, i.e. the transfer being paid irrespective of the receiver being rich or poor, describes essentially the option of an *ex ante* payment, as opposed to an *ex post* scheme of a negative income tax (NIT), as proposed/advanced by scholars such as Friedman (1962), which is rooted in a number of important advantages of an otherwise (equally) unconditional income. Although both approaches at first sight might seem similar, considering that the same post-tax-transfer income could in principle be achieved by both, a BI's absence of a means test bears three distinct advantages: for one, a NIT would have to be supplemented by a scheme of advance payment considering the time lag of the tax declaration, unless people should be starving the first period of implementation while tax administration calculates their entitlements. Such a scheme would surely suffer from lower take-up rates than a simple BI, whether for reasons of "sheer ignorance or confusion" the scheme might create (Van Parijs 1995: 35). The second point centers around what he identifies as "a contingent promise of corrective transfers" for a NIT, as opposed to a sum of money tangibly there for the receiver – a relevant distinction feature in terms of confidence of making use of the options inherent in the respective budget-sets (ibid). Concretely, this difference transcends in a further aspect of the "unemployment gap", (strangely enough) often overseen by economists, that Van Parijs denominates the "liquidity trap": what deters people (in the poverty trap) from taking up work often lies in "the uncertainty involved in renouncing a safe and regular benefit as a result of taking up a job which they may soon prove unable to keep or to bear" (1995: 36). In third instance, the necessary supplement advance scheme for a NIT makes its administrative costs rise substantially, and thus more expensive for any given level of income granted than a BI. the point is even further epitomized due to a NIT's higher administration costs associated with information and control costs. Additionally, "although a NIT could be individualized, it operates most naturally and is usually proposed at the household level"; thus, even if the inter-household distribution of income were exactly the same under a NIT and a corresponding BI, the *intra*-household distribution will be far less unequal under the BI – a fact presumably especially pertinent to the female household members, which tend to be the lower income earners (critically so in a CA context) (Van Parijs 2000 quoted in Raventós 2007: 147).

B. PARTICIPATION INCOME

A different, but related proposal is Anthony Atkinson's "Participation Income":
Put forward by Atkinson (1996), the participation income is an allowance paid to "every able-bodied person who engages in some kind of activity that is deemed to be socially useful" (Raventós 2007: 148), including voluntary, remunerated, and domestic work, as well as training. Raventós "accuses" Atkinson smirkingly of having made a "tactical" move when proposing his scheme, conceptualized to "neutralize or reduce resistance to the totally unconditional nature of BI in some circles" (ibid)[139]. "In these strategic terms, the difference of coverage between a participation income and a BI would not be very great because only the percentage of the population that does not want to do anything at all would be left out" (ibid). Nonetheless, this scheme would still unavoidably require selecting for eligibility, monitoring and inspecting tasks over potential beneficiaries, making this proposal far more costly than a BI: "If part of the population is to be excluded, however small it is, this would require a lot of administrative work to determine who should be the beneficiaries" (Raventós 2007). Similarly, any division into beneficiaries and non-beneficiaries would arguably encourage petty fraud since it would hardly be difficult to pretend to be engaged in *some* form of work in the broad sense applied here in order to qualify for the benefits (ibid).

C. STAKEHOLDER GRANT

Another (albeit further) relative to the BI family is the Stakeholder Grant (SG):
Ackerman & Alstott's proposal has been layed out briefly above. This scheme is actually applied today, albeit in slight variations to the proposal introduced here. "In other variations, in some European countries – Belgium with its *prime de naissance* and the United Kingdom with its Child Trust Fund, popularly known as the 'baby bond' a nest-egg is received by children at birth, although under certain conditions and in different forms, to be at their disposal when they are of age" (Raventós 2007: 148).
It might at first sight seem that the whole difference between BI and the Stakeholder Grant lies in the fact that the former would be received in regular periodic (usually monthly) payments from the cradle to the grave however long the person lives, while the latter is a one-off endowment of a particular amount (Raventós 2007). However, Raventós holds that the divide actually is much deeper than this. "In fact, it would be possible to convert a stakeholder grant into a BI or BI into a SG (the amount of the SG at a certain interest rate and for a certain number of years would be 'equal' to a BI at so much per month, while a BI systematically transferred into a savings plan at so much interest would 'equal' an amount designated for a SG after so many years)" (Raventós 2007: 148). However, "from the republican point of view, I believe that BI has much more to offer" (Raventós 2007: 148). Raventós (ibid) continues that "Given the existing socioeconomic

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[139] "In order to secure political support", Atkinson (1993a) argues, "it may be necessary for the proponents of basic income to compromise. To compromise not on the principle that there is no means test, nor on the principle of independence [i.e., the idea that no one should be directly dependent on any particular person or group], but on the unconditional payment" (Van Parijs 2003: 21)

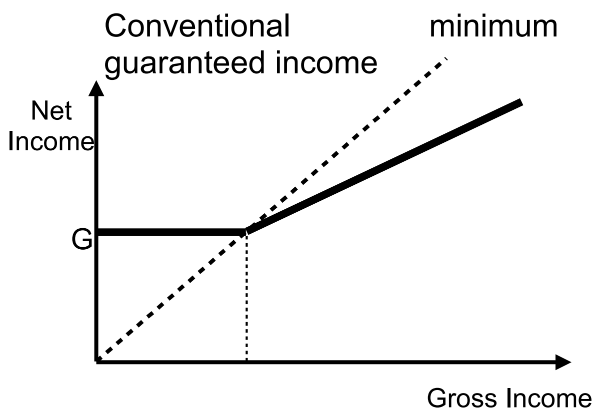
conditions of the new century, if it is accepted that BI can be an institutional mechanism and if the aim is to guarantee the material existence of all citizens (and accredited residents), the appeal of BI is very great". Reiterating some of the advantages of a BI such as material independence for women, the possibility of combining the three kinds of work (work in the job market, domestic, or voluntary work), increased bargaining power for workers and the resistance fund in case of strikes, the (partial) decommodification of the labor market and others, a "BI would be much more effective in opening up these possibilities than the SG, which is designed more to offer people better conditions for playing a role in the market than to deal with all these other issues" (ibid). In Van der Veen's words (2003), the idea of a SG appeals to the American dream of emancipation through entrepreneurship.

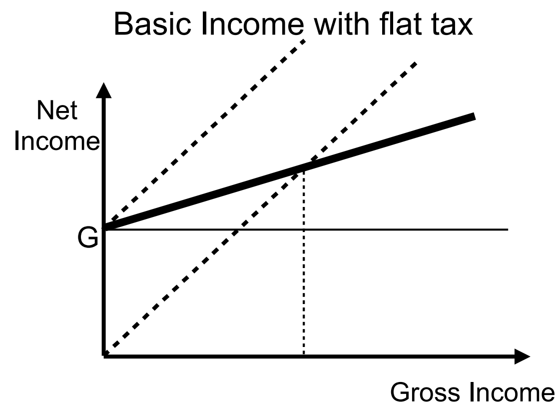
APPENDIX B: ON INFORMALITY

This discussion is based on Lo Vuolo (2008):
It is difficult to define the (umbrella) term/concept of “informality” precisely due to the heterogeneity of groups included under this label. Originally employed by the ILO as to signify a specific relationship between public policies and the economy, the practical objective of the term's usage was to include a group of activities hardly integrable under a Keynesian virtuous circle conception that included, *inter alia*, small-sized firms, absence of regulations, use of labor intensive technologies, emerging in developing countries. It was believed that as development proceeded, the informal would assimilate into the formal, opening an active field of State inquiry to “formalize” informality by means of public policies. this conception of the term changed. In the 1970s and 1980s, the problem of informality was associated with long-run macroeconomic policy, and supposed to be solved by usage of social policy. In the late 1980s, however, informality became to be regarded as a virtuous phenomenon and poverty reducing, leading to a support of social policy to the *informal* sector. In the 1990s, then, the idea of “managing” and alleviating poverty through the informal sector arose, due to the now prevalent view of poverty being a structural and thus persistent problem of Latin American societies. The Social Liberal conception of informality describes it as everything outside the law, and in the attempt to reduce the informal sector, “distorting” state intervention is intentionally reduced with it. In opposition to these – conflicting – perspectives, the original Structuralist analysis of the informal sector stresses that it is not excessive state presence *or* absence that generates informality, but the result of a specific relationship between state and society, encompassing in the Latin American context a limited respect for the law, accepted by society as a whole, which strongly rests on extra-legal norms and procedures – making informality a stable and settled component of the region's welfare regime. Informality is thus not to be reduced to certain labor market characteristics, but rather to be seen as a historical result of an accumulation regime that integrates the persistence of barriers, underemployment and other labor market pathologies, into their expected profit rate. Consequently, informality does not constitute a question of state (size), but instead represents a particular “regulation mode” between state, informality, society, and other institutional forms forging social reproduction on the basis of fragmented labor markets, inequality and poverty. Informality could thus be considered the “modus operandi” of society, producing and produced by the state, society, and the economy.

APPENDIX C:
THE UNEMPLOYMENT TRAP

FIGURE 2
GROSS AND NET INCOME UNDER DIFFERENT TRANSFER SCHEMES





Source: adapted from Van Parijs (2003)

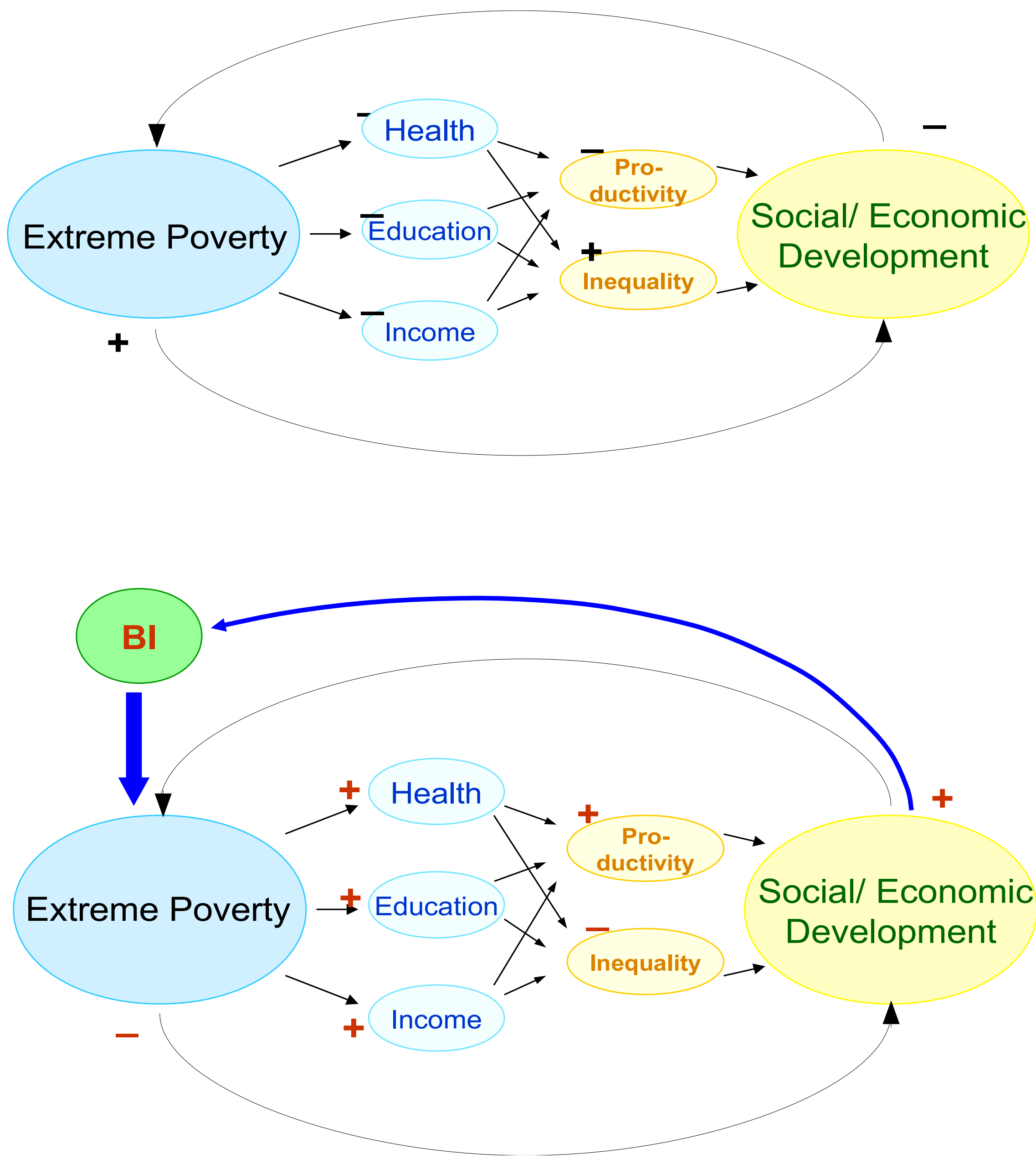
By means of a stylized representation of the way in which these processes convert gross income into net income, Van Parijs (2003) illustrates the difference in functioning of a conventional minimum income and a Basic Income, respectively. Horizontal and vertical axes correspond to gross and net income (i.e. disposable income after taxes, contributions and benefits), respectively. The 45° line represents what net income would be if there was no redistribution at all. The bold curve shows a person's net income change with tax and transfer schemes[140].

It can be appreciated that net income for the poorest part of income earners will be much higher under a BI scheme than under a means tested program (illuminating the workings of the unemployment trap), even under a flat tax (i.e. non-progressive tax). The transfer level is denoted with G. Just how much higher the level will be depends on the tax rate applied, as indicated by the slope of the bold line.

[140] For sake of convenience the figure isolates the essential features of each scheme, abstracting from any public expenditure other than the redistribution scheme under consideration and from the corresponding taxation. Likewise, focus lies on the case in which all households consist in one single adult.

APPENDIX D:
BREAKING THE NEGATIVE REINFORCING LOOP OF EXTREME POVERTY AND SOCIAL AND ECONOMIC DEVELOPMENT

FIGURE 3
POVERTY LOOP DIAGRAM



Source: own elaboration.

This loop diagram shows the mutually reinforcing relation between Extreme Poverty and Social and Economic Development, respectively. Incidentally, the upper loop explains that Extreme Poverty will lead to less Social and Economic Development which again will lead to more Extreme Poverty, and so forth. If dissembled into some of its integral components (those chosen here are to be seen as examples, others could have been included instead) it becomes clear that Extreme Poverty leads to less health, education and income, which leads to less productivity and more inequality, which again lead to less Social and Economic Development (these factors can be taken by themselves or together as a package, the result is comparable).

What happens now when a poverty reduction program is included?

Under a conventional (conditional) program, not much changes for the loop. This is because these programs usually attack one (or several) of the factors *within* the outer "circle of extreme poverty": if health, for instance, is improved, this might have positive spillover effects for the other aspects, but most likely will not be able to break out of the reinforcing loop.

Under a BI, on the other hand, something different would happen: when unconditional universal cash transfers are injected "into" Extreme Poverty, it directly and by definition becomes less – less Extreme Poverty leads to more Social and Economic Development, which then will lead to more capacity for a (larger) BI, which further reduces Extreme Poverty and so forth. Also disentangling the factors composing the outer circle, it can be observed that they will change sides: less Extreme Poverty leads to more health, education and income, which leads to more productivity and less inequality, which furthers Social and Economic Development even more. Thus, a BI is able to interrupt the vicious poverty cycle and convert it into a virtuous cycle of development. It is a comprehensive program approaching the problematic from an inclusive perspective, instead of struggling with its components.

APPENDIX E:
DEMOGRAPHIC CHANGE AND COST PROJECTIONS

These calculations refer to the above discussed implementation scheme of the Incremental Implementation model for the respective countries.

COSTA RICA: DEMOGRAPHIC CHANGE AND COST PROJECTIONS BY QUINQUENNIAL TERMS

year	2010	2015	2020	2025	2030	2035	2040	2045	2050
TOTAL population	**4 639 042**	**4 962 203**	**5 255 105**	**5 526 287**	**5 767 196**	**5 975 102**	**6 147 705**	**6 283 473**	**6 382 912**
5-year growth	**1743870**	323161	292902	271182	240909	207906	172603	135768	99439
annual	**43597**	64632	58580	54236	48182	41581	34521	27154	19888
5-year% increase	**37.59**	6.97	5.9	5.16	4.36	3.6	2.89	2.21	1.58
Annual %	**0.94**	1.39	1.18	1.03	0.87	0.72	0.58	0.44	0.32
0-14 (2010)	1174897								
BI eligible	1174897	1498058	1790960	2062142	2303051	2510957	2683560	2819328	2918767
% population	25.33	30.19	34.08	37.32	39.93	42.02	43.65	44.87	45.73
65+x	300036	369940	472524	608979	766077	908734	1017726	1141359	1279808
change		69904	102584	136455	157098	142657	108992	123633	138449
% population	6.47	7.46	8.99	11.02	13.28	15.21	16.55	18.16	20.05
both total %	**31.79**	**37.64**	**43.07**	**48.33**	**53.22**	**57.23**	**60.21**	**63.03**	**65.78**
COSTS:									
monthly/cap($)	27								
GDP expected 3%	33,180.00	38464.71	44591.15	51693.36	59926.77	69471.55	80536.57	93363.96	108234.41
Youth component / year	380666628	485370792	580271040	668134008	746188524	813550068	869473440	913462272	945680508
% GDP	1.15	1.26	1.3	1.2924948	1.25	1.17	1.08	0.98	0.87
Elderly component /year	97211664	119860560	153097776	197309196	248208948	294429816	329743224	369800316	414657792
% GDP	0.29	0.31	0.34	0.38	0.41	0.42	0.41	0.4	0.38
TOTAL $	**477878292**	**605231352**	**733368816**	**865443204**	**994397472**	**1107979884**	**1199216664**	**1283262588**	**1360338300**
%Total	**1.44**	**1.57**	**1.64**	**1.67**	**1.66**	**1.59**	**1.49**	**1.37**	**1.26**

GDP 1% growth:	49400.5
% youth component	**1.91**
GDP 2% growth:	73262.76
% youth component	**1.29**

Source: own elaboration on the basis of CELADE (2009) population estimations.

EL SALVADOR: DEMOGRAPHIC CHANGE AND COST PROJECTIONS BY QUINQUENNIAL TERMS

age group	2010	2015	2020	2025	2030	2035	2040	2045	2050
TOTAL population	**6 192 482**	**6 381 189**	**6 615 907**	**6 893 368**	**7 171 732**	**7 439 093**	**7 685 645**	**7 909 012**	**8 110 521**
5-year growth	**1918039**	188707	234718	277461	278364	267361	246552	223367	201509
annual	**47950.98**	37741.4	46943.6	55492.2	55672.8	53472.2	49310.4	44673.4	40301.8
5-year% increase	**30.97**	3.05	3.68	4.19	4.04	3.73	3.31	2.91	2.55
Annual %	**0.77**	0.61	0.74	0.84	0.81	0.75	0.66	0.58	0.51
0-14 (2010)	1952046								
BI eligible	1952046	2140753	2375471	2652932	2931296	3198657	3445209	3668576	3870085
% population	31.52	33.55	35.91	38.49	40.87	43	44.83	46.38	47.72
65+x	453162	510039	572923	643149	729351	833129	948662	1059878	1176436
change		56877	62884	70226	86202	103778	115533	111216	116558
% population	7.32	7.99	8.66	9.33	10.17	11.2	12.34	13.4	14.51
both total %	**38.84**	**41.54**	**44.57**	**47.82**	**51.04**	**54.2**	**57.17**	**59.79**	**62.22**
COSTS:									
monthly/cap($)	18.75								
GDP expected 3%	21,810.00	25283.77	29310.82	33979.27	39391.29	45665.3	52938.59	61370.34	71145.04
Youth component / year	439210350	481669425	534480975	596909700	659541600	719697825	775172025	825429600	870769125
% GDP	2.01	1.91	1.82	1.76	1.67	1.58	1.46	1.34	1.22
Elderly component /year	101961450	114758775	128907675	144708525	164103975	187454025	213448950	238472550	264698100
% GDP	0.47	0.45	0.44	0.43	0.42	0.41	0.4	0.39	0.37
TOTAL $	**541171800**	**596428200**	**663388650**	**741618225**	**823645575**	**907151850**	**988620975**	**1063902150**	**1135467225**
%Total	**2.48**	**2.36**	**2.26**	**2.18**	**2.09**	**1.99**	**1.87**	**1.73**	**1.6**

GDP 1% growth:	32472.12
% youth component	**2.68**
GDP 2% growth:	48157.35
% youth component	**1.81**

Source: own elaboration on the basis of CELADE (2009) population estimations.

GUATEMALA: DEMOGRAPHIC CHANGE AND COST PROJECTIONS BY QUINQUENNIAL TERMS

Age Group	2010	2015	2020	2025	2030	2035	2040	2045	2050
TOTAL population	**14 376 054**	**16 194 849**	**18 075 764**	**19 984 461**	**21 832 445**	**23 581 806**	**25 205 051**	**26 680 884**	**27 990 703**
5-year growth	**13614649**	1818795	1880915	1908697	1847984	1749361	1623245	1475833	1309819
annual	**340366**	363759	376183	381739	369597	349872	324649	295167	261964
5-year% increase	**94.7**	12.65	11.61	10.56	9.25	8.01	6.88	5.86	4.91
Annual %	**2.37**	2.53	2.32	2.11	1.85	1.6	1.38	1.17	0.98
0-14	5968673								
BI eligible	5968673	7787468	9668383	11577080	13425064	15174425	16797670	18273503	19583322
% population	41.52	48.09	53.49	57.93	61.49	64.35	66.64	68.49	69.96
65+x	635360	758244	893400	1030347	1201134	1419248	1712052	2101277	2592709
change		122884	135156	136947	170787	218114	292804	389225	491432
% population	4.42	4.68	4.94	5.16	5.5	6.02	6.79	7.88	9.26
both total %	**45.94**	**52.77**	**58.43**	**63.09**	**66.99**	**70.37**	**73.44**	**76.36**	**79.23**
COSTS:									
monthly/cap($)	21.66								
GDP expected 3%	39,760.00	46092.74	53434.12	61944.78	71810.98	83248.61	96507.96	111879.17	129698.62
Youth component /year	1551377486	2024118683	2513006109	3009114634	3489442635	3944136546	4366050386	4749648900	5090097054
% GDP	3.9	4.39	4.7	4.86	4.86	4.74	4.52	4.25	3.92
Elderly component/year	165142771	197082780	232212528	267807792	312198749	368890940	444996556	546163918	673896923
% GDP	0.42	0.43	0.43	0.43	0.43	0.44	0.46	0.49	0.52
TOTAL $	1716520257	2221201463	2745218637	3276922426	3801641384	4313027486	4811046942	5295812818	5763993978
%Total	**4.32**	**4.82**	**5.14**	**5.29**	**5.29**	**5.18**	**4.99**	**4.73**	**4.44**

GDP 1% growth:	59 197
% youth component	**8.6**
GDP 2% growth:	87791.66
% youth component	**5.8**

Source: own elaboration on the basis of CELADE (2009) population estimations.

HONDURAS: DEMOGRAPHIC CHANGE AND COST PROJECTIONS BY QUINQUENNIAL TERMS

Age Group	2010	2015	2020	2025	2030	2035	2040	2045	2050
TOTAL population	**7 621 106**	**8 391 829**	**9 141 047**	**9 845 685**	**10 489 644**	**11 062 071**	**11 554 036**	**11 991 596**	**12 372 651**
5-year growth	**4751545**	770723	749218	704638	643959	572427	491965	437560	381055
annual	**118789**	154145	149844	140928	128792	114485	98393	87512	76211
5-year% increase	**62.35**	10.11	8.93	7.71	6.54	5.46	4.45	3.79	3.18
Annual %	**1.56**	2.02	1.79	1.54	1.31	1.09	0.89	0.76	0.64
0-14	2804224								
BI eligible	2804224	3574947	4324165	5028803	5672762	6245189	6737154	7174714	7555769
% population	36.8	42.6	47.3	51.08	54.08	56.46	58.31	59.83	61.07
65+x	327899	385291	472421	578535	706800	862291	1040268	1270206	1548722
change		57392	87130	106114	128265	155491	177977	229938	278516
% population	4.3	4.59	5.17	5.88	6.74	7.8	9	10.59	12.52
both total %	**41.1**	**47.19**	**52.47**	**56.95**	**60.82**	**64.25**	**67.31**	**70.42**	**73.59**
COSTS:									
monthly/cap($)	17.22								
GDP expected 3%	15,290.00	17725.3	20548.48	23821.32	27615.44	32013.86	37112.84	43023.96	49876.56
Youth component/ year	579464847	738727048	893545456	1039151852	1172219540	1290505855	1392165503	1482582901	1561324106
% GDP	3.79	4.17	4.35	4.36	4.24	4.03	3.75	3.45	3.13
Elderly component/year	67757049	79616532	97621075	119548472	146053152	178183812	214960980	262475368	320027914
% GDP	0.44	0.45	0.48	0.5	0.53	0.56	0.58	0.61	0.64
TOTAL $	**647221897**	**818343580**	**991166531**	**1158700324**	**1318272692**	**1468689667**	**1607126482**	**1745058269**	**1881352020**
%Total	**4.23**	**4.62**	**4.82**	**4.86**	**4.77**	**4.59**	**4.33**	**4.06**	**3.77**

GDP 1% growth:	22764.73
% youth component	**6.86**
GDP 2% growth:	33760.93
% youth component	**4.62**

Source: own elaboration on the basis of CELADE (2009) population estimations.

NICARAGUA: DEMOGRAPHIC CHANGE AND COST PROJECTIONS BY QUINQUENNIAL TERMS

Age Group	2010	2015	2020	2025	2030	2035	2040	2045	2050
TOTAL population	**5 822 395**	**6 188 900**	**6 528 518**	**6 839 676**	**7 121 212**	**7 374 026**	**7 598 827**	**7 796 046**	**7 966 898**
5-year growth	**2144503**	366505	339618	311158	281536	252814	224801	197219	170852
annual	**53613**	73301	67924	62232	56307	50563	44960	39444	34170
5-year% increase	**36.83**	6.29	5.49	4.77	4.12	3.55	3.05	2.6	2.19
Annual %	**0.92**	1.26	1.1	0.95	0.82	0.71	0.61	0.52	0.44
0-14	2009206								
BI eligible	2009206	2375711	2715329	3026487	3308023	3560837	3785638	3982857	4153709
% population	34.51	38.39	41.59	44.25	46.45	48.29	49.82	51.09	52.14
65+x	266371	298677	380003	483873	590928	704374	835129	989533	1171012
change		32306	81326	103870	107055	113446	130755	154404	181479
% population	4.57	4.83	5.82	7.07	8.3	9.55	10.99	12.69	14.7
both total %	**39.08**	**43.21**	**47.41**	**51.32**	**54.75**	**57.84**	**60.81**	**63.78**	**66.84**
COSTS:									
monthly/cap($)	13.67								
GDP expected 3%	6,250.00	7245.46	8399.48	9737.3	11288.2	13086.11	15170.39	17586.64	20387.74
Youth component/ year	329590152	389711632	445422569	496464927	542648093	584119701	620996058	653347862	681374424
% GDP	5.27	5.38	5.3	5.1	4.81	4.46	4.09	3.72	3.34
Elderly component/year	43695499	48994975	62335692	79374527	96935829	115545511	136994561	162322993	192092808
% GDP	0.7	0.68	0.74	0.82	0.86	0.88	0.9	0.92	0.94
TOTAL $	**373285651**	**438706608**	**507758261**	**575839454**	**639583922**	**699665212**	**757990619**	**815670856**	**873467233**
%Total	**5.97**	**6.05**	**6.05**	**5.91**	**5.67**	**5.35**	**5**	**4.64**	**4.28**

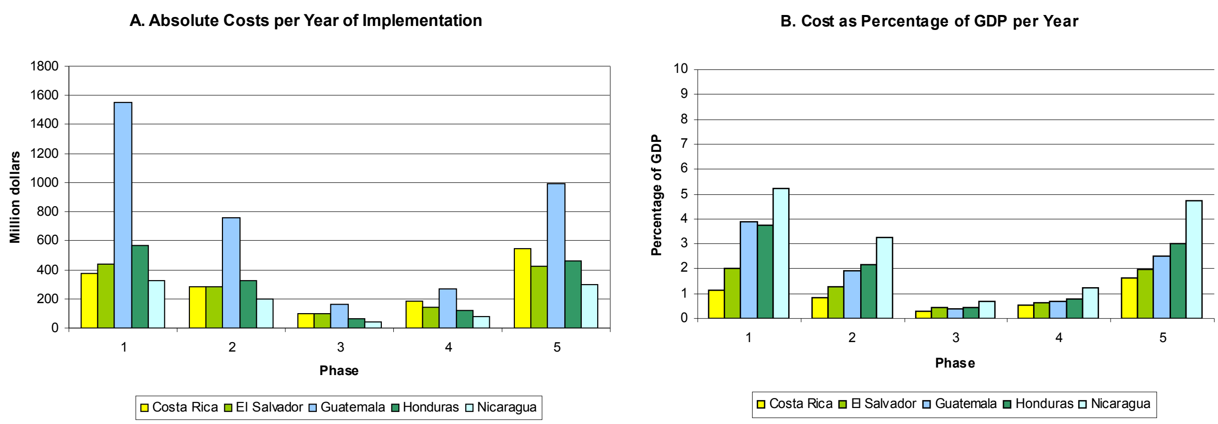
GDP 1% growth:	9 305
% youth component	**7.32**
GDP 2% growth:	13800.25
% youth component	**4.94**

Source: own elaboration on the basis of CELADE (2009) population estimations.

APPENDIX F:
COUNTRY COST COMPARISON

To ease comparison, Figure 1 below depicts the annual costs each country would be facing upon inclusion of its population, whether entirely or in specific age groups, under the first implementation scheme, the Five Phases model. The striking differences between absolute and relative levels indicate the relative wealth and level of development of the individual countries: Based on its comparatively high GDP and relatively small population, Figure 1 shows that Costa Rica is the country in the region facing least relative costs upon introduction of the program. In contrast, Nicaragua, despite an only slightly larger population and the lowest absolute cost estimates in the region for all phases, is the country facing highest relative implementation costs due to its low GDP. Guatemala, on the other hand, faces highest absolute costs as can be appreciated in Figure 1, based on its population size exceeding the double of the other countries. Besides absolute GDP size, the initial phase (described below) shows to be particularly costly for Nicaragua due to its demographic structure: just like Guatemala, its population on average is much younger than Costa Rica's, resulting in a high percentage of the population in this category.

FIGURE 1
COMPARISON ABSOLUTE COSTS AND COSTS AS PERCENTAGE OF GDP



Source: Krozer (2010).

APPENDIX G:
BASIC INCOME COMPARED TO A "CONVENTIONAL" WELFARE STATE

Would implementation of a BI need a welfare state? Would it be compatible with an existing "conventional" Welfare State, understood as what Esping-Andersen denominates a social-democrat, a conservative or a neoliberal regime? This discussion elaborates on Chapter VIII.B. above.

Bergmann (2003) argues it would not be. In her eyes a BI needs to be preceded by a full-fletched, traditional Welfare State (WS). She remarks that an intrinsic trade-off exists between such a "Swedish Style" WS and a BI, considering the high costs both of these schemes hold for the public sector. Being confronted with the choice which of the two roads to follow, she opts for starting with a WS, which she prefers for its providing merit goods. Only after the complete WS was in place would it be timely to consider introducing a BI. Admittedly, this argument might hold some relevance in the consideration of supplying Sweden with a BI, since Government revenue there already reaches 60% of GDP and thus difficultly could be raised much further by means of taxes (ibid). However, recalling public social expenditure in the region (in Table 3 above) such dimensions are unthinkable in CA: public transfer payments in Sweden amount to 19% of GDP (Bergmann 2003), far exceeding the present proposal even for the poorest states. Albeit the two systems of welfare states in the respective regions bear important resemblances, they also hold remarkable differences which have been briefly discussed above. These differences account for why for Sweden, indeed, the trade-off might be relevant, while for CA such an argument misses the point.

This discussion illustrates why not only the LA Welfare State cannot be compared in scope and aim to the Scandinavian ones, but also that in the CA context a "new" system is actually to be preferred over its existing welfare state that is associated more with the neoliberal development paradigm that has long been regarded as the only way of thinking, and its own dismantling, further enforcing "traditionally Latin American" traits such as particularism/ nepotism, male dominance, and lack of transparency (Huber 1006). Considering the current paradigm being under severe assault of late, alternatives begin to surface and gain attention and acceptance, placing LA development strategy at a historic crossroads again (Draibe &Riesco 2007). Accordingly, instead of returning to past, outdated models an alternative should be thought of as an economically developmental, politically democratic and socially inclusive State-society nexus (ibid). The emergent development strategy must suggest a new relation between economic development and an inclusive, universal kind of social policy. Under these circumstances, a BI could address these pressing issues. In the short run, these include the point of social spending's relation to economic policy: An increased social spending has been argued strongly as a way to provide an efficient and just way of reactivating LA economy, which remained stagnated or recessive from 1998 up to 2003[141] (ibid).

[141] The East Asian experiences show that countries like Korea and Taiwan, for example, increased their public social expenditure from around 16% in the 1980s up to 30% in the last decade, while they extended health care and pensions universally, and created comprehensive unemployment protection systems. In fact, many of these changes were implemented during the Asian crisis started in 1997; financed in part through significant though temporary fiscal deficits they played a strong role in

Accordingly, a “Swedish style” WS should not be regarded as a prerequisite in the present context, considering the different premisses. Neither should the existing WS be regarded as a status worthwhile preserving under all costs however, but as supplying the only major requirement for a BI in this context, a functioning public sector. After decades of unilateral emphasis on creating optimal conditions for business (Draibe &Riesco 2007) it might be more embedded than autonomous to borrow from Evans' (1995) analogy, but the rebuilding of strong, well trained, efficient, and non-corrupt professional civil services in South American countries seems to be one of the main points in this shift away from decades of trying to transform the public sector into the image of private business, and nurtures hope for a similar turn in CA[142]. Draibe &Riesco (2007) optimistically speak of a “Neo Latin American Developmental Welfare State” studying a number of countries predominantly in the region's South. This paper does not share the same optimism/confidence for the Central American countries at the time being, but does find a change feasible in institutional terms, that could lead towards the creation of a new kind of developmental state if the public sector is rebuilt and reinforced, and a universal, unconditional security scheme is implemented.

economic recovery (Wong 2003, in Draibe &Riesco 2007). See also Stiglitz (2003) and Ffrench-Davis 2003; or Moreno-Brid &Ros (2010) for similar recommendations in a Mexican context.

142 This is not viewed as a way of constraining entrepreneurial initiative, but quite on the contrary, as a way of reinforcing it through better regulatory frameworks and a strong complimentary public sector