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PALESTINE ECONOMIC POLICY
RESEARCH INSTITUTE (MAS)

Background Paper

Round Table (1)



**'Recovery Dividends':
An Emergency Basic Income for Palestine**

2024



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'Recovery Dividends': An Emergency Basic Income for Palestine

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Thanks are due to Diana Bashur, for her ongoing work on peacebuilding, to Qais Iwidat, for his research assistance, to Raja Khalidi for his initiation of this work, and to Miriam Abu Sharkh, Azfar Khan and an anonymous reviewer for comments. Of course, none are responsible for views expressed.

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Roundtable (1)

February, 2024

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“Anything we can actually do, we can afford.”

J.M. Keynes, 1942.

Summary

This paper proposes that the next unified Palestinian government entrusted with administering the West Bank and Gaza, with support from the international community, should introduce an unconditional universalistic “emergency basic income” (EBI) scheme as an integral part of a coherent ‘recovery’ programme. It begins by noting some relevant contextual realities, then describes what defines a basic income, along with a brief outline of what would be an ethical justification regardless of the specific unfavourable context. The paper briefly considers likely beneficial effects, drawing on pilots and experimental evidence from around the world, before considering possible objections or risks.

The paper outlines a proposal for a localised pilot that could be implemented at an earlier phase if modest funds could be raised and political goodwill could be exercised. Finally, an estimate is made of the cost of the full scheme, addressing the key question of ‘affordability’.

Very understandably, given their exposure to the ongoing horror, the conditions imply direct priority in such a programme for the Gaza Strip. But such is the destruction and devastation there, which might become even more dystopian in the coming months, that it would be more realistic to begin the policy to be proposed with a limited trial run in the West Bank. Of course, once the humanitarian relief needs of the two million people of Gaza have been addressed in the course of 2024 hopefully, EBI would be even more vital there.

1. Background

When a country has experienced a natural disaster or widespread destruction by an invasion, obviously the first task in the immediate aftermath is to enable survivors to survive and to begin to rebuild their lives and their communities. In this respect, the Gaza Strip will face a horrifying set of challenges, given that its economy has been decimated by months of intense bombing since the invasion began, its infrastructure reduced to rubble and hundreds of thousands of people left homeless and exposed to disease and starvation.

At the very least, what has been inflicted on Gaza is domicide.¹ In other words, there is a systemic destruction of homes and the deliberate prevention of the construction of homes. In a less apoplectic way, domicide has been a slow-fuse reality in East Jerusalem and the rest of the West Bank from well before the current war, and the two trends must be seen together in considering what comes next.

Within the broader context of a prolonged Israeli occupation of all of the Palestinian territory, the devastation wrought upon Gaza is no less a threat to the Palestinian people's ability to remain in their country than the pressures from home demolitions in east Jerusalem and of urban infrastructure in West Bank cities.

Wishing all that away, economic recovery would be aided by benevolent foreign aid, which must come in the form of grants instead of loans and, separately, relief of a huge PA fiscal debt burden that will otherwise inevitably strangle revival. However, beyond that, finding a formula that will have long-term development success, that will be an efficient use of resources and that will minimise the risk or extent of corruption will require astute coordination and a coherent mix of policies. Although it is hard to look forward beyond the invasion, and the immediate needs of the survivors, those policies must be prepared well in advance, in effect now.

2. The Context of Domicide

Before coming to the specific proposal, it is regrettably essential to recall the context, which could hardly be more catastrophic. The West Bank and Gaza have been under constant siege for many decades and have existed in a system that is worse than implied by the term apartheid, which is often used to describe it.² It is a blockaded economy wholly dependent on and subordinated to the whims and interests of its occupiers.

Until the latest invasion of Gaza, the West Bank has long supplied low-cost labour to its occupiers' economy, with over 200,000 of its workers (counting those with or without permits) crossing daily to labour for lower wages and in worse conditions than would be applied to its occupiers' workers. It has also had to sell most of its food produce to its occupiers. In such circumstances, any policy would have to be judged by whether or not it reduced those twin dependencies.

Of course, most disruptive and humiliating of all, the West Bank has had to experience a steady mass incursion of illegal "settlers", backed by military and quasi-military forces of its occupiers, such that today there are over 700,000 illegal settlers, with many thousands of Palestinians driven

off their ancestral land. The numbers are growing remorselessly, with the birth rate of the settlers greatly exceeding that of Palestinians and with Israel planning on doubling the number by 2027.³ All this violates the Fourth Geneva Convention of 1949.

Meanwhile, a growing part of the road system has been designed to minimise use by Palestinian inhabitants and traders, supposedly to ensure the security of Israel's illegal settlers. A policy along the lines proposed in this paper would be compromised if there were any prospect of illegal settlements disrupting positive economic and social effects. The same would apply if freedom of movement for all were not restored.

In the year before October 2023, several hundred Palestinians in the West Bank were killed in raids by the occupiers' military and about 6,000 more taken to prisons in Israel, with a similar number taken since. Over the years, some prisoners have died under detention, with the Israelis refusing to send their bodies back for burial by their families, on the specious grounds that this would incite violent reactions.

After October 7, the Israeli Finance Minister, Bezabel Smotrich, further strangled the West Bank economy by blocking the transfer of tax revenue legally due to the Palestinian Authority (PA). Although the US Administration put mild pressure on the Israeli government to reverse that illegal action, Smotrich merely stated that the amount due to be spent on PA salaries and pensions in Gaza would be withheld, which induced the PA to refuse the reduced amount, as a matter of principle. This automatically deprived civil servants of their salaries.

This action must be seen as part of a strategy, which if allowed to continue, will make any proposal along the lines of the following 'dead in the water'. Since February 2023, Smotrich has also been Minister of Defence in charge of the West Bank, effectively annexing it. A leading Israeli human rights lawyer, Michael Sfard, summed up the outcome, "It's a sort of revolution, transferring powers from the military, with its legal obligation to consider the well-being of occupied people, to those only committed to Israeli interests."⁴

The illegal blocking of the tax revenue should be seen in the wider context. Smotrich was born and raised in an illegal settlement, denies the existence of Palestine and has said repeatedly that non-Jews should leave Gaza, describing the population there as "two million Nazis". As presumably what he sees as a measure en route to his 'solution', he has proposed that there should be 'Palestinian free zones' around all Jewish settlement communities in the West Bank.

Israel's current war echoes Smotrich's "Decisive Plan" of 2015.⁵ This doctrine intends to strangle the West Bank economy outside the illegal settlements, to stimulate a mass exodus, or what the Israeli government calls "voluntary relocation", and/or acts of defiance that would justify another military intervention.

In sum, given his position in the Israeli government and his direct power over the West Bank, there can be no future for Palestinians or progressive policy development as long as such people have power. The following is, therefore, predicated on a presumed transformation that at the time of writing seems tragically unlikely.

One other factor of relevance for the proposal in this paper is that in recent years the occupiers have blocked development projects in the West Bank. They have insisted that Palestinians make construction requests to the occupiers before building homes or amenities in Area “C”, which accounts for 60% of the territory. Israeli Civil Administration data show that 99% of such requests have been denied, forcing Palestinians to build without permits, to which the occupiers have responded by imposing demolition orders, violating basic human rights. For the proposed policy to be successful, such practices and other violations of the agreed economic and security accords since 1994 would obviously have to be abolished.

3. A Miracle Scenario?

Let us presume that a political miracle occurs, and something like a ‘two-state’ situation emerges, or at least one which enables Palestinians to govern themselves.⁶ We are talking about “the day after”. Of course, in the immediate aftermath of any natural disaster, such as a tsunami or earthquake, or a military disaster, as in Iraq, Ukraine and Gaza, the immediate need is for food, medicines, clothes and basic housing.

It is fair to surmise that globally there is ample empathy and support for such humanitarian support for the people of Palestine. Above all, there is a need to avoid the appearance or reality of a colonising or paternalistic mentality by donors, which can arise from benign roots.⁷

However, while it is obvious that foreign aid by itself will not be enough, there is evidence that so-called peacebuilding elsewhere has failed due to a lack of an integrated approach to the design and implementation of specific programmes.⁸ Reconstruction programmes lead to little improvement in the lives of the most vulnerable.⁹ Another common failing, particularly relevant to the proposal made in this paper, is in the sequencing of reforms, which may be more important than the speed of them.

There is also what might be called the danger of the kindness of strangers. This writer, then a UN official, saw that in Sri Lanka after the tsunami in 2004, when dozens of multilateral, bilateral and civil society donors rushed into the country, many competing with each other for impact. The result was chaos, duplication and vast waste.

This has already arisen in Gaza. As the head of the UN Relief and Works Agency (UNRWA), Philippe Lazarini, tactfully put it in December, “What is being sent in kind does not always match what is required on the ground.”¹⁰ What is wanted is what the people themselves want. The proposal in this paper would help the recipients of aid to determine their own needs.

Another danger is a disconnect between the political priorities of external bodies and local priorities, including what might be a well-intentioned desire by outsiders to produce governance structures they believe are enshrined in their own countries.¹¹ “Crusaders” (sic) for democracy can be the enemies of democratisation.

A related danger of the kindness of strangers is that an influx of needed goods may lower prices for domestic near-equivalents, disincentivising production and investment in appropriate sectors.

After a few months of acute emergency, it would be better to enable local people to purchase such goods, if they feel they need them and if they accord with their priority needs. This leads to what is most needed, the monetary means to purchase such goods.

4. An Emergency Basic Income

In brief, the optimal way to boost the chances of ordinary people to recover from the trauma would be to provide everybody with an equal emergency basic income (EBI), an unconditional monthly payment close to the cost of a basic basket of subsistence goods and services. The term “unconditional” means that the person would not have to do anything to gain entitlement and would not have had to do something in the past to do so.

For reasons explained later, it should be paid to each individual adult and be paid in equal amounts, with smaller amounts for each child, paid to the mother or surrogate mother, and with supplements for those with disabilities, roughly corresponding to the extra costs of living they face and the lower earning opportunities. This could be called material universalism, in that the objective should be to give everybody equal basic material security.

The name given to the scheme could be important, for legitimising and other reasons. It might be appropriate to call the emergency basic income the State Dividend, if in the occupied West Bank, to symbolise the fact that it is an assertion of the fact that Palestine has had to fight to be an independent, free nation for over a century. It would thereby signify that all Palestinians living in the country would be treated as equals, all provided with basic economic security.

If it were applied in Gaza, a better term might be Recovery Dividend. Further thought should be given to the name, for this will help determine its legitimacy both within Palestine and internationally. But we will henceforth call it just an Emergency Basic Income (EBI).

The basic income should be a monthly payment, provided in cash or the equivalent, without behaviour conditions and without means-testing or any requirement that the income should be spent in any particular way. It should be equal for men and women, and paid individually, as a non-withdrawable sum. It should be payable to all usual residents, with moral (not mandatory) encouragement of the relatively affluent either not to take it or to donate their EBI to some reconstruction activity they wish to support.

A consideration would be the duration of the EBI. To some extent, that will depend on the funding. But it should be for at least two years, with an assessment after 18 months to determine whether it would be feasible or desirable to continue for longer.

It should be borne in mind that at least some of the expected effects (to be reviewed later in this paper) would take time to materialise. And, of course, there is no intrinsic reason for not wanting the basic income to become a permanent part of social policy in the emerging country.

5. The Ethical Rationale

Often, those advocating a basic income do so for purely instrumental reasons, primarily because it would reduce poverty and hardship. However, a more fundamental justification is that it has an ethical or philosophical rationale. Even in the direst circumstances, as will be the case in Palestine, policies should be ethically defensible, often to justify those policies rather than others that might meet instrumental ends but offend ethical values.

One can justify a basic income as a matter of common justice. The relative wealth and income of everybody living in a country is far more due to the efforts and achievements of the many generations before them than anything done by themselves. But we do not know whose ancestors contributed more or less. So, a basic income can be seen as a common dividend on inherited wealth, whatever that might be.

This was the view of the great Tom Paine, the real father of the United States, who declared in 1795, 'It is not charity but a right, not bounty but justice, that I am pleading for.'

There is also an argument that it is a matter of religious justice. This is a delicate issue. A Christian argument is that God has given all of us unequal talents or skills, and a basic income would be a compensation for those who do not have the skill of making money or the good luck to do so. Pope Francis has come out in favour for such a reason.

There is also an Islamic rationale, recognising that the Islamic state from ancient times always distributed money to people deemed to be in need, and did so on an equal basis at various times. On this, the ongoing research by Professor Abdulaeem Abozaid is to be commended.¹²

There is also a more general aspect of social justice. Any policy should be judged by whether it advances the opportunities of the most vulnerable to improve their lives, subject to the caveat that they would not harm others in doing so. That caveat is all too often neglected in selective subsidy schemes that give aid to some groups at the expense of others. Providing everybody with a basic income comes closest to satisfying that criterion.

For policy design, the social justice rationale draws on five moral principles, elaborated elsewhere.¹³ The three most pertinent for Palestine are:

1. The Security Difference Principle

A social policy is socially just only if it improves the security of the most insecure groups in society.

2. The Rights-not-Charity Principle

A social policy is just only if it advances the rights of the recipients rather than the discretionary power of the providers.

3. The Paternalism Test Principle

A social policy is just only if it does not impose controls on some groups that are not imposed on the most free groups in society.

Only a basic income scheme among possible policies for addressing acute poverty and deprivation meets all those moral principles.

Beyond being an instrument of justice, a basic income would also be an optimum way of providing every member of any community with basic economic security, which is a fundamental human need. Psychologists have found, unsurprisingly, that economic insecurity shrinks the mental bandwidth and impairs decision-making rationality.¹⁴ Providing basic economic security does the opposite.

Finally, a basic income would be an instrument for enhancing personal freedom, including the libertarian freedom to say “No”, the liberal freedom to be moral, and the republican freedom of being able to withstand the will of those in positions of unaccountable power. For those subject to prolonged oppression, basic income security would amount to a precious freedom.

6. Who should be the Recipients?

Optimally, the basic income should apply to all usual legal residents, regardless of age, gender, marital status and work status. But there are special extra conditions in the West Bank and Gaza. The proposal is that all Palestinians with a tie to the land should receive it, and this should include all who were refugees from 1948 or who were displaced from the West Bank and who have returned to it, and their direct descendants. No illegal settler should qualify to receive it.

The payment should go only to those actually living in the West Bank, not to those living outside it, regardless of their citizenship or religion. The term “usual” residents is not always easy to apply, but for practical purposes should apply to those who regard where they are residing as their main place of residence, even if they go elsewhere for labour or some other reason for short periods of up to three months, as long as they intend to return. In a post-conflict situation, this definition would raise challenges, but these could be surmounted.

It is important that the EBI should be paid on an individual basis, not provided to ‘households’. The size and composition of households are endogenous, that is, they are affected by socio-economic policies. Moreover, policies that give benefits to households per se typically entrench power relationships inside them, whereas it has been shown that payments on an individual basis paid to individuals benefit women more and improve intra-family behaviour and attitudes, and do so in an emancipatory rather than regulatory or paternalistic way.

7. Universality or Means-Testing?

To those who might say the income should be targeted only on the poor, one should respond that it is extremely hard if not impossible to determine who is below or above any ‘poverty line’ in such

circumstances. The overwhelming majority would qualify on any sensible definition of 'poverty'. Even before the current aggression, the poverty rate was extremely high – 29% in the West Bank and 54% in Gaza.¹⁵ Now the figures must be much higher, especially in Gaza. In a post-war scenario, it would be administratively expensive, bureaucratic and inefficient to try identifying the poor.

Trying to do so would result in a high exclusion error, that is, many who should be entitled would not obtain it. Even in countries with stable efficient administrative institutions, exclusion errors with means-tested benefits are often over 40%. There would also be a high inclusion error, that is, a tendency for those who have a higher income being covered even though they should not be, something found in many countries.¹⁶

Moreover, means-tested benefits paid only to the poor create a poverty trap, since they act as a disincentive to people identified as poor to make an effort to become 'non-poor'. Again, there are countless lessons from countries that have resorted to means-tested benefits. In countries such as Finland, Denmark, Germany and the United Kingdom, those on such benefits who take low-wage jobs face what is in effect a marginal income tax rate of over 80%, much higher than those faced by high-income earners.

That and exclusion and inclusion errors are reasons for quasi-universal income transfers actually being more progressive than those given only to the poor. Indeed, the basic income would be very progressive – reducing inequality – since it would represent a higher proportion of a poor person's income than of a rich person. If one wished to make the basic income even more progressive, one could increase the higher rate of income tax or taxes on luxury goods purchased by the rich.

Targeting would also create wider social problems of resentment and undermine vitally needed social cohesion.¹⁷ Similar objections apply to schemes that are selective, such as going just to women, or just to mothers with infants. Many of the experimental schemes in the United States in 2023 were selective. They can yield promising results but can create social tensions and unfairness. In sum, a universal scheme has positive community effects that selective or targeted schemes cannot have.

Finally, universalism would reduce the likelihood of petty corruption, or the perception of it, since it would remove the capacity for bureaucratic administrators to make discretionary decisions on who could receive the cash. In any post-conflict situation, the scope for such petty corruption is bound to be high. Reducing it would help legitimise the new authorities.

8. Positive Social Effects

What would be the likely results of a generalised emergency basic income? First, most importantly, it would enable everybody to have access to food and other basic essentials, and thus not be dependent on charity, which tends to go to those able to gain entry to shops and go to the front of the queue. We should never forget that charity is about pity, and pity is about contempt. A basic income is about an economic right of all.

So, as mentioned earlier, a basic income would increase effective demand for purchased food, which would have the indirect positive effect of boosting local food production and diversion of food products from the occupiers' markets to local markets.

Second, an emergency basic income would tend to reduce morbidity, lessening stress and hopelessness that often make people suicidal. Everywhere where basic income has been tried, mental health has improved, physical health has improved and use of healthcare facilities and medicines has improved. A basic income is a form of vaccination against illness. In the West Bank and Gaza that would be truly vital.

A basic income pilot in Manitoba, Canada found that within a year of starting to receive the basic incomes, the rate of hospitalisation dropped by 8% by comparison with a control group.¹⁸ In quite different circumstances, in Madhya Pradesh, the basic income resulted in a sharp drop in the incidence of ill health, greater resort to doctors and an increase in taking anti-biotics and other treatments to completion, an under-appreciated aspect of morbidity in low-income communities.

There have now been well over 100 basic income pilots and experiments across the world. The result that has been more prominent than any other is a widespread reduction in stress and mental ill-health. For instance, this was found in a government-funded two-year pilot in Finland.¹⁹ It has been found in an ongoing pilot in Ireland, and has been reported in all US experiments that have been evaluated so far. In a post-conflict situation such as what we are contemplating here, the effect on mental health at individual and collective levels would be incredibly important.

Another likely feature of post-conflict Palestine is more widespread homelessness, particularly in the Gaza Strip. Many social benefit schemes are based on the “household” as the recipient unit. A basic income scheme would be based on each and every individual, including those outside anything resembling a conventional “home” or “household”.

It is therefore relevant that basic income pilots in Denver, Colorado and in London directed at homeless people showed a big fall in homelessness by recipients, which fed into better health and savings on public healthcare services. In short, when economists try to cost basic income schemes, they typically ignore the substantial feedback or network savings that they induce. Another strong positive effect of basic income is on schooling and education. In impoverished Indian villages, modest basic incomes led to increased registration in schools, particularly for teenage girls, increased attendance by children of all ages (aided by having breakfasts and being able to afford shoes and local transport) and improved performance. Similar results have been found in African and Latin American communities.

In OECD countries, basic income experiments have led to teenagers staying in school longer or returning to school or college. An ongoing basic income scheme in Wales for leavers from care homes, for which this writer is a technical adviser, is showing a strong effect along those lines.

Many cash transfer schemes in Latin America have made school attendance a condition for receipt. But this can be unfair, penalising the most insecure chaotic families in most need of help. The conditionality has also been administratively demanding and expensive to apply consistently. Research has also shown that the conditionality is largely unnecessary and ineffectual. In reality, as shown in India and those African schemes, it is better to trust people to do what they think is right for themselves and their families. And there may be significant group effects, with those

responding to the increased incentive to go to school increasing the attractiveness of doing so to others, as found elsewhere.²⁰

However, if there is one other lesson it is that one way of making the positive effects of basic income optimally effective is to enlist a local representative body to advise families on how best to utilise their basic incomes. In the case of the West Bank, that might be the unfairly maligned UNRWA, a Woman's Action Centre, or the local government. A "voice" organisation can prove useful in helping to legitimise what would be a novel development.

9. Positive Economic and Political Transformational Effects

An emergency basic income, paid for two years at least, would stimulate demand for local goods and services that people actually want and need, rather than what bureaucrats or foreign donors – however well-meaning – believe people want and need. This would not only directly boost the economy but, based on experience elsewhere, would have a multiplier effect.

By stimulating localised demand, the basic income community scheme would induce small-scale and other investment in firms providing such goods and services, a stimulus that would be especially strong since potential investors would be assured of market demand. This is another important benefit of a universalistic scheme. The economic multiplier effect could be substantial. In rural Mexico, it was found that each \$1 provided generated \$2 additional income, with farmers generating an extra \$3, thus reducing inequality.²¹ In Kenya, one basic income experiment near Lake Victoria generated a 'fiscal multiplier' of 2.7.²² Each dollar paid out led to an extra 2.7 dollars in the wider area, inducing extra spending and investment.

The scheme would also check the growth of inequality and strengthen the sense of community and social solidarity. In Iran, when a universal unconditional basic income operated between 2010 and 2016, inequality fell considerably.²³

We have observed this in other countries where we have implemented basic income pilots. Once everybody knows that everybody else is receiving the same as themselves, they become more altruistic, tolerant and collaborative.

One economic effect of particular relevance to a post-war scenario such as will be the case in Palestine, in which desperate people are likely to resort to desperate means to survive, is the effect on petty crime. The pilot in Namibia, for instance, found that stealing livestock and crops declined sharply once the basic income started, inducing smallholders to plant and grow more. Crime reduction was also an outcome of basic income in Alaska and Manitoba.²⁴

Related to the above, a basic income for all community members would tend to revive 'commoning', that is, shared productive and reproductive activities as an ecologically sustainable way of living, moving society away from GDP growth, away from industrialised food towards home-grown nutritious and sustainable food. This would be especially pertinent in Palestine, with its severe food security challenge and rich legacy of masha'a common land management.

Basic income experiments and pilots in very different types of communities have shown that it has several positive political effects. For instance, psychological experiments have shown that when everybody has basic economic security, they tend to be more altruistic and tolerant of strangers. Thus, during the basic income pilots in Namibia and Madhya Pradesh, community members spontaneously formed committees to help advise their neighbours on how to use their new money wisely and to persuade parents to send their children to school and to primary healthcare amenities.

In Palestine, perhaps the greatest appeal of an EBI would be that it would be a unifying policy, applicable to all Palestinians, something to be proud of in emerging from such a devastating war. It is not a policy driven by pity. It would be a tangible expression of a unifying state, not just for one part of it. The least secure, most of whom are in Gaza, would gain the most. But so would everyone else. For state building, that would be precious.

10. Objections and Risks

The benefits would be substantial, but there are a few standard objections or risks that need to be answered. Other objections are dealt with elsewhere, but the following would be relevant in the Palestinian context.

i. Difficulty of Identification of Recipients

One issue likely to arise in implementing an emergency basic income after the war is the identification of the intended recipients. Many people will be homeless, others will have no residential address. Accordingly, an ad hoc scheme should be introduced, by which the administrative head of the community, or his/her office, should verify the identity of usual residents. Fortunately, the PA population registry has a record of ID holders, from birth to death, so an administrative record exists to verify eligibility.

Once identified, they should receive an electronic ID, containing a photo, date of birth and the name of a next-of-kin relative or close friend entitled by the person to pick up the monthly basic income if the person has no credit card and is incapacitated by illness or accident. Fortunately, UNRWA's Family Registration eCard could short-circuit this process.

A closely related challenge is finding how to make sure that the basic income reaches people with disabilities or a chronic illness that means they cannot go to collect the money or use their BI cards themselves. This can be handled by having a relative, friend or local official delegated on the BI card with the authority to use the card if the direct recipients cannot do so.

One related problem that could arise is fraudulent use of the BI card if somebody dies. A method for dealing with this possibility, which we used in an African pilot, is to deduct a modest amount, say 5%, of the BI, which would be deposited in a life insurance fund. If the person dies, the insurance company would pay funeral costs. This would act as an incentive to report deaths, rather than to try to continue claiming the basic income.

The authorities may think this would be an unnecessary complication, given procedures for recording deaths. But it should be considered. Another channel worth considering is the Postal Bank, in which all EBI recipients could have accounts, increasing financial inclusion and security.

Another practical problem would concern the treatment of those in Palestinian prisons, of whom there are about 1,000 at any one time.²⁵ They should be entitled to receive it. Their punishment is imprisonment, not starvation. It is preferable to say that every usual resident citizen should receive the emergency basic income rather than say some should be excluded. Accordingly, someone in prison should be paid their basic income but be charged some percentage of it to cover the costs of their subsistence and imprisonment while in prison. Once out of prison, they should receive the full amount like everyone else.

ii. The Inflationary Fear

Among the several potential problems that need to be avoided, perhaps the gravest, is the possible inflationary effect of a sudden influx of money into local economies. Since there will be an acute housing shortage in the aftermath of the war, a basic income scheme might induce landlords to raise rents. Accordingly, rent controls should be applied, limiting rental increases to what is justified by improvements or renovations made by the property owners.

As for food price inflation, this is where a temporary supply of items from abroad to cover for a shortage of domestic food would be vital. Initially, in Gaza and all refugee camps, they should be provided as pure aid. But after a few months, food and related aid items should be sold at market prices. This would create an incentive to produce locally while suppressing inflationary pressure. Beyond that, as found elsewhere, the assurance that local people would have the means to purchase food and other essentials could be relied upon to stimulate increased supply.

This is what we found in India. By the end of the pilot, the unit price of staple food items had actually gone down, because local producers had invested more in seeds and fertilisers to boost production, knowing the locals could afford to buy their produce.²⁶

However, there might be an inflationary spurt if the basic income were high and if it were introduced without being coordinated with supply-side policies. Ideally – and essentially in Gaza – the basic incomes should be introduced while food and other basic essential goods were still being provided by international donor agencies. After the first few months, those could be priced at fixed prices that could be consistent with the basic incomes and that could act as an incentive to farmers and other suppliers to step up production and distribution.

Beyond that, consumer price inflation, if any, would reflect the price elasticity of the food supply. Given that a socially and economically desirable objective would be a shift in the supply of food away from export to what is effectively a monopsonistic market, the EBI could be expected to induce just such an effect.

iii. The Effect on Labour, Work and Wages

A claim made by critics is that a basic income would lead to a reduction in labour supply. There is behavioural and attitudinal evidence that this is prejudice and unfounded. First, especially in circumstances that could be expected to prevail in Palestine, it is most unlikely that a realistic basic income would be sufficient to cover all people's basic needs. The vast majority would be desperate to improve their standard of living. Moreover, the receipt of basic incomes would, as shown elsewhere, energize people, so increasing their efforts to produce and earn more.

As far as empirical evidence is concerned, pilots have shown that the basic income actually increases work and productive activity. For instance, in India many people receiving a basic income started second economic activities, typically doing own-account work. It was particularly notable among women.

Similarly, in Namibia basic income recipients used it to invest in seeds, small livestock and fertilisers, thus increasing their work and income. In OECD country experiments, there have been some shifts in type of work, but no overall reduction. In short, there is no evidence to support the claim that it would induce laziness. However, there is one aspect of this issue that would apply in Palestine. An EBI would help people to survive and rebuild a semblance of a home without having to do income-earning labour at the same time. It would, quite literally, give them a breathing space in the wake of mass traumatising.

One common claim made by leftist critics of basic income is that it would lead to lower wages because employers would reckon the worker had enough money. This is a weak argument. If someone has a basic income, that strengthens their bargaining power vis-à-vis employers. Contrarily, it would also allow some who wish to do so to take low-wage, low-productivity jobs, simply because they could afford to do so. However, this is hardly likely to be a concern in Palestine. In short, the international evidence does not support the claim that it would reduce wages. In post-war Gaza and the West Bank, it will boost local labour and work and raise earnings.

iv. The Effect on Spending on “Bads”

Another common criticism is that people suddenly provided with cash income would spend it on goods and services of negative value, such as alcohol, tobacco or other drugs. This is a very paternalistic reasoning and is often used to justify voucher schemes that restrict spending to items deemed by policy designers as essential or socially desirable. This is state control, is ultimately arbitrary and is administratively costly to operate.

In any case, studies have shown that cash transfers, including unconditional basic incomes, do not tend to result in more spending on items deemed to be private “bads”. The World Bank – one suspects to its surprise – found in a detailed review of cash transfer schemes in developing countries that they were associated with a decline in the consumption of alcohol, tobacco and drugs.²⁷ This was also found in our basic income pilots in India.

Poor people are just as capable as others in making decisions to improve their lives if given the chance to do so. A voucher scheme in the chaotic post-war and post-occupation reality of Palestine would be paternalistic folly and do little to boost the local economy.

v. **The Effects on Internal Migration**

One common criticism of basic income sometimes expressed in OECD countries is that it could lead to an influx of migrants, taking advantage of ‘free money’. This is really a specious criticism since a simple rule of entitlement could be introduced, saying that nobody would be entitled to it until they had been residing in the country for, say, two years. This would not mean migrants would not be entitled to receive other forms of assistance.

However, in Palestine, this problem would probably not arise, although some qualification period might be deemed appropriate for political reasons. More interestingly, the basic income might encourage more men to stay and work in their communities, rather than make the onerous daily trek to labour in Israel or on Israeli settlements.

Again, there are relevant findings from basic income schemes elsewhere. In Madhya Pradesh, recipients tended to reduce the incidence and time going to distant towns for labour, staying behind to improve their farms or local businesses, and in the process strengthening family ties and neighbourly mutual aid.

In the case of Palestine, this would be a welcome development. Recall that at present, or at least until the Israeli government suspended the system in October 2023, a typical Palestinian worker who commuted daily to labour in Israel has to pay 30% of his gross wage to Israeli brokers for a permit, which means that, after transport and meal costs, he only receives 44% of his gross wage as net earnings, according to data collected by the International Labour Organisation.

So, being able to stay and work inside or near his own community would be financially advantageous, as well as psychologically, even if he only obtained 50% of what he would be paid by going on the undignified onerous trek to Israel. He would probably reduce the risk of illness, accidents and arbitrary arrest as well.

11. EBI Pilot Design Principles

In advocating an emergency basic income, we should feel we are pushing at an open door. However, we recommend that before it is introduced for the whole of the West Bank (and ideally in the Gaza Strip) a small-scale, limited-duration pilot be undertaken.

Some observers might regard a pilot as a ‘luxury’ unjustified in the context of the life-destroying horror faced by Gazans. That is understandable. However, as financial and other resources will be scarce, and take time to mobilise, this writer believes that the authorities could not afford the luxury of not doing a pilot. Introducing a new strategic policy without learning lessons of how to do it could be unnecessarily expensive and chaotic, risking undermining its appeal and legitimacy. All too often, rushed efforts lead to corruption and waste. The adage should be, “Make haste, slowly”.

In any pilot, a few basic rules should be observed in the design and implementation, as elaborated elsewhere.²⁸ These can be simply stated:

- A pilot's design should be both replicable and up-scalable.
- A pilot should be time-bound, with enough time to produce meaningful results, and that should be taken into account in any evaluation of the outcomes.
- The design of the pilot should be kept constant throughout the pilot period.
- As far as possible, no other additional regulatory or fiscal intervention should be initiated during the pilot.
- The basic income payments must be regular, predictable and stable, and should not be paid as a lump sum.
- There should be no selectivity or targeting, beyond the selection of the whole community to be covered.
- The payment should be equal to all adults, regardless of gender, household status or work status, with a supplement for those with disabilities.
- The payments should be made to individuals, not paid on a household basis or to a "household head". So, each woman should receive her basic income, and if she has one or more children, their basic income (lower amount) should be paid to the mother or surrogate mother/guardian.
- If practicable, there should be a legally binding commitment by the authorities conducting the scheme to complete it as stipulated at the outset.
- Consideration should be given to engaging local representative bodies of the scheme so that it could assist recipients make the best use of their basic incomes.

Most fundamentally, for a pilot to be meaningful, a rule should be that the basic income should be paid individually to each adult aged 16 and over who are usually resident in the area and to those who had been living there who return within three months of the launch of the pilot.

An extra amount should be paid to each person with a disability, ideally determined by medical cost criteria. But if they were already receiving a disability benefit, they would merely continue to receive that on top of the flat basic income. Finally, all infants and children and teenagers up to the age of 15 should receive an amount equal to half the basic income paid to adults.

12. EBI Pilot implementation options

In identifying how/where to design the pilot, there are three options. A pilot could be run only in part of Gaza, to determine what administrative challenges would need to be overcome when rolling it out to the whole of the Strip. But in the near future the prospect of communal stability anywhere there is sadly nil. Or a pilot could be done in the West Bank, where institutions are stronger. Or one could do it in both places simultaneously. On balance, it seems sensible at this stage to plan a pilot in the West Bank while the humanitarian relief needs are addressed in Gaza and rudimentary institutions are recreated there.

For the pilot, what should be the amount paid each month? There is no ideal figure. However, it should be determined by an estimate of what it would cost to pay for basic food, clothing and housing (rent or imputed rent) and consideration of what would be feasible if the scheme were to become an emergency basic income across the whole country.

According to UNCTAD, in the West Bank, the nominal average per capita income in 2022 was \$3,779. Rounded, we may say that this would be \$330 a month. So, one might aim to make the basic income a little less than half of that, say, the equivalent of US\$150 per month. Even a figure of \$100 per person per month would surely make a significant difference. In Gaza, the lower figure would undoubtedly be above the existing per capita income.

Finally, for the pilot, the size of the community could be determined by the size of the grant, with a random selection of one community from, say, ten similar communities, so as to minimise the risk of accusation of political bias. The size of the community should not be very large, because it would be only a test, a pilot. But it must be large enough to be a meaningful community.

While working on this paper, MAS researchers mooted the possibility of conducting a pilot inside the Jenin Refugee Camp, suitable in part because it has suffered similar devastation and impoverishment as Gaza. The appeal is undeniable, in that the hardships felt by anybody in such an environment make a basic income scheme good sense. However, it would raise substantial challenges. A refugee camp is likely to differ from other communities in the emerging country, and thus it might yield lessons that would not be relevant elsewhere. Alternatively, Jenin City might better reflect the demographics of the West Bank.

Perhaps important from a practical point of view is that the infrastructure and institutions to operationalise a pilot might be less efficient in a refugee camp. However, as long as Israeli attacks on the city persist, operational difficulties might mean that observing effects from a short-term experiment would be impeded there too. In terms of the eligible population, Jenin is very large, with around 50,000 people, including 10,000 crammed into its camp of a half of square kilometre of public land rented from the Jordanian government.²⁹ So, if Jenin City were chosen, it might be necessary to conduct the pilot in only part of it in which case the politics would need to be handled very carefully.

Hence, it is proposed that the pilot would cover 10,000 people, consisting of 40% adults, and 60% children. Each adult should receive the equivalent of \$150 per month, each child \$100 per month. The pilot, primarily intended to determine how the EBI could be implemented, would be set to last for four months. With administrative costs, this means the estimated cost of the pilot would be US\$5 million.

13. Cost and Affordability of the EBI Rollout

Keynes, arguably the greatest economist of the 20th century, speaking in the midst of a world war, knew that if something is vital, needed and feasible, the modern state could find ways of financing it. Now, of course, in Palestine, the biggest question would concern the cost and affordability of the Emergency Basic Income scheme for the whole of the nascent state. It is estimated that the gross cost for the West Bank and Gaza Strip would be US\$8 billion per year.³⁰ But for various reasons, this overstates what would be the net cost. Indeed, given the likely savings in other respects, it could be considered a medium-term investment.

Before considering those mitigating factors, it is also worth noting several cost-saving optional routes. First, the level of the EBI could be lowered – say, from the equivalent of \$150 for every adult and \$100 for every child to \$100 and \$75. This might be justifiable as a necessity if funding was a constraint. That would not be so beneficial, obviously, but it would still have a strong beneficial effect. The most important point is that the country should be “on the road” to having a proper EBI.

Second, the EBI could be rolled out in stages, beginning with the lowest-income communities, and then spreading to other areas in three-month intervals. This would be administratively feasible and even advantageous. There would be some inherent unfairness and unwelcome delays for many recipients, and the economic multiplier effect would probably be more muted.

Third, it could be introduced in stages in the West Bank, while leaving it to later in the Gaza Strip, or vice-versa, depending on Palestinian national priorities and feasible modalities. This might seem contrary to justice, but it is likely to be the only feasible option simply because Gaza has been largely destroyed, making it wholly dependent on donor aid for at least a year after the slaughter has stopped.

Anyhow, one could safely say that for the first year significantly less than the gross cost of \$5 billion would be required for the EBI. Next, one would hope that there would be significant financial savings from reduced need for other types of aid, including military.

Another consideration is that if the Palestinian people are left in poverty and hopelessness, there would be further grievances and violence, escalating the need for more international spending. More positively, as argued earlier, food and other basic goods coming from donors, including from UNRWA, would be sold at market prices after the first few months. The revenue from the sale could help reduce the fiscal cost of the EBI.

This raises a crucial point of governance. To avoid the political temptation to use money set for the EBI for other purposes, and to reduce the risk of corruption, an independent body should be set up to manage a Fund in which the money for the EBI should be deposited. To give external funders even more reassurance, it might be advisable to provide the money for the EBI in three-month instalments. This would further reduce the fiscal burden.

There would be several feedback effects that would lower the gross amount as well. First, as found elsewhere, the EBI could be expected to improve the health of the population, leading to savings in public health services. Second, again as found elsewhere, the positive effects on schooling would help.

This is harder to convert into a financial figure. However, the social circumstances of the past years have meant that the school attendance rate and school attainment have been very low, and the school dropout rate very high. The EBI would help raise attendance, performance and school retention rates, helping the young become more productive citizens and orient their lives to peaceful pursuits. This applies almost as much in the West Bank as in the Gaza Strip.

Finally, again as shown elsewhere with similar schemes, there should be a significant income multiplier effect, raising production and generating taxable income, thereby reducing the need for revenue for the EBI. If the multiplier is anything like what it has been elsewhere one could anticipate that it could generate substantial taxable income and thus reduce the need for external funds even further.

14. Conclusions

Bertolt Brecht famously said, “Food comes first, morals later on.” Desperate traumatised people will surely be inclined to take desperate measures in an attempt just to survive. Some of those measures would not be admirable in other circumstances. But to dismiss such actions as “corrupt” as if that is their “natural condition” would be unjust.

The humanitarian recovery strategy must be one that enables traumatised people to regain their humanity. This requires those in a position to offer recovery assistance to enable individuals and communities to redevelop what sociologists call their sense of agency. This is what a materially universalistic basic income could help to achieve.

Above all, it would serve the vital need for individual and community robustness – the ability to withstand shocks – and resilience – the ability to respond to and recover from shocks. After a trauma, any improvement in those respects must be welcomed.

By way of conclusion, it is recommended that a benefactor or a set of benefactors, perhaps from the Palestinian diaspora living outside the country, or any of the pioneering NGOs active in Palestine, be approached to help raise provide the several million dollars needed to fund a small basic income pilot in one selected area, to test how best to introduce and implement an emergency basic income for all usual residents.

There is one issue that has been left out of this paper, quite deliberately. Some 36 kilometres off the coast of the Gaza Strip in 2000 British Gas, operating on licence from the Palestinian Authority, discovered substantial natural gas reserves. In principle, under the legal rules of UNCLOS (the United Nations Conference on the Law of the Sea) of 1982, those reserves should belong to Palestine. However, the Israelis are claiming them.

Then, just two weeks after October 7, the Israeli Ministry of Energy and Infrastructure announced that it had awarded two contracts for gas exploration off the Gaza coast, one to a consortium led by BP, and one to one led by the Italian ENI. The area of sea known as Gaza Marine contains one trillion cubic feet of natural gas, estimated to yield between two and 2.4 billion US dollars in royalties and profits. The matter is outside the scope of this paper. But what is relevant is that if the gas reserves were retained for use by Palestine, that in itself would generate enough Palestinian income to bear part of the burden of providing every legal resident with a basic income and reduce reliance on the kindness of strangers.

That aside, it is worth reiterating points made at the outset. Meaningful recovery from the horror in Gaza and state-building will require a coherent strategy. What must be avoided is the failed

policies of 'regime change' in other parts of the world. This paper's author was a UN official in Sri Lanka after the tsunami there in 2004, in the early 1990s was director of technical operations of the UN's International Labour Organisation in countries of the former Soviet Union, and in between, was director of research for President Nelson Mandela's Labour Policy Commission following the end of apartheid in South Africa. In a meeting, Mandela said something that has stayed with me, 'It is harder to win the peace than it was to win the war.'

This leads to a final point. Decisions would have to be made on who and what would be responsible for overseeing the EBI. If there were a sovereign State of Palestine, the new government would be the appropriate authority. However, in the light of current Palestinian geographic and political division, it might be sensible to operate it in partnership with some UN and other supportive outside bodies. Legitimacy will take time to grow.

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