10th ANNIVERSARY ISSUE

CITIZEN'S INCOME BULLETIN 18

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There is, first, the absolute, inescapable requirement that everyone in the good, even decent, society should have a basic source of income. And if this is not available from the market system, as now it is called, it must come from the state.

Nothing, let us not forget, sets a stronger limit on the liberty of the citizen than a total absence of money.

JOHN KENNETH GALBRAITH
Speaking at the tenth annual lecture of the Journal of Law and Society, Cardiff, on January 16, 1994

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Regardless of age, sex, race, creed, labour-market or marital status
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CIRG took over the functions of BIRG (Basic Income Research Group) when the Trust changed its name in 1992.

FURTHER INFORMATION

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CITIZEN'S INCOME BULLETIN

No 18 July 1994

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Editorial

This summer marks the tenth anniversary of the founding of BIRG — the Basic Income Research Group — from which CIRG and the Citizen's Income Trust are descended. Most of the key figures of 1984 are still actively involved. Two, Sir Brandon Rhys Williams MP and Keith Roberts — each in his own way irreplaceable — have sadly died. But countless others have become involved, links have been forged with similar groups in Europe, and slowly but surely the concept of a benefit based on legal residence — with no other strings attached — is catching the public imagination.

Yes, progress is slow, but the introduction of child benefit — a CI for children — was not exactly fast: it took sixty years! Eleanor Rathbone began campaigning for 'child endowments' during World War 1. In the 1920s, when unemployment was high, she strengthened her case by showing that it is more sensible for governments to pay child endowments to families with children than to expect employers to pay a 'family wage' to all their workers whether or not they have children. That argument is irrefutable, yet it took another world war before 'family allowances' for second and subsequent children were introduced (in 1945), and a further thirty-four years before 'child benefit' for every child was introduced in 1979.

This summer 'full' employment is back on the political agenda. Unemployment benefit is to be replaced by a *jobseeker's allowance* (valid for only six months), and a White Paper will be published shortly. In his bid for leadership of the Labour Party John Prescott proposed "targets for jobs". The point that needs ramming home is the difficulty of providing jobs that are financially worthwhile to people with low earnings potential so long as income tax, national insurance contribution and council tax[1] are levied on poverty incomes. This is one of the faults in the existing tax and benefit systems that CI, with its guaranteed incomes (unisex and tax-free) and its lump-sum tax rebates (for earned income only), seeks to overcome.

During the 1980s and early 1990s the lower paid (especially families with children) gained little or nothing overall from the reduced rates of income tax and the re-structuring of national insurance contributions, which were offset by increases in local authority rents and rates and by child benefit upratings below the rate of inflation. The UK tax system now takes a higher proportion of the incomes of the poor than of those of the rich.[2] Families with low earnings potential have been priced out of work, and are being treated as second-class citizens. The great Scottish economist Adam Smith must be turning in his grave. Whatever tax is imposed on the wages of labour, he warned, those wages will tend to rise not by the tax itself, but by the amount of the tax itself grossed up for tax. In other words, if a £20 tax is imposed on a person earning £100 a week his wages need to rise not by £20 but by £24, if his living standard is to be maintained. Few wage earners are able to increase their wages in line with increased taxation. Insofar as they are able, the result is increased unemployment. *If direct taxes upon the wages of labour have not always occasioned a proportionable rise in those wages,* wrote Smith, *it is because they have generally occasioned a considerable fall in the demand for labour.*[3]

So stagflation, which in the past has been blamed on the trade unions, may in fact be the fault of governments flouting the well tried principle of taxation according to ability to pay. Governments genuinely concerned about unemployment — not just in the UK but throughout Western Europe — must start by reforming their tax as well as their benefit systems. And CI is one of the options they should study. This will not be easy because even the 'experts' disagree and the non-experts soon lose themselves in a minefield of jargon and computer print-outs. The report *Integrating Taxes and Benefits?*, written by David Clinton, Michael Yates and Dharminder Kang of Andersen Consulting for the Borrie Commission, is evidence of that (see Tony Fitzpatrick's review in this Bulletin). The authors tried hard to be fair, but were blown apart by the detail. Their terms of reference were in any case too narrow. What is needed is a report that compares the quantitative and non-quantitive features of different CI options (including those put forward by Professor Tony Atkinson) with the existing tax and benefit systems and with the residual welfare state towards which Britain is now headed.

In his pamphlet *Full Employment without Inflation* (see Books and Papers Received), James Meade explains the employment case for Citizen's Income. Full employment, he says, requires downward flexibility in wage rates, but how can that be made politically acceptable? One of CI's attractions is that it would make the level of earned pay less essential for an individual's welfare. Though no panacea — and Meade is careful to emphasise the need to introduce it gradually — CI is "a necessary factor in engendering such a change". Meade could have added that Cl, with its individual assessment units, would encourage spouses and partners to stay in paid work or take new jobs when their spouses or partners lose theirs. At present most wives of unemployed men are not in paid work because their families risk losing benefit if they are.

Although the concept of CI is easy to understand — certainly by comparison with the existing tax and benefit systems — a national debate will be necessary before it has any hope of reaching the statute book. This is the lesson to be learnt from what may prove to be a CI humiliation for the Liberal Democrats. Having voted in favour of CI in 1990, they should have followed up with a full-scale marketing exercise, explaining CI's potential and consulting voters about tax rates and other issues. Instead they kept their commitment to CI so firmly under wraps that during the 1992 General Election campaign one Lib Dem candidate was reported as saying he didn't know CI was party policy. Now they are worried by reports that Labour lost the 1992 Election on account of its threatened tax increases. But tax increases are upon us anyway and are unlikely to go away until a lasting remedy is found for unemployment.

Early in July a Treasury internal review of the tax and benefit systems (ordered by Chancellor of the Exchequer Kenneth Clarke in 1993) was reported as ruling out any merger of the tax and benefit systems. It is a predictable response, given the Government's commitment to a 20% starting rate of income tax and the withering away of all social security benefits except those that are means-tested. Equally worrying are indications that Labour's Commission on Social Justice may also opt for more of the same. "Cl is certainly along the right lines", says Austin Mitchell (Labour MP for Grimsby) in his interview with Susan Raven for this Bulletin. But Labour "is a very cautious Party." In power it will probably carry on "with much the same system as the Tories."

Like many others, Austin Mitchell is unenthusiastic about Transitional Bls, because they are too small to prevent poverty. But the New Poverty of the 1970s and 1980s, whether in Britain, France, Germany or anywhere else, cannot be remedied at a stroke. It will take years. The Transitional Bls of £15 for adults and £12-£14 for children, costed by Hermione Parker and Holly Sutherland for this Bulletin, would start the process off. Nearly 40% of families in the bottom tenth of the income distribution would gain more than £15 a week, while 30% in the top tenth would lose more than £15 a week. More generous (or less generous) Bls could be introduced. The purpose of this exercise was to show the scale of change involved and identify the gainers and losers. With higher Bls the proportions of families gaining and losing would go up and the gains and losses would also increase overall. Some of the losses might be politically unacceptable. At Citizen's Income we would like to see Government and the research institutes undertaking — and publishing — more research along these lines, instead of making negative comments from the side-lines.

Certainly Bls of £15 a week are too small to remove poverty, but that is not their purpose. The aim is to start a process that will replace the present vicious circle of increasing unemployment and falling tax revenues with a virtuous circle of falling unemployment and increasing tax revenues, thereby opening the way to much higher Bls later on. The costings referred to by Sir William Goodhart in his letter to Hermione Parker (page 12 of this Bulletin) are unrealistic because they assume that Bls of £33 a week could be introduced in one go. Certainly further research is needed to show whether £15 a week is sufficient to have the required impact on work incentives at the bottom. It might not be. But one thing is certain: to plunge in with partial Bls at half the current rate of Income Support for a married couple (currently £35.85 a week per adult) would be political suicide for the government that introduced them.

Finally, we would like to draw your attention to the fifth biennial congress of the Basic Income European Network (BIEN), which will be hosted by the Citizen's Income Trust at Goldsmith College, New Cross in south-east London next September. For those who prefer, this will be a residential seminar, starting at midday on Thursday 8th September and finishing after lunch on Saturday 10th September. The inclusive costs per person are £125 including accommodation and £100 for attendance and meals only. Participants are expected from most member States of the European Union and from the United States, Canada and Israel. For further details please turn to the outside back cover of this Bulletin or contact the Citizen's Income Trust. **Demand for places is already high, so to be sure of a place please make your reservations soon.**

Notes and References

1. Council tax replaced poll tax in the UK in 1993. Average council tax in 1993 for a couple with two children living in local authority housing was £10.25 a week. Rebates were phased out on earnings of £155 a week (about 55% of average male manual earnings).
2. In 1992, families in the bottom fifth of the income distribution paid an estimated 41% of their gross incomes (including benefits) in tax, compared with 34% paid by the top fifth (Economic Trends January 1994, pp 102-3).
3. Smith, A., *The Wealth of Nations*, Volume 2, Book V, Chapter II, Article III *Taxes upon the Wages of Labour*, first published 1778.

Basic income 1994: Redistributive effects of Transitional BIs

Hermione Parker and Holly Sutherland

Thanks to a tax-benefit simulation model written by Holly Sutherland at the University of Cambridge, CIRG has been able to update the costings for a transitional Basic Income in the UK. The figures are for the current tax year, that is to say April 1994 to April 1995. In theory, of course, any number of transitional BI options are available. The final choice is up to the Government of the day. In the text that follows the authors wish to emphasise that the options described here are not policy proposals, nor are they the "preferred" schemes of either author. A great deal more work is necessary to make any of them vote-worthy. The reason for publishing them is to indicate the type of scheme available and the scale and nature of income redistribution involved. The redistributive potential of TBI schemes is far greater and more complex than is generally supposed. Those who argue in favour of a full BI immediately, or even a partial BI equal to half the rate of Income Support for a couple, under-estimate the political fall-out. The first priority is to reduce dependence on Income Support and help people gain access to the labour market, in order to generate the tax revenues necessary to finance bigger BIs.

Basic Income (BI) is a radical approach to the reform of social security which would extend the equivalent of child benefit to every citizen. Under present law women who give up paid work to care for a family forfeit their personal income tax allowance, unless they have investment income to set against it. Married couples (usually the husbands) can claim what remains of *married couple's tax allowance;* and unmarried couples (provided they have dependent children) can claim what remains of the *additional personal allowance.* But on present trends both these allowances will soon be gone. If that happens couples dependent on a single income will pay the same amount of income tax as single people with the same income. One of the attractions of BI is that it combines symmetry between married and single people with tax according to ability to pay (or at least closer to it than at present). In addition to helping single-wage couples with young children, it helps men and women who give up work to care for relatives or friends. Every adult of working age gets the same basic amount and pays tax on all his or her other income, except that some schemes (including those described here) allow small, fixed-amount tax discounts (or deductions) against earned income.

BI (universal and tax-free) would go to every man, woman and child who was legally resident in the UK. It would replace the adult income tax allowances, just as child benefit replaced child tax allowances, and it would be deducted from existing benefit entitlements. For the purposes of this study, we assumed a Phase One BI scheme, using very small Transitional Basic Incomes (TBIs). The year 1994-95 is a particularly difficult time to be costing any sort of Citizen's Income (CI). The British economy is emerging from the worst recession since World War 2 and the rest of Europe is still in it. Last year the British government spent £50,000 million more than it received in tax and this year's deficit is likely to be over £40,000 million. So the TBIs we costed had to be small. With luck they could be increased quite quickly as the recovery gathers pace, but the rate of increase would depend upon the effects of the BIs on unemployment and economic growth, which is another reason for starting small and advancing warily.

Summary of the proposals

Our purpose was to produce costed TBI proposals that could be introduced in a single budget, without requiring major legislative change. The distinguishing features of our three TBI options are set out in Table 1. The adult TBIs are £15 a week (£780 a year); the child TBIs are £12 a week (£624 a year) with Options A and C, and £14 a week (£728 a year) with Option B. In addition to the TBIs we include tax credits against the first slice of earned income. Other changes, most of them consequential, are summarised in Table 2. The difference between the TBIs and the *earned-income tax credits* is that the latter do not convert into cash if the citizen has no earnings to set against them. Assuming income tax at 26% an earned-income tax credit of £5.72 is equivalent to the first £22 a week of earnings tax-free, while a credit of £6.50 is equivalent to £25 a week tax-free. The purpose of these tax credits is to increase work incentives at the point of entry to the labour market and to facilitate income tax collection. We retain £23,700 as the threshold for higher-rate income tax, but our higher-rate tax cuts in as soon as the taxpayer's income reaches £23,700, instead of £23,700 plus the personal income tax allowance and most income tax reliefs at present (compensated for by the BIs). Our new higher-rate tax bands cut in at 50% on incomes above £65,000 (Option A) and at 51% on incomes above £45,000 (Options B and C).

Table 1: Summary of options

Option A
Adult TBIs £15 a week
Child TBIs £12 a week
Earned-income tax credits £5.72 a week
New 50% rate of income tax on taxable incomes above £65,000
Option B
Adult TBIs £15 a week
Child TBIs £14 a week
Earned-income tax credits £5.72 a week
Higher-rate income tax increased to 41% on incomes above £23,700
New 51% rate of income tax on taxable incomes above £45,000
Option C
Adult TBIs £15 a week
Child TBIs £12 a week
Earned income tax credits £6.50 a week
Higher-rate income tax as for Option B

Table 2: Changes common to Options A, B and C

Family credit maximum as now PLUS existing child benefit addition for oldest child.
Family credit maximum per child as now LESS excess of child BI over standard child benefit.
All residual NI benefits and pensions become tax-free.
NI contributions as in 1993-94.
All personal income tax allowances abolished, except age allowance.
New age allowance single, lower (age 65-74) £1,450.
New age allowance single, higher (age 75+) £1,570.
New age allowance couples, lower (age 65-74), £2,415.
New age allowance couples, higher (age 75+), £2,585.
Superannuation and personal pension income tax reliefs restricted to 20%.
Lower 20% band of income tax abolished.
Standard rate of income tax increased from 25% to 26%

The TBIs are paid for and the system redistributes from rich to poor by abolishing all the personal income tax allowances except age allowance, increasing the 40% higher-rate band of income tax to 41% (Options B and C), introducing a new 50% (or 51%) top-rate band of income tax, and deducting the TBIs from existing benefit entitlements. At this stage the main objective is to lift as many people as possible off work-tested and means-tested benefits — not to give them more benefit — so that they can build on their benefits through paid work and saving. In the case of families with children, attainment of this objective requires child BIs above the current levels of child benefit, but the extra expenditure is withdrawn from better-off families through the higher rates of income tax just described.

National Insurance (NI) contributions are retained (abolition would require major legislation) but the 1% increase in NI contribution introduced last April is replaced by a 1% increase in the standard rate of income tax. So Class 1 NI contribution reverts to 9% and the standard rate of income tax becomes 26%. Superannuation contributions are restricted to 20% tax. The present 20% lower-rate band of income tax is replaced by the earned-income tax credits, worth £5.72 a week to all taxpayers (Options A and B), or £6.50 a week (Option C), but withdrawn from better-off taxpayers through the increases to higher-rate tax. To protect low-income pensioners we count occupational pensions as earned income. Adjustments are also made to age allowance, to ensure that most pensioners neither gain nor lose, although the small minority of high-income pensioners pay more tax.

Table 3 shows how Option A would work for a single-wage married couple with two children. The family's combined BI guarantee is £54, compared with £113.05 on Income Support. The BIs count as a resource for Income Support, so if the father becomes unemployed the family's IS entitlement is £113.05 — £54.00 = £59.00, plus housing benefit and passport benefits as now.

Costings

Table 4 summarises the tax and benefit changes that our three TBI options involve. Unchanged benefits include lone-parent benefit; child additions with national insurance widowed mother's benefit and invalidity benefits; and all disability benefits except the adult rates of invalidity benefit. With each option the increase in income tax is more than offset by the BIs, which are partly paid for by savings in existing benefits, especially child benefit (£6 billion), NI retirement pension (over £7 billion) and Income Support (over £2 billion). As Christopher Monckton explained in Bulletin No. 16,[1] any apparent tax increase is an accounting illusion, because for most people the BIs replace either their previous income tax allowances (which the Treasury count as revenue foregone but which still have to be paid for) or their previous benefits. It is only because the Treasury insist on counting the BIs as public expenditure, instead of convertible, fixed-value tax credits, that income tax appears to go up.

The £2 billion reductions in expenditure on Income Support are particularly welcome: from an estimated £9.5 billion in 1994-95 to £7.5 billion (Option A), £7.3 billion (Option B) and £7.45 billion (Option C). If the aim is to reduce dependence on work-tested benefits then something along the lines of Option B, with child BIs of £14, may be the option to go for.

Table 3: TBI scheme, Option A
Single-wage married couple with two children

Current position assuming weekly earnings £200 :		
		£
	Child benefit	18.45
+	Earnings	200.00
-	Income tax	23.93
-	NI contribution	15.44
=	Net income	179.08
With TBI the same family's net income becomes:		
		£
	BIs	54.00
+	Earnings	200.00
−	Income tax	52.00
-	NI contribution	14.01
+	Earned income tax credit	5.72
=	Net income	193.71
Gain is £14.63		

Table 4: Comparative costs of Options A, B and C
£ billion, 1994-95

Revenue gain (+) Revenue loss (-) Expenditure savings (+) Expenditure increase (-)	Option A	Option B	Option C
Income tax and NI contributions	+24.2	+25.3	+24.2
Adult BIs	-33.6	-33.6	-33.6
Child BIs	-7.7	-9.0	-7.7
Child benefit	+6.0	+6.0	+6.0
NI benefits and statutory sick pay	+8.8	+8.8	+8.8
Maternity benefit/ maternity pay	+0.2	+0.2	+0.2
Income support+IS housing benefit	+2.0	+2.2	+2.0
Family credit	+0.1	+0.2	+0.1
Housing benefit (without IS)	+0.0	+0.0	+0.0
Balance	0.0	+0.1	+0.0

Source: Polimod

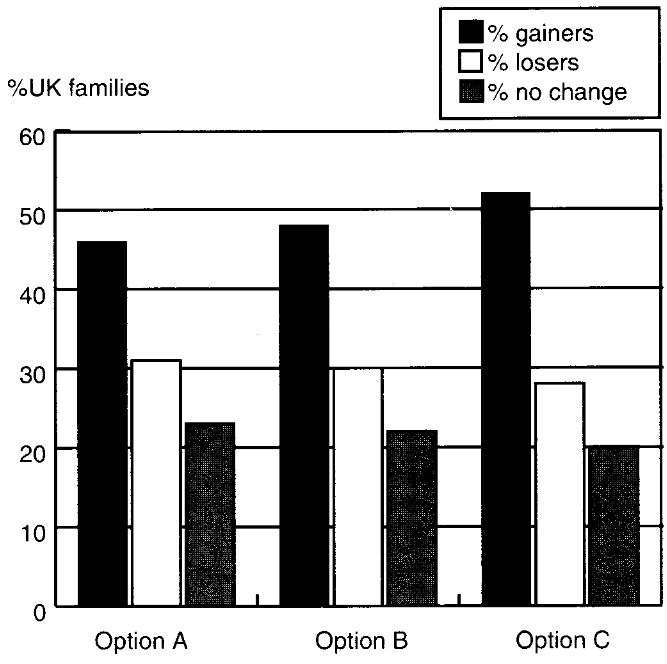
From rich to poor

Every legal resident gets a TBI of £15 a week and those in paid work get an earned-income tax credit of £5.72, making a total of £20.72 . With Option C the earned-income tax credit is £6.50, so total income support for wage earners becomes £21.50.

These flat-rate figures compare with personal income tax allowances in 1994-95 worth £13.25 at 20% tax, £16.56 at 25% tax and £26.50 at 40% tax (Table 5). So higher-rate taxpayers lose, as do some families at the cross-over point to higher-rate tax, which becomes payable on incomes above £23,700 instead of £23,700 plus tax allowances of £3,445 for individuals and an extra £1720 for married couples at present. Despite this change, most families with children gain, due to the child BIs of £12 (Options A and C) and £14 (Option C), which compare with child benefits of £10.50 for first children and £8.25 for each subsequent child at present.

Perhaps the most noteworthy finding is the large number of families (around 80%) affected by the TBIs (Figure 1). Most gain, but just under one-third would lose, depending on the option, so it will be necessary to identify the losers, find out how much they stand to lose, and why. Figure 2 takes the analysis further by showing average weekly gains (or losses) for each equivalised, net-income decile of UK families. In plain English this means that we divided the UK population into the ten income bands within each of which approximately one tenth of families (including single people) are situated. Since the total number of UK families (with and without children) is about 30 million, each decile group contains 3 million

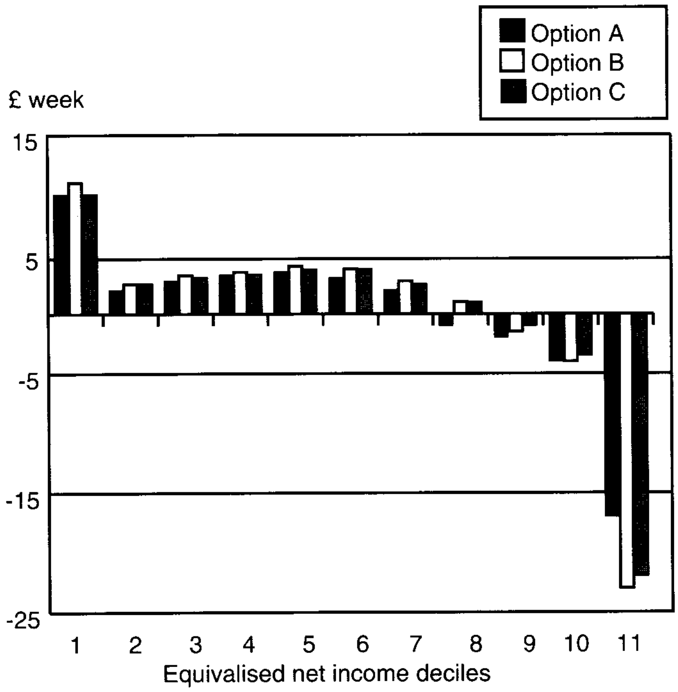
Figure 1: Percentages of UK families gaining, losing or no change



Source: Polimod

families. Additionally, because large families need more income than small families to reach living standard equivalence, we divided each family's net income (before and after introduction of the TBIs) by the following ratios: 1.0 for a single person, 1.6 for couples, and an extra 0.4 for each child. It looks complicated, but it is only a way of saying that a couple needs £160 a week to live at approximately the same living standard as a single person with £100 a week, and that each extra child needs an extra £40.

Figure 2: Average weekly gains/losses,equivalent income deciles, all UK families



Source: Polimod

Symmetry

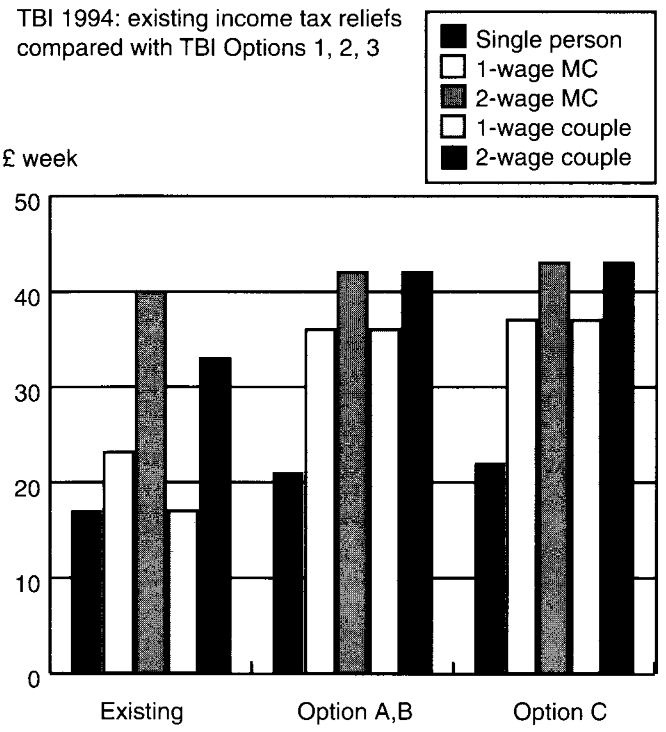
The existing tax and benefit systems are notoriously asymmetrical between men and women, married and single. One example of this is the cohabitation rule. Two men or two women sharing accommodation count as two benefit units, but a man and a woman sharing accommodation usually count as a married couple — and so get less benefit, and have a mutual liability to maintain each other.

One of the objectives of all CI schemes is to do away with the cohabitation rule. For CI purposes, sex and marital status become irrelevant. The only distinction is between wage earners and non-wage earners. Wage earners get the earned-income tax rebate — non wage earners do not. Unfortunately, with the small TBI schemes described here it is not possible to produce symmetry without lone parents losing out . All our TBI options redistribute from rich to poor, from non-parents to parents, from men to women, and from two-income families to one-income families. But the TBIs will be too small at first to dispense with one-parent benefit.

Look first at the situation for adults without children. Figure 3 compares the value of existing income tax allowances at 25% tax with the proposed TBIs. The present system is hard to justify. Single-income married couples pay more tax than two single people, while two-income married couples pay less (because of married couple's allowance). Unmarried couples are taxed like two single people, while for benefit purposes they are treated as husband and wife. Though imperfect, the TBI systems are at least symmetrical. Every adult gets £15 and those in paid work get a small tax rebate.

In Figure 3 the figures for the existing system assume taxpayers paying at the standard 25% rate of income tax — which most do — but the value of income tax allowances varies according to the marginal tax rate of the taxpayer as well as his (or her) marital status. For lower-rate (20%) taxpayers the personal allowance is worth only £13.25 a week, for higher-rate (40%) taxpayers it is worth £26.50 (Table 5 page 7). Only married couple's allowance is fixed in value. With BI all the rates, including the earned-income tax discounts, are fixed in value.

Figure 3: Symmetry, adults without children



Key: MC = married couple. Couple = unmarried couple

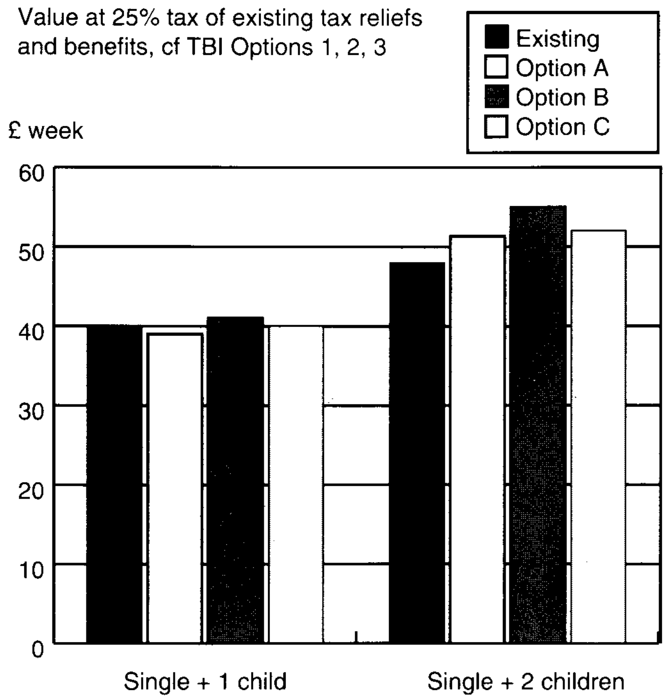
For families with children the present system is even more complicated. Child benefit is loaded on to the first (or only) child in each family. Current rates are £10.20 for the first child and £8.25 for each further child. Lone parents also get one-parent benefit, at £6.15 per lone parent per week. Unmarried couples with children get the equivalent of married couple's income tax allowance, although it is called *additional personal allowance.* Tax liability of both married and unmarried couples (and hence their net incomes) depends on the split of earnings between the adults. Other things being equal (e.g. travel-to-work and childcare costs) joint net earnings are maximised if each adult earns half the total amount - which is seldom possible. No income tax relief is permitted against childcare costs.

By contrast, with all our TBI schemes the tax-benefit system becomes almost symmetrical, the exception being one-parent benefit, which we retain. It could be removed in the future, as the BIs are increased, but not without some sort of compensation. In BIRG's Discussion Paper No 2, *Citizen's Income and Women,* a guaranteed maintenance allowance (GMA) of £10 per child and £10 for the parent with care was put forward as a possible solution.[2] The GMAs would be paid in advance by the State and recouped from the absent parent afterwards. Subsidised childcare, childcare tax relief and/or tax-free childcare vouchers are also necessary to make it easier for all parents (not just lone parents) to take paid work outside their homes.

Figure 4 shows that TBI on its own does rather little for lone parents, despite retention of one-parent benefit. Assuming they currently pay income tax at 25% those with two children gain £3.09 (Option 1), £7.09 (Option 2) and £3.87 (Option 3), while those with one child lose £0.66 (Option 1), gain £1.34 (Option 2), and gain £0.12 (Option 3) . Assuming they currently pay tax at 20% (not shown in Figure 4), those with two children gain £6.40 (Option 1), £10.40 (Option 2) and £7.18 (Option 3), while those with one child gain £2.65, £4.65 and £3.43 respectively.

Since most lone parents are either not in paid work or earning small amounts, the figures are somewhat hypothetical. For lone mothers the main virtue of a stage-one TBI scheme is to enable them to do paid work, and this it plainly cannot do without coordinated policies on maintenance and childcare.

Figure 4: TBI 1994, lone parents with 1 and 2 children



Fortunately the situation of two-parent families with children is less problematical. In Figure 5 notice how the relative position of single-wage couples with children is improved *vis-à-vis* two-wage couples. Not shown in the graph but worth a mention is the redistribution of income from higher-rate couples with children, especially two-earner couples. At present a two-child, two-wage couple where both parents pay 40% tax qualifies for income tax reliefs and child benefits worth £78.07 a week: with our TBI schemes the subsidy falls to £65.44 (Option A), £67.44 (Option B) and £67.00 (Option C).

Table 5: Value of 1994-95 income tax reliefs, * compared with TBI options

	EXISTING Income tax allowances	Weekly value at 20%	25%	40%	NEW TBIs + earned income tax discounts: Options A & B	Option C
Single person	66.25	13.25	16.56	26.50	20.72	21.50
1- wage married couple	99.32	19.87	23.18	33.12	35.72	36.50
2- wage married couple	165.58	33.12	39.74	59.62	41.44	43.00
1- wage unmarried couple	66.25	13.25	16.56	26.50	35.72	36.50
2- wage unmarried couple	132.50	26.50	33.13	53.00	41.44	43.00

* Married couple's allowance and additional personal allowance restricted to 20%

Table 6: Option A, %s of gainers/losers by equivalent net income deciles

Income deciles	PERCENTAGES WITH LOSS OF Over £15	£5-£15	Under £5	NO CHANGE	GAIN OF Under £5	£5-£15	Over £15
1	0.1	0.1	1.9	35.5	1.4	23.8	37.1
2	0.2	0.0	2.3	72.6	12.2	7.0	5.8
3	0.1	2.1	3.1	50.1	25.8	13.9	5.0
4	0.0	1.9	7.8	28.1	36.9	20.5	4.8
5	0.3	5.3	14.1	7.4	47.2	21.5	4.2
6	0.9	7.0	18.5	2.6	50.4	18.6	2.1
7	1.3	11.5	27.9	6.4	41.5	10.2	1.2
8	2.2	23.7	32.9	4.8	30.5	5.4	05
9	6.3	37.2	26.3	2.3	25.1	2.6	0.3
10	31.0	42.3	16.3	0.2	8.3	0.8	1.0
Overall % in each range	4.2	13.1	15.1	21.0	27.9	12.4	6.2

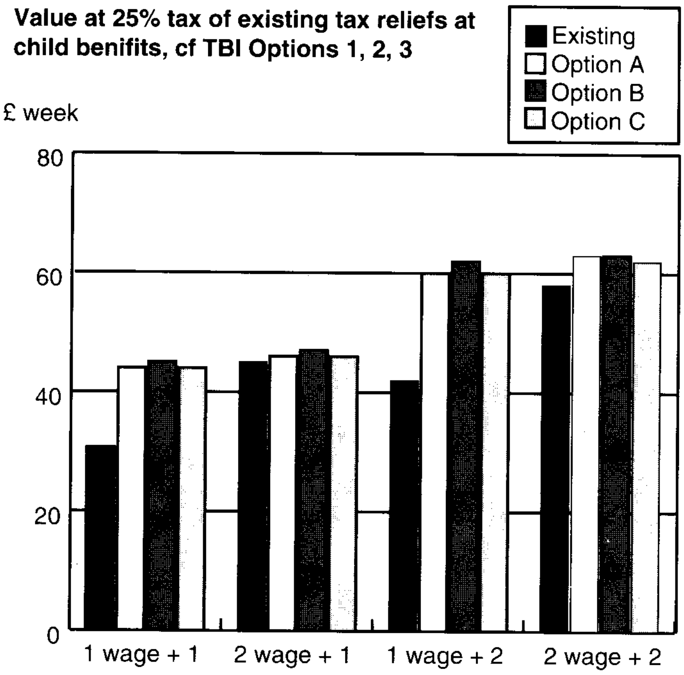
Source: Polimod

Table 7: Option A, percentages of families with weekly net income changes of:

Lost £	LOSERS Families %	Average loss £	Gained £	GAINERS Families %	Average gain £
Over £20	2.09	54.46	Over £20	1.84	28.50
£18-£20	0.65	18.85	£18-£20	0.41	18.64
£16-£18	0.84	16.92	£16-£18	1.20	17.00
£14-£16	1.15	15.07	£14-£16	5.20	14.87
£12-£14	1.07	12.98	£12-£14	1.71	13.14
£10-£12	1.49	10.97	£10-£12	1.70	10.81
£8-£10	2.23	8.97	£8-£10	2.63	8.94
£6-£8	4.13	6.79	£6-£8	2.40	6.92
£4-£6	6.22	5.07	£4-£6	3.26	4.94
£2-£4	4.39	3.01	£2-£4	5.48	2.89
£0-£2	8.20	0.67	£0-£2	20.72	0.71
NO CHANGE 21.00 %					

Source: Polimod

Figure 5: TBI 1994, single-wage couples with 1 and 2 children



Key: 1-wage + 1 = single-earner family with one child
2-wage + 1 = two-earner family with one child etc

Source: Polimod

From rich families without children, to low-income families and single people with and without children

So far we have shown gainers and losers in terms of income deciles. Broadly speaking, BI reaches low-income families and single people that the existing systems do not reach, either because they are not claiming, or because (like many students and trainees) they have no entitlement. Taking Option A, nearly 90% of families in the bottom decile of equivalised income distribution would gain and 37% would gain more than £15 a week. But 2% stand to lose, so for them the scheme would need to be modified. Just under 36% in the bottom decile would neither gain nor lose. Overall 21% would neither gain nor lose. In the top decile over 30% would lose more than £15 a week, over 40% would lose £5-£15 a week and 16% would lose up to £5 a week.

In Table 6 the biggest gainers are low-income families with children. When we analysed the income effects for families with children only, we found that nearly 55% of families with children in the bottom decile would gain more than £15 a week. With Option B the percentage is almost 58%. In the middle income deciles, where large numbers of families with children are concentrated, 40%-50% would gain £5-£15. Unfortunately there are still small numbers of low-income families who lose, confirming the need for modifications to any of the TBI schemes discussed here. By examining the income details of families participating in the Family Expenditure Survey on which Polimod is based, we know that invalidity pensioners, as well as lone-parent families, are particularly at risk. We also know that losses in the upper deciles are due partly to the new 50% (or 51%) income tax band, partly because higher-rate tax cuts in at £23,700 instead of £23,700 plus tax allowances, and partly because superannuation tax relief is restricted to 20%.

How big are the gains and losses?

Although each TBI option is broadly revenue neutral, families with children gain an average of £1.34 a week with Option A, £2.78 with Option B, and £0.75 with Option C. However these average figures conceal big differnces. Contrary to the pundits, a Basic Income system financed by increasing tax rates can be well targeted (although there may be political arguments over what constitutes a 'good' target). The problem is that the higher the BIs the higher the rates of income tax necessary to make them so, and this problem is quite separate from the financing difficulties associated with a full BI. In other words it would apply in varying degrees whether the full BIs were financed by income tax, VAT, environmental taxes or whatever.

With Option A, as Table 7 shows, most families (with and without children) gain or lose quite small amounts. More than one in five experience no change at all, and 70% end up within £6 a week of their previous net incomes. More important still, from a political point of view, gainers out-number losers by two to one. With Options B and C the results are broadly similar.

Summing up

The income redistribution produced by any of the TBI options discussed here would move net incomes in the directions necessary to reduce dependence on means-tested and work-tested benefits by low-income families (including young single people), thereby setting them freer (though not yet free) to take whatever work or training was available, without fear of prosecution and without affecting the tax or benefit situation of spouses or partners. Though not proven, the theory is that a change of this sort would generate further moves in the same direction, thereby replacing the present vicious circle of increasing benefit dependency and increasing taxation by a virtuous circle of decreasing benefit dependency, mounting tax revenues and higher BIs. For this to be politically acceptable, however, it is necessary to stop regarding BI as 'benefit expenditure' in the conventional sense. Only that part of aggregate BI expenditure which goes to citizens who receive more in BI than they pay in income tax and NI contribution should count as benefit expenditure. The remainder should count as revenue foregone, like the income tax allowances which the BIs would replace.

Hermione Parker is Editor of the Citizen's Income Bulletin, and author of ***Instead of the Dole: An Enquiry into Integration of the Tax and Benefit Systems,*** *Routledge 1989. Holly Sutherland is Director of the Micro-Simulation Unit, Department of Applied Economics, University of Cambridge.*

Notes and References

1. *Monckton, C., Universal benefit, CIRG Bulletin No. 16, July 1993.*
2. *Parker H. (Ed), Citizen's Income and Women, BIRG Discussion Paper No. 2, Citizen's Income, 1993, pp 28-33.*

To BI or not to BI?

An exchange of letters between Sir William Goodhart QC and Hermione Parker

In January 1994, almost four years after the Liberal Democrats voted in favour of Citizen's Income,[1] a Consultation Paper was published recommending that the commitment to CI be scrapped.[2] The paper was drawn up by a working group under the chairmanship of Sir William Goodhart QC. Comments were invited and Hermione Parker was amongst those who responded. To help inform the debate, we repeat here the arguments set out in the Consultation Paper, and publish edited versions of Parker's response and Goodhart's reply. Under ***Letters to the National Press,*** *you will also find letters from James Robertson and Hermione Parker to the Guardian in response to an article by Sir William Goodhart published on May 4 1994.*

1. CONSULTATION PAPER No. 10

The following extracts from the Consultation Paper are *verbatim* quotes. The points at issue are:

- Citizen's Income (CI)
- Married couple's allowance (MCA)
- National insurance (NI) contributions

(1) Citizen's Income (Section 5.3)

5.3.1 A *Citizen's Income* or *Basic Income* is a relatively simple concept. It is based on the idea that tax credits which are unused because an individual's income is too small should be paid out in cash. For individuals on benefits, a repaid tax credit would replace an equivalent amount of benefit.

5.3.2 In *Common Benefit* we proposed a partial BI which was only slightly greater than the equivalent present personal tax allowance. This would not initially have helped those on present benefits very much, but the intention was to progress to a partial BI for each adult comparable to half the current Income Support payment for couples.

5.3.3. The party has never supported a full BI, sufficient for subsistence and enabling most existing benefits to be abolished, because income tax on all other income would then have to be levied at about 70 pence in the pound.

5.3.4. *The case for a partial BI is that:*

- It would be more redistributive than the current tax system because the standard rate of income tax would be about 10 pence in the pound higher; although the majority of people would pay less than now after netting their tax credit against their income tax.
- Some income-tested benefits would have to be retained, but they could be smaller than now and less steeply tapered.
- It would be payable equally to all women and men, including those doing unpaid or intermittent work, as well as those earning full-time.

5.3.5 *The case against a partial BI is that:*

- A BI equivalent to the present value of tax allowances would be quite expensive and poorly targeted, because it would only go to those who currently neither pay tax, nor receive benefits.
- At a higher rate it would be very expensive: raising it to half the current income support level for couples would imply an income tax increase of over 10 pence in the pound.
- It complicates tax administration without simplifying benefits, because existing benefits would have to be retained.

(2) Married couple's income tax allowance (Section 4.3)

4.3.1 The married couple's allowance gives beneficiaries an additional allowance of £1,720 a year of tax-free income. The allowance is a relic from the days when a husband was taxed on his wife's income as well as his own. It contravenes the principle that marriage should be tax-neutral. It is also very poorly targeted on need. A married couple without children who are both employed will usually be *better off* than if they were living separately.

4.3.2 *We therefore reiterate our commitment from* Common Benefit *to phase out the married couple's allowance.* Despite numerous attacks on us for this policy by the Conservatives, they too now seem set on this approach, restricting the allowance to 20% in 1994 and to 15% in 1995. We urge the Government to come clean about its tax changes to give people the opportunity to plan for the future.

4.3.3 The abolition of the allowance should be accompanied by measures to compensate parents and pensioner couples. The former could receive a supplement paid through Child Benefit.

(3) What to do about NI contributions (Sections 2.0.2 — 2.1.3)

Editor: *First the existing methods of taxing incomes are criticised on the grounds that the current system is dishonest, unfair and inefficient. Then come the counter-proposals.*

2.0.2 Liberal Democrats are determind to address these failings. *We are therefore committed to abolishing national insurance contributions and ending the contributory principle* (see Federal Green paper 31, *Retirement with Dignity,* 1993). There are two ways in which this commitment could be implemented:

- *Either*, income tax and employees' NICs could be fully integrated into a Broad Income Tax with compensatory measures for those over state pension age;
- *Or*, the new integrated tax could include a separate component in place of NICs, called a Social Security Tax (SST).

2.0.3 At present NI contributions are not made on pensions income or income from capital. *We would take specific steps to protect from the changes proposed above pensioners, early retirers and those on modest incomes derived in part or in whole from capital.* If we opt for social security tax, we would exempt from this tax all income from pensions, as well as the non-pensions income of those over 60. If we opt for a broad income tax, we would increase the personal allowance for pensioners so that most pensioners would be compensated in full, and many would be better off.

2.1 Employers' National Insurance Contributions

2.1.1 Employers would continue to pay employers' NI contributions (or the equivalent). In the long term it may be possible to reduce employers' contributions, by using revenue raised from resource taxation to replace them.

2.1.2 In the short term, the change we propose to employers' NI contributions is to their structure, rather than their rate. At present, employers pay NI contributions at a succession of rates on the *whole earnings* of anyone earning more than £57 per week, with the top rate being paid in respect of anyone earning more than £200 per week.

2.1.3 *We propose to abolish employers' tax on the first £57 of all wages and salaries, and have a single rate of tax on earnings above that level.* This would significantly reduce the current burden of administration on business.

2. RESPONSE BY HERMIONE PARKER, March 9 1994

(1) Citizen's Income/Basic Income (Section 5 of Consultation Paper)

Terminology. In the Consultation Paper the terms Citizen's Income and Basic Income are used as though they were synonymous, which they are not. I think you may find it helpful to use CI as a generic for all benefits that take citizenship as the main basis of entitlement. In Britain the term Basic Income was first used by the late Sir Brandon Rhys Williams MP. By it he meant a CI variant financed by an hypothecated income tax (or *BI contribution).* This distinguishes BI from other CI variants like Social Dividend (financed out of the profits of industry) and Negative Income Tax (financed out of general taxation). Distinguishing between different CI options does not rule out policy proposals that use several, but it does clarify the debate.

Why no mention of transitional BIs? In the Citizen's Income Research Group we also distinguish between full BIs (enough to live on), partial BIs (at perhaps half the rate of Income Support for a married couple) and the small transitional BIs (£15 a week in 1994-95), which some people think are the best way to start. Since 1988 many transitional BI schemes have been costed and analysed, first at the London School of Economics using a micro-simulation model written by Professor A.B. Atkinson and Holly Sutherland, and more recently at the Department of Applied Economics, Cambridge, using a model written by Holly Sutherland. Both models highlight the potential of quite small BIs to redistribute income from rich to poor, and to reduce the unemployment and poverty traps, at no great cost to the taxpayer (**see** Parker and Sutherland elsewhere in this Bulletin).

Para 5.3.3. The costs of BI.

You say that a "full BI, sufficient for subsistence and enabling most existing benefits to be abolished" would require income tax on all other income of about 70 pence in the £. What BI amounts do you call full? When I reached a similar conclusion in *Instead of the Dole*, I assumed BIs for all adults equal to one-third average earnings, which today is over £110 per adult per week.[3]

I think you over-estimate the costs of BI by comparison with your preferred alternative (which you do not cost at all). Political feasibility makes partial BIs equal to half the rate of Income Support for a couple (£35.85 in 1994-95) and full BIs of perhaps £110 a week for pensioners (from age 67) the maximum attainable in the foreseeable future. Assuming that my costings in *Instead of the Dole*[3] were valid and remain so (despite recession and smaller North Sea oil revenues) partial BIs of £35.85 pw would necessitate income tax at 35%-40%. But NI contribution at 10% would go, so for most people the difference could be quite small. People with small unearned incomes (typically pensioners) stand to lose, but at the bottom of the income distribution their extra tax would be more than offset by the BI supplements for old age and invalidity. My costings assumed abolition of virtually all personal income tax reliefs, including all private pension tax reliefs, not just superannuation. Some of these reliefs are not recorded in the Family Expenditure Survey on which most UK tax-benefit models are based. They therefore need to be calculated separately.

Another major difficulty in calculating the tax rates necessary to finance a partial BI is the uncertainty of its effect on labour market participation. What is certain is the disastrous effect of existing policies. Slowly but surely families with low earnings potential are being priced out of core labour markets . Between 1979 and 1992 the number of supplementary benefit/income support claimants aged under 60 years went up from 1 million to 3½ million.[4] The purpose of BI is to reverse that trend.

The crucial question — which your Consultation Paper does not address — is the long-term effects of different reform options on incentives to work, train and study. Such effects are far more important than the tax rate in year one if BI were introduced at the improbable rate of £35.85 a week. To me your preferred proposal looks doomed to failure, because it is essentially a continuation of the policies that have more than trebled benefit dependency in the past fifteen years.

Para 5.3.4. The case for a Partial BI

- You say that the standard rate of income tax would have to be about 10 pence in the £ higher than at present. Yes, but NI contribution would be abolished, so for most wage and salary earners there would be little change.

- You say that some income-tested benefits would have to be retained. Yes, but dependence upon them, especially Income Support (IS), would be greatly reduced. Assuming a partial BI of £35.85 a week, all that is necessary to prevent Income Support claimants losing out is a *householder element* within housing benefit equal to the difference between Income Support for a couple and for a single person aged 25 or over (£9.85 in 1994-95). This is much better targeted than the current system, which pays £45.70 (from age 25) to single householders and non-householders alike. With my scheme dependence on housing benefit would go up, but housing benefit carries no earnings restriction, so its effects are less damaging than Income Support.

Para 5.3.5. The case against a Partial BI

- Here I disagree. A partial BI of £35.85 a week with supplements for groups like pensioners and people with disabilities is well targeted. It helps people below current tax thresholds who do not qualify for means-tested benefits (e.g. non-earning mothers, students and trainees), and it helps people who do qualify for means-tested benefits but don't claim them (eg many pensioners). It also changes the basis of their entitlement, so they no longer feel like second-class citizens. It is withdrawn from those who don't need it through the new (higher) income tax, each according to ability to pay. Instead of taxpayers and beneficiaries — with one set of rules for the rich and another for the poor — everyone is subject to the same ground rules.

- Two points here. First, officials from the Inland Revenue Staff Federation see no major administrative difficulties. Second, although the existing benefit system would remain, the number of people dependent upon its more complicated parts (especially Income Support) would fall and would continue falling as the BIs were increased.

Advantages of BI for women and beneficial effects on family life.

These advantages are overlooked in the Discussion Paper, yet they benefit more than half the adult population, plus their children — especially during infancy and late adolescence. In my opinion, they are a huge plus point for BI. During the last fifteen years, poverty has increased faster among young people than any other age group.[5] BI could reverse that trend. Why wait?

The need for grass roots debate

In the debate for and against means-testing, it is seldom mentioned that men (on average) stand to gain most from a means-tested system, whereas women, children and young people stand to gain from a universal BI. Unfortunately it is the voices of 'successful' men and a minority of 'successful' women / surrogate men which dominate the debate. *BI is about helping every man, woman and child, as equal citizens.* This message needs to be rammed home unceasingly and debated at grass roots level up and down the country. Instead, during the four years since the Lib Dems voted in favour of CI, it has been kept under wraps. Why?

(2) Replacing married couple's income tax allowance (MCA)

BI is the only option currently on offer, which combines two important principles:

- Symmetry between married and single
- Tax according to ability to pay.

Certainly MCA is asymmetrical between married and single, but if it were abolished without a simultaneous move to BI, single-income married couples would be taxed on the same basis as single people. Yes, I know the Labour Party likes it and Chancellor of the Exchequer Kenneth Clarke seems headed in that direction, but that does not make it right. Given that one-earner couples are already disproportionately at risk of poverty, why tax them further?

Abolishing MCA rather than replacing it with BIs would aggravate the poverty and unemployment traps and weaken family life. At 1994-95 prices, single-income couples would be charged tax on income above £66.15 a week, which is less than their Income Support entitlement of £71.70. So they would be liable to income tax on £5.55 a week of their Income Support (*sic*). I know of no developed country that taxes single-income couples as if they were single people. Most allow the spouses without income to transfer their allowances to their partners. Yes, child benefit needs to be increased, but not at the expense of single-income families without dependent children.

The hidden assumption behind your proposal is that all adults should be in paid work (unless they have investment income). But this is neither feasible nor desirable.

(3) Getting rid of payroll taxes

Yes, the welfare state needs to be reinvented. So I'm surprised you recommend retention of NI contributions. NI contributions make insured labour less competitive with uninsured labour in developing countries and with high-tech production processes. A lower-earnings level (LEL) for employers of £57 a week would produce new anomalies. For instance it would encourage them to offer more part-time work at low wages. But is that desirable? More women would reach retirement age with incomplete contribution records, and fewer men would find jobs at a family wage.

To me one of the big attractions of CI is that payroll taxes can be done away with. Employees' NIC can be replaced by an integrated income tax (flat-rate or progressive) and employers' NIC by new taxes on profits or value added. Call the new income tax a BI contribution if that is what voters prefer — Brandon Rhys Williams thought this — and credit the revenue from it to a special Transfer Income Account. But don't restrict benefit to people who are out of work. What is needed is a benefit system on which people can build through paid work. And that is what BI is about.

3. REPLY BY SIR WILLIAM GOODHART, April 14 1994

Thank you very much for your helpful comments. I will reply to them in the order you set them out:

(1) Citizen's/Basic Income

This is a very big issue, on which I have changed my mind radically since our 1990 policy paper. This is not because of my disagreement with the *principle* of CI, which is extremely attractive. The problem is that I have come to the conclusion that it simply will not work in practice. I think it might just have worked in the 1950s and 60s, on the basis of a family-based Negative Income Tax. However, the move to individual taxation seems to me to have destroyed any chance of success. A household-based CI, as proposed by Samuel Brittan, has some attraction but seems to me to break down over the difficulty of defining a household.

I am unable to accept your conclusion that a partial BI could be paid for by an increase in the standard rate of 10% *while abolishing employees' NI contributions.* You simply could not get enough money by doing this. Your proposal in *Stepping Stones to Independence* to abolish mortgage interest tax relief and the tax exemption of lump sum pension payments would raise only a little over £5 billion (nowhere near the sum required);[6] only the abolition of *all* tax reliefs on pensions would get close to the necessary level. My own calculations suggest that an adult BI of £33 a week would require the equivalent of an extra 10 **pence** on income tax while retaining employee NI contributions or a replacement tax. This would not only be politically unacceptable but would pre-empt other spending increases that we might wish to adopt in fields such as education.

I also remain convinced that there is very little point in a partial BI. The advantages only come if and when it is possible to proceed to a full BI equal at least to Income Support for a single person, when means-testing and its problems can be abolished. At the sort of levels you are talking about, most people who are now on Income Support — except pensioners — will have to remain on it, because they are getting Income Support of over £35 a week. Pensioners on Income Support can be dealt with in other ways for example by a partially withdrawable state pension; as is proposed in our policy paper *Retirement with Dignity.*

Since BI will be offset against benefits, a partial BI will be of no help to most people on benefits. In fact our proposals for a *Low Income Benefit* will be more helpful to those with very low incomes. Individual incomes are a very crude way of identifying real needs; some people on low incomes will be young trainees living with their parents or married women taking a part-time job to pay for a family skiing holiday. What you would mainly achieve would be a massive redistribution from people with full-time jobs to people with part-time jobs — not necessarily a good idea.

I accept that BI does also redistribute income from men to women, and that other things being equal this would be a good idea. However, I cannot see that payment of benefits to non-working or part-time-working women in households where there is an adequate houshold income can be regarded as a serious priority.

My personal conclusion — which you will find depressingly conventional — is that poverty can be best helped through an improved *Low Income Benefit* and (as and when possible) a reduction in the withdrawal rate, rather than through CI. I wish I believed that CI would work at an acceptable price, but I don't.

(2) Replacing married couple's income tax allowance (MCA)

I think the best solution would be to replace MCA (at whatever level the present government leaves it) with an amount of equal value payable to any family with children (per family and *not* per child). No parents would be worse off and some (cohabiting unmarried couples with children) would be better off. MCA for two-earner couples is clearly unjustified. I do not think the retention or replacement of MCA for single-earner childless couples is a high priority and it offends against the principle of tax-neutrality for marriage. The tax problem you mention will not arise if, as we propose, low-income benefit for a single-earner couple is paid to the non-earner.

(3) Getting rid of payroll taxes

We are already proposing that employees' NI contribution should be converted into a general tax on income rather than a tax on earnings. I am inclined to agree that we should aim to phase out or reduce employers' NI contributions, and we will look at putting more emphasis on this in the revised paper. However, higher taxes on profits are wholly unsuitable — they would have a disastrous effect on return on invested capital. Resource taxation is a much better bet in the long run, but the most suitable form — a carbon/energy tax — is still probably some years off and I think we will have to live with an employers' payroll tax for some years to come. We will look again at the Lower Earnings Level for employers' NI contributions — I think there may well be a case for abolishing it and not discriminating against full-time employment.

(4) The policy paper

A policy paper has now been drawn up, based on the Consultation Paper and the subsequent process of discussion. The debate on CI is left open for decision by the party conference. The policy paper proposes abolition of the Lower Earnings Level (LEL) for employers' NI contributions.

Notes and References

1. *Common Benefit*, Federal Green Paper No. 11, Liberal Democrats, December 1989.
2. *Tax and Benefits*, Consultation Paper No. 10, Liberal Democrats, January 1994.
3. Parker, H., *Instead of the Dole*, Routledge, 1989, pp130-134.
4. Hansard Written Answer, 3 Dec 93, cc 813-16.
5. See *Citizen's Income and Women*, H. Parker (Ed.), CIRG 1993.
6. Rhys Williams, B., *Stepping Stones to Independence: National Insurance after 1990*, H. Parker (Ed.), Aberdeen University Press, 1989.
7. *Opportunity and independence for all: proposals to improve the tax and benefit system*, Policy Paper 7, Liberal Democrat Publications, 8 Fordington Green, Dorchester, Dorset DT1 1GB, Tel 0305-264646, price £3.

Stranded

Susan Raven talks to Austin Mitchell MP

Austin Mitchell, MP for Grimsby since 1977 and one of the Labour Party's most outspoken backbenchers, says he would describe himself as a "maverick, an internal exile, an old unreconstructed Gaitskellite, stranded on the Left because the Labour Party has moved so far to the Right." He says he'd like an economic job in any future Labour Government — Trade and Industry or the Treasury — but he isn't very hopeful . . . Susan Raven went to ask him what he saw as Labour's way forward — what he thought of Citizen's Income (CI) as a possibility — and of Labour's Commission on Social Justice, which is also concerning itself with reform of taxation and benefits (see Susan Raven's interview with Sir Gordon Borrie in Bulletin No. 17).

AUSTIN MITCHELL MP

My priority is economic expansion and full employment. We're now in a survival situation. Our ndustrial base has shrunk too much, and we're trapped if we can no longer pay our way in the world. Manufacturing output is not even up to the level it was in 1990.

A scheme like Citizen's Income (CI) must take second order ranking because it's going to take years to bring in. More important, you can only bring in such a scheme at a time of economic expansion, because psychologically we all turn against each other in a time of decline. People are worried about defending their share of the national cake. They're on the defensive and their minds are not open to new ideas. But more important it will cost money, and to sustain that we need growth.

I'm particularly depressed by all this talk of scroungers, when it's so obviously to do with high unemployment. I was talking in a school in my constituency recently, and was struck by how hard even the kids were on so-called scroungers.

The Tories have driven people further into the unemployment and poverty traps by pursuing more and more 'targeting' and more and more means-testing, and by depressing the level of wages. I think the only answer is a *guaranteed universal wage* or *income*. I think it is the only way forward. It would be carrying on what Beveridge started. And it would build confidence. The chief effect of unemployment is the trauma, the second is insecurity. A CI would never get rid of the trauma, but it would cushion the insecurity. However, a CI needs to be brought in from the beginning at more than £15 a week, which is pretty useless.

Once people got the confidence that they have a right to CI, their confidence in a right to a job would follow. I'm also in favour of a minimum wage as an obligation of decency — not as an agent of economic growth, because there would be bound to be job-loss effects. All the same, in the end the only way to get rid of the dependency culture is through full employment — a job for everyone who wants one, ie not workfare, so that people can look after their families: that's better than any form of social security anywhere in the world — though the two have to go hand in hand. So the first measure of a Labour government has got to be to make the £ competitive and to work with industry to fuel investment, and to spread work around as far as possible.

You could expand the economy enormously just by making full use of our present resources — human and capital. There's an enormous building programme and all kind of public works crying out to be done, but the money has been locked up by the present Government. Coal and transport are obvious candidates for investment, so is steel.

It will take time to get things right — time we haven't got. Meanwhile the Party's policy is to hibernate our way to power — just pretend we're asleep, so as not to frighten the voters. At the moment we can only be brought to power by Tory default. But that's not a policy!

The only way to save ourselves is by facing the issues now — yet so far we've abdicated our responsibilities. The Commission on Social Justice is a means of not answering the questions which the Party itself ought to have begun to address right after the 1992 election. It's a programme for abdicating our responsibilities as a Party. Whatever recommendations the Commission comes up with — if they're at all sensible — the Party will just have to accept them because it's getting late. But if the Commission, too, abdicates, the Party will have to take the responsibility back again.

I was never happy with the decision to appoint the Commission, nor with the people chosen to be on it; it's run by the wrong people, like Patricia Hewitt, who got it wrong last time. So far as social security is concerned, we've got to have a new system, and CI is certainly along the right lines. It certainly appeals to me, but we've got to start pitching for it now.

You've got to work on both the popular and academic levels — you can't duck the academic research; but we also need a preacher, someone with the fire of St Patrick. Politicians need that kind of burning zeal to carry people with them. But the Labour Party doesn't have any zeal. And if we lack it we will fail.

The danger is that in power the Labour Party will just carry on with much the same system as the Tories. We should have the courage to do something about it while we are in opposition. But unfortunately we're a very cautious party, and we don't want to rock the boat. So my guess is that we shall stick with the existing social security system, perhaps doing something about pensions, but not very much. And if a Labour Government doesn't deliver either on jobs or social security, we shall fail . . . and fail finally. The people will relegate us to the dustbin of history.

The changing context: CI as part of a larger reform package

James Robertson

James Robertson's discussion paper ***Benefits and Taxes: a radical strategy for economic efficiency, social justice and ecologically sustainable ways of life*** *was published by the New Economics Foundation in March 1994 (see Books and Papers Received). In line with the Brundtland Report the aim is "a new approach in which all nations aim at a type of development that integrates production with resource conservation and enhancement, and that links both to the provision for all of an adequate livelihood base". Here the author summarises the case for combining the introduction of a Citizen's Income with replacement of most existing taxes by a land-rent tax and a tax on non-renewable energy.*

In 1971, in a book on government, I noted that "social benefits and taxation have to be considered as complementary instruments for regulating incomes", in order to ensure that "all the various tax liabilities and social security provisions, taken together, add up to a coherent and sensible and fair sum-total payment in one direction or the other between the community and each individual".[1] Despite the reference to various tax liabilities, I accepted for many years, like most other long-time supporters of Citizen's Income, that what would actually be involved would be an integration of the personal income tax and benefit systems.

I now believe that another approach is more realistic and practical. The new context created by today's emerging economic, social and environmental concerns — national and international — is not only making CI increasingly relevant, but is opening up a new way of financing it, as part of a larger package.

Arguments for reconsidering how CI should be financed include the following:

- In the foreseeable future, as supporters of CI recognise, income tax will not be able to meet the costs of a full CI. The required rates of tax would be unacceptably high. Yet many people would probably regard a partial CI as an unnecessary addition to an already over-complicated benefit system.
- Reflecting the view of many economists that the tax burden should bear on spending rather than on incomes, a shift away from direct to indirect taxation has been taking place in Britain and other countries over the last ten to fifteen years. This further reduces the chances of financing a full CI out of income tax at some future date.
- Finally, and perhaps most important, there is the growing worldwide acceptance both of the need to reduce the costs of employment and also of the need to introduce environmental and energy taxes to encourage sustainable development.

These two, previously separate, concerns — lower labour costs and sustainable economic development — are now coming together. For example, the European Community's June 1993 White Paper on *Growth, competitiveness and employment*[2] explicitly linked measures to reduce labour costs with the introduction of a carbon or energy tax. So we can expect continuing pressure for a further reduction of taxes on income — and their replacement by taxes on the use of natural resources, including use of the limited capacity of nature to absorb man-made pollution and waste. The new energy and environmental taxes will not be taxes on expenditure as such. They will fall only on certain categories of spending.

That is the background against which I recently carried out a preliminary study, under the auspices of the New Economics Foundation, on the feasibility of combining four main policy proposals:

- A Citizen's Income
- Replacement of all taxes on incomes, profits and value added by taxes on activities that subtract value, including particularly:
- A land-rent tax (on annual rental site values)
- An energy tax

The resulting discussion paper describes these four proposals, the arguments for them, and the arguments that have been brought against them. An illustrative scenario, based on a three-year period of administrative preparation and a ten-year programme to phase in the new measures and phase out the existing ones, gives a sense of the financial magnitudes involved. It assumes that the principle which justifies taxing the rental site value of land and the use of energy would be extended to the taxing of other commons, with the latter defined as those resources, facilities and values that were created by the processes of nature and the activities of society as a whole — not by the effort or enterprise of the user. Finally, it suggests that the introduction of a CI together with the abolition of taxes on incomes, would mean lower costs in the public services and would permit some scaling down of the existing level of public services.

The paper highlights the interconnections between the four main proposals, and shows how the undesirable effects of some can be corrected by others. For example, the regressive effects of further reductions in income tax and the introduction of energy and environmental taxes will need to be offset by the progressive effects of such measures as CI and the land-rent tax. The macro-economic effects of the package are also explored. They include tendencies to even out the peaks and troughs of boom and slump, to encourage decentralisation, and to improve international competitiveness. Possible winners and losers, supporters and opponents, are identified. The possibility is also raised that the package could help to bring about a shift in priority away from the pursuit of ever-expanding incomes and revenues (at the expense of rising social and environmental costs) to the reduction of such costs.

It is already becoming widely accepted that (under the *polluter pays* principle) those who in the past have been able to *externalise* their environmental and social costs by imposing them on other people or on society as a whole, should be required to meet those costs themselves

— and so be encouraged to reduce them. The systematic internalisation of these hitherto externalised costs — and the greater emphasis therefore on cost reduction throughout the economy — which the package would bring about, may well be a key feature of the shift to sustainable development that industrialised economies and the world economy as a whole will have to make over the next thirty or forty years.

Against this background of broad principle, many detailed questions now need to be explored. These will include the probable effect on the incomes and spending power of different types of families, the implications for particular industries and economic sectors, the possible consequences for urban and rural economies, and so on.

The four main proposals — CI, the shift of taxation off 'goods' to 'bads', the principle of taxing what the classical economists called 'rent', and taxes on energy and environment — will, I am sure, continue to be promoted on their own merits, each by their own supporters and advocates. But the successful promotion of each is likely to be furthered by increased mutual understanding and cooperation. Apart from anything else, a package on some such lines as these can provide a much needed new legitimacy for taxation and public expenditure, including social benefits. It would be based on the following three principles, which most people would understand and agree with:

- People should not be taxed on activities that help to meet the needs of other people and society.
- People should be taxed for using resources and values generated by nature and by society, and thereby depriving others of the opportunity to use them.
- The proceeds of such taxes should be distributed among all citizens, partly in the form of a CI and partly in the form of publicly financed services.

Even this short summary must mention one more question. Could a package of this kind be introduced on a national basis, or would it have to be adopted internationally? As with other aspects of these proposals, the answer is complex in detail but comparatively simple in principle. The need to restructure the institutions of taxation and the welfare state to achieve a combination of economic efficiency, social justice and ecological sustainability — which the package is designed to do — applies to all countries. For that reason, apart from questions of international goodwill, an international approach is desirable. But if some countries adopt the package and others do not, those which do will gain a competitive advantage. Undue postponement of progress in this direction until comprehensive, detailed international agreement can be reached will therefore be neither necessary nor desirable.

In the 1960s and 1970s James Robertson worked in the Treasury and the Cabinet Office, directed the InterBank Research Organisation, and advised the House of Commons Procedure Committee on Parliamentary control of public expenditure. His most recent book is ***Future Wealth: A New Economics for the 21st Century*** *(Cassell, 1990).*

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Citizen's income and renewable money:

The need to re-examine social credit-type systems

Pat Conaty

Lack of money means discomfort, means squalid worries, means shortage of tobacco, means ever-present consciousness of failure — above all, it means loneliness. — George Orwell.[1]

Money has been the grease, glue and guts of economics and urban society for over 4,000 years. Charles Dickens referred to pounds, shillings and pence as the *little screws of existence.* Remove them and society falls apart in disjointed, functionless bits. Originally all money was local. The medieval proverb *City air makes you free* rested upon the efficiency of city state monies in providing work and trade. Yet this historic fact hardly figures in the debate about a single European currency.

The arguments for a Citizen's Income (CI) recognise people's dependence on money, but also the imperfections of the market economy in providing access to it. CI enables freer choices to be made about work, enterprise or other productive endeavour. Yet CI, we are told, is too expensive. In this article it will be argued that a complementary (or parallel) exchange mechanism could reduce social exclusion and the costs of a CI. Attention will also be drawn to the growing inefficiency of national and global money systems; the hidden history of parallel money systems; grass roots experiments in the USA, UK and elsewhere to reduce social exclusion, enable informal economies to thrive, and encourage voluntary action via local exchange mechanisms (or LETS see p18); and a growing range of arguments for the trialling of a multi-tier money system.

The functions of money

In any economy, money performs three key functions:

- It acts as a measure of value (counting).
- It facilitates the exchange of values (enabling).
- It acts as a store of value (saving).

Unfortunately, as a counting mechanism the world money system is discriminatory. It does not count unpaid labour or the informal economy at all, and it is inefficient as an enabling mechanism, because it does not promote fair trade. The only function at which it excels is as a store of value. Its disfunctions in respect to counting and enabling are at the centre of the rise in social exclusion.

The need to re-define production

In public finance, gross national product (GNP) is a key measure, yet the only production it measures is that which can be measured in terms of money. Production resulting from unpaid or voluntary work is excluded. GNP was introduced as a tool of demand management by Keynesian economists in the 1930s. It was never intended as an indicator of relative economic welfare. Yet, despite criticism of the limitations of GNP, politicians of all parties perpetuate the misplaced assumption that growth in GNP is *good,* zero growth is *bad,* and negative growth is *very bad.* This is how Hazel Henderson of the University of Florida sums up such misconceptions:

> *The social costs of a polluted environment, disrupted communities, disrupted family life and eroded primary relationships may be the only part of GNP that is growing. We are so confused that we add these social costs (where monetary) into GNP, as if they were real useful products. We have no idea whether we are going forward or backward, or how much of it is useful production.*[2]

Henderson challenges the conventional assumption that wealth equals goods bought and sold. To place the whole economy in perspective, she uses the analogy of a five-layer cake, where the bottom layer is the unpriced, natural economy of free goods; the second layer is the unpriced, informal economy of "gifted labour and social services"; the third layer is the cash-based underground economy; the fourth is the public sector and cash-based voluntary sector; and the top layer — with icing on it to single out its favoured status — is the private sector.

This illustration puts into perspective the reliance of the private sector on the invisible social and natural economies. Nobody knows how much each contributes to the needs of society. But some studies give an indication. Paul Sparrow, for example, divides the second layer of Henderson's cake into the domestic (or household) economy and the informal work exchange. He estimates the value of this layer at about 60% of GNP in the UK.[3] Manfred Max-Neef cites studies which show that in Sweden the domestic economy totals 7 billion hours per year, against 6 billion hours in the formal economy (private and public sectors).[4]

Local economies immobilised

In a poor community, lack of income and local investment traps and disempowers people and enterprises. Labour cannot be networked effectively and other resources are wasted. Like a bus with no fuel, the local economy is immobilised.

This transport analogy is helpful, because money and energy are strikingly similar. Both are types of power. Both flow through a maze of networks and exchange systems. When functioning effectively, credit mechanisms should redistribute money to where it is in short supply. The fact that this is not happening is evident from the widening divisions in Europe between richer and poorer regions, and between richer and poorer nation states. Looked at globally, the contrasts between financial surpluses in the north of our planet and financial deficits in the south indicate a world economy that lacks the control mechanisms necessary to operate efficiently.

Dependence at national and neigbourhood levels on an unbalanced world money system defies attempts by politicians and citizens to manage their economic affairs. Monetary growth has its own self-obsessive logic which is only connected to the real economy at its margins. A World Bank study in 1986 discovered that only 5% of money in circulation was necessary for transactions in the real economy.[5] The rest was being used for arbitraging for and against national currencies and playing on interest rate differentials in beggar-my-neighbour fashion. According to Canadian economist John Hotson, aggregate wages increased 21-fold in the USA between 1945-1988, while interest payments in the same period grew 186-fold.[6]

It is the relentless increase in interest payments since the mid 1970s that has fed the vast concentration and centralisation of wealth in the world's élite banks. John Reed, a former Chairman of Citibank, has compared this monetary power to a nuclear weapon:

> *We see about $400 billion every day of foreign exchange transactions going through the system. It's a little like the physicist who created the bomb.*[7]

Lending for lending's sake during the Lawson boom resulted from the system's insatiable appetite for new business. More recently, reserves for domestic debt problems in Britain set by the UK's Big Four Banks (Barclays, NatWest, Midland and Lloyds) exceeded the bad debt reserve levels established for Third World loans. The unrestrained lending spree undertaken during the 1980s by the major clearing banks thus spread from South to North. This was the case in mainland Europe as well as Britain. Horrendous social consequences from instant lending at high interest rates between 1983 and 1989 have been triggered by the world recession.[8] Rates of personal bankruptcy, mortgage foreclosure, repossessions, business closures etc have been increasing throughout western Europe in the 1990s.[8] Money and banking systems are now as dangerous and environmentally destructive as the more widely criticised systems of energy generation, agriculture and transport.

Co-operative money theorists

Money represents a *type of social energy* — a viewpoint developed by the classical economists Adam Smith, David Ricardo and Karl Marx in their labour theories of value. The question is whether *new local monies* could be developed as *renewable social energy counterparts* to national and international monies, in order to meet local needs in a sustainable way. Nineteenth century co-operative money experimenters thought it possible. In 1844, John Stuart Mill argued that the contraction of credit was responsible for depressions and slumps . Nearly one hundred years later John Maynard Keynes identified the contraction of credit as a structural bias in a monetary system that favours savings over consumption and prolongs recession unless investment can be stimulated.

Populist experiments to reflate local economies occurred in 19th century Britain, France and the USA. The first experiments of a significant size were the National Equitable Labour Exchanges set up by Robert Owen in London and Birmingham between 1832 and 1834.[9] These exchanges issued labour notes as paper currency to unemployed artisans — the goods that could be purchased with these notes were priced according to the length of time it took to produce them.

In the 1830s Josiah Warren, a colleague of Robert Owen's, established a similar co-operative money system called the *Time Store*, which operated for three years in Cincinnati, Ohio.[10] The charter for Proudhon's People's Bank in Paris, which attracted 27,000 members, was based on a transaction cost system similar to Owen's, but the 1848 revolution prevented it from trading.[11]

Proudhon's plan was extensively refined in the 1890s by Silvio Gesell, a German business man living in Argentina. He criticised conventional money — particularly in its precious metal form — for its steadfast ability to retain value, and therefore to encourage hoarding and speculation. Money, he said, needed to depreciate. In order to stop people holding on to it, he therefore proposed a *use fee* of 5%.[12] This turning of interest upon its head accelerates local economic activity by increasing demand and the availability of credit. Just a few months before his death in 1930, Gesell's theory was put into practice in the small Austrian town of Wörgl, as an experiment to relieve unemployment. The town council issued 5,000 interest-free schillings to local citizens (redeemable for Austrian schillings at the Town Hall),[13] but the new money became valueless at the end of each month unless the holder bought a stamp to affix to the back of each note, at a monthly fee of 1% of the face value. This charge encouraged people to spend more. Taxes, invoices and wages were paid in advance, and traders gave credit on attractive terms. Within a month, monetary circulation reached a daily turnover rate of about 65%. Within a year, Wörgl was back in business and unemployment fell sharply. The experiment spread to other towns, frightened the Austrian National Bank, and was declared illegal in 1935. Numerous similar experiments took place in Germany, Canada, the USA and Denmark during the 1930s.

Keynes examined Gesell's arguments in his *General Theory* and could find no fault with them. He even speculated that "the future will learn more from Gesell than from Marx".[14] In 1989, J.K. Galbraith recounted the success of *gift money* without a circulation fee in Maryland during the 18th century. Each Maryland citizen was given an identical lump sum to trade with. Galbraith wrote that this experiment was the first form of *social credit*,[15] but readers of this Bulletin may prefer to think of it as the first recorded CI.

What is important, in order to maintain stable prices and confidence in any money system, is that the amount of money in circulation is kept broadly in balance with the level of trading it needs to service. Local issue and local management can facilitate this process. As Hayek argued in his treatise on the de-nationalisation of money, effective management of monetary systems is impossible through remote central governments and central banks.[16]

Parallel economies and local currencies

Gesell's theory inspired experiments in local money systems internationally and persuaded the grand don of monetary economics, Irving Fisher, to argue for the universal introduction of *stamp scrip* money in towns and cities throughout the USA as a means of ending the Great Depression. But FDR preferred Keynesian demand-side measures. Fisher argued that stamp scrip could be taken out of circulation when a healthy cycle of trade restarted.[15] More recently Jane Jacobs argues a more permanent case for local currencies, floating against national currencies.[17] Local currencies, she says, act as economic feedback controls, whereas national currencies "give faulty and destructive feedback to city economies, and this in turn leads to profound structural economic flows, some of which cannot be overcome no matter how hard we try". In the 1990 Annual Lecture of the Institute of Directors, Sir James Goldsmith endorsed this argument, observing that the case for local/community currencies was being ignored in the debate on the single European currency.[18]

Owen, Proudhon, Warren and Gesell (unlike J.S. Mill and Fisher) were concerned to develop a money system where labour hires capital, rather than the other way round. In their view money should become the servant rather than the master of human productive endeavour. To avoid inflation, local management of the money system was a *sine qua non*.

The social credit ideas of Major Douglas and the guild socialist A.R. Orage (other forerunners of CI) overlap with the co-operative money tradition. The National Dividend advocated by Douglas and Orage has similarities to the issuing of stamp scrip / labour notes. Also, the *Just Price* monetary mechanism for regulating social credit resembles the non-profit nature of the circulation or use fee devised by Owen and Gesell.[19] Both systems sought productive activity through the facilitation of mutual exchange without banking intermediaries.[20]

Current arguments and experiments

In a recent review of the Douglas / Orage texts, Frances Hutchinson of the University of Bradford has suggested a re-assessment of the introduction of CI in the form of a National Dividend.[21] Margrit Kennedy and the late Dieter Suhr in Germany have also argued for the introduction of a new money system by national government, with a Gesellian circulation fee.[22] In their view, the benefits of the optional use of a currency that was interest-free would attract popular support and spread as a parallel money system accordingly.

In the UK, Robin Murray has argued for the introduction of municipal money systems, and Geoff Mulgan of DEMOS has proposed a government-backed parallel money system, to facilitate local exchanges, in order to combat social exclusion.[23] Mulgan argues for a twin money, to harness the latent productive capacity of the informal economy, without resort to workfare. He argues convincingly that, because unemployment has isolated communities outside the formal economy, the introduction of *twin money* need not cause inflation. As in Wörgl and Maryland, its operation can create productive activities which, for the most part, would not otherwise occur.

Mulgan proposes that twin money could replace a given percentage (say 40%) of social security benefits, at a premium rate of exchange (e.g. a 10% bonus for swapping benefit monies for twin money). The amount of money exchanged would be limited by preventing the public and private sectors from trading in the twin monies with each other. Twin money would be tax free and earnings or profits via twin money would not count against benefit entitlements. State agencies would also be able to exchange a certain amount of their funding from central government at premium rates into twin money. Accredited institutions and individuals would be allowed to accept twin money, and support for infrastructure for the new twin economy (e.g. trading or market facilities), as well as subsidies for training costs, could be made available.

Local exchange trading systems

Community-based experiments with multi-lateral barter systems have spread rapidly in recent years in Australia, New Zealand, the USA and Britain. They are commonly known as LETS (Local Exchange Trading Systems). Essentially they are local skill exchanges, which promote volunteering and the informal economy; but self-employment, small businesses and enterprise networking are being facilitated as well.[24] From only a handful of LETS systems two years ago, the UK now has over 300 systems trading in local monetary units. In Totnes they are exchanging *acorns*, in Exmouth *cockles*, in Bath *olivers* and in Southampton *solents*.

Bernard Lietaer, a former President of the Belgian Central Bank, is convinced of the technical feasibility of new money systems based on a *use fee:*

> *Negative-interest currency could be introduced in parallel with existing currency. It could be made permanent after its benefits were fully demonstrated . . . A new currency issued by a central bank would create an internationally convertible currency of remarkable stability. Decentralised issues of stamp scrip by a variety of local communities would maximise the creation of employment and economic activity in those communities. In combination, the two approaches would mutually reinforce each other to provide a flexible and powerful monetary strategy.*[25]

As Lietaer observes, Wörgl's alternative currency was declared illegal, not because it was unsuccessful, but because it was so remarkably successful that it and similar experiments elsewhere in Europe *were perceived as threatening to centralised decision-making, and the central banks' monopoly on issuing currency (op cit* p 44). James Robertson (a former chief adviser to the UK clearing banks) has also argued for a multi-tier money system.[26]

If in future money is to be used as a social tool, rather than hoarded and misused, the starting point must be its demystification. In the meantime, co-operative social credit mechanisms need re-examination as a fundamental part of the debate about CI.

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The root cause of high public spending is poverty

Richard Clements

Citizen's Income (CI) is a strategy not a blueprint. It is not possible to put precise figures upon how much it would give to every individual, because that depends on what levels of taxation we would be willing to pay for it. But even if the CIs were small amounts they would still signal a radical change in the way we look at social security and economic policy.

What is certain is that our present much-devalued social security system is no longer able to do the job which Beveridge envisaged for it fifty years ago. It has become a morass of often counter-productive measures, which are a burden on our economy, not only because of their cost but also because they play hardly any part in overcoming the ills of our society. They fail to prevent people falling into poverty, because they do nothing to help the creation of jobs. The NI contributions needed to fund them add to unemployment by making labour more expensive. And all that the efforts allegedly made to 'help the most needy' have actually achieved is to push more people into poverty and prevent them from getting back into work on account of the *unemployment trap* (which makes it not worth-while to come off benefit) and the poverty trap (which claws back the reward from earning more).

At the moment many millions of people receive benefits of one sort or another. We have a mountain of schemes that are supposed to help the aged, the sick, the poor, those who cannot find work and those with disabilities. But most of these benefits are bound round with bureaucratic provisions which are supposed to find out whether or not the claimant is entitled to benefit. Armies of snoopers are employed in search of 'scroungers'. And we are deluged with stories about the 'something for nothing', 'dependency' culture bred by the welfare state.

It is, of course, an enormous red herring. Undoubtedly there are substantial problems in the existing social security system, but they have far more to do with the fact that it is unable to cope with the greatly changed economic, social and industrial conditions of the 1990s than with the growing wickedness of our fellow men and women. So it should follow that those who advocate 'reform' of the welfare state come up with a system that tackles those problems. Tinkering with Beveridge — which is all they have done so far — is nostalgia for a lost innocence. As Beveridge himself said, "revolutionary moments require revolutionary solutions".

Interestingly, the concept of Citizen's Income is not all that revolutionary. Yes, it changes to a degree the traditional relationship between income and work. But given the value of so much of the voluntary work done in our society that distinction has no real meaning any more. Given also the labour market changes that have taken place, the danger is that fewer and fewer people will be able to contribute through paid work. What is revolutionary is that CI gives every individual the maximum of choice. It is a collective response which empowers every citizen, without detailed examination of their needs or circumstances. There is an enormous advantage in this. All that means-testing, work-testing and "targeting" do is to create absurd anomalies. Instead of overcoming the problems confronted by individuals, they make them worse. Earlier this year the Department of Social Security reported that the number of people in the 'poverty trap' rose by about 25,000 in 1993, to nearly 200,000. The DSS defines these people as part-time employees for whom it is not worthwhile to work longer hours, because any extra pay they earn would be offset by £ for £ cuts in their Income Support. Many of those affected are the working wives of men who have fallen into unemployment. Instead of encouraging different family members to earn what they can, the system punishes them. By contrast CI would provide the dynamic needed to get people back into employment. The incentive is there for people to find ways out of their individual dilemmas. The present system traps them.

As if by some miracle it is now being said that full employment is back on the political agenda. Methods of achieving it are being given prominence. The beneficial effects of long-term high levels of employment are being recognised for the first time in years. But the significance and potential of a sane social security system that would help to achieve full employment still fails to excite attention. And this is mainly because the argument about social security policy is bogged down in the wider argument about levels of public expenditure. The cost of the social security budget is talked about as if expenditure on social security had no effects on our society other than on the immediate financial balance sheet.

There is another much more intelligent way of looking at it. The root cause of the rising cost of social security payments is increasing poverty. The major cause of poverty is unemployment (not just in times of recession — 'boom' time unemployment has been rising steadily over the last three decades). The only way to tackle rising social security expenditure is to move against poverty. That is the only effective way to save money on the social security budget and Citizen's Income is the best instrument currently available to set the ball rolling.

At Home and Abroad

We rely on readers to keep us informed about events concerning Basic or Citizen's Income world-wide. If you know of something that may be relevant, please write to the Editor, c/o The Citizen's Income Study Centre.

Finland

Spreading the message

London-based Finnish journalist Tapani Lausti writes: After reading CIRG Bulletin 17, I wrote a piece about CI for the South-Eastern Finnish newspaper *Etela-Sainmaa*. My piece was published on May 1 1994. I then interviewed Hermione Parker, and the resulting article, *Citizen's Income as a solution for crisis in the welfare state*, appeared in *Kotimaa*, the newspaper of the Finnish (Lutheran) Church, on May 20. In it Parker explains how the existing social security system increases unemployment and poverty, and recommends a Basic Income sufficient to meet people's basic living costs, but excluding housing costs because they vary widely. CI supporters, she also pointed out, are looking for a less aggressive, less secularised version of the work ethic. I was also able to use the interview with Hermione Parker in a radio piece relayed by the BBC World Service (Finnish Section) to local Finnish radio stations.

Republic of Ireland

Combat Poverty Agency hosts seminar on Basic Income

Helen Johnston (Research Manager at the Agency) writes: On February 4, the Irish Combat Poverty Agency hosted a seminar on BI, its purpose being to stimulate debate on the key issues for a BI in the Irish context. The Combat Poverty Agency is a state-funded organisation with responsibility for advising Government on economic and social policy in relation to poverty, as well as supporting and encouraging anti-poverty projects, developing research into the nature and extent of poverty and educating the public about poverty.

Hermione Parker presented the key discussion paper, in which she argued the case for a CI, explained the characteristics of different CI models and discussed a transitional BI scheme, financed by its own integrated income tax and costed for the UK financial year 1991-92. Patrick Honohan, of Ireland's Economic and Social Research Institute, explored some of the practical implications of introducing a BI scheme in Ireland. In his presentation he noted that "a BI scheme to replace all conditional welfare payments in Ireland would certainly be difficult to attain and may be out of reach at present, bearing in mind political realities. Nevertheless, BI would be a useful reference point for thinking about and even for guiding the direction of partial reforms".

The seminar generated much interest with an attendance of about 100. The audience was a relatively expert and informed group, which led to a stimulating and broad-ranging discussion. The key issues raised in discussion were:

Political acceptability of BI: the need to sell the BI idea politically, particularly in relation to criticism that it would destroy the work ethic.

BI amounts: Hermione Parker's transitional BIs (£15 a week for adults and £12 a week for children at 1994-5 prices and incomes) were felt to be inadequate in the Irish context. The main concern was that levels of income should be adequate and that no low-income groups should be worse off as a result of the introduction of such a scheme. For a full BI scheme, £60 per week was thought to be nearer the mark for adults (to at least match the lowest social welfare rates in 1993-94). Patrick Honohan proposed that one way of moving towards a full BI would be to start by introducing a BI for children only, at £20 per week for every child.

Sources of funding: there was discussion around what sources of funding should be included in a BI scheme. It was generally accepted that direct expenditures by the State currently devoted to income maintenance — as well as personal income tax allowances — should be available for financing the BI. What was less clear was whether indirect sources should or could be made available, e.g. discretionary tax reliefs, non-cash transfers, subsidies and CAP supports.

Alternative approaches: it was suggested that some of the principles of the BI approach might be operationalised within the existing tax and benefit systems, for instance by increasing child benefit substantially (and thus introducing a partial BI for all children); by limiting all income tax reliefs to the standard rate of income tax (which would remove a lot of the existing problems in relation to redistribution through the tax system); or by removing the existing availability for work tests for social welfare payments, which would allow many excluded categories to claim benefit (but would not remove unemployment/poverty traps for such persons).

Pensioners, persons with disabilities and others on higher social welfare rates: there was discussion about what should be done in the case of pensioners and other social welfare recipients, who currently receive rates of payment higher than the basic level; and groups, such as persons with disabilities, who have specific needs. It was envisaged that at least some of these groups should retain their existing higher-rate supplements.

Tax treatment of private pension contributions: this was an issue requiring further consideration.

Income distribution within families: women (on average) would gain and men would lose if the BI payments were made on an individual rather than a family (or household) basis.

Simplicity: a full BI would simplify the existing tax and social welfare systems, but a transitional or partial system would at best only reduce the existing complexity.

Basic Income no panacea: in conclusion it was felt that the principles of the BI approach were worthy of further consideration, and that detailed costings of full and partial schemes would be particularly useful. However, it was recognised that a BI scheme on it own is no panacea for the prevention or even the alleviation of unemployment or poverty.

The seminar raised awareness of the main issues around a BI approach in the Irish context. A number of organisations, government working groups, political parties, researchers and academics are currently looking at the potential for a BI approach in Ireland, and reports are expected from some of these groups by next autumn. This initial seminar has helped to inform the debate. A report of the seminar proceedings, provided by Mel Cousins, is available from the Agency at 8 Charlemont Street, Dublin 2 (Tel 01-4783355).

United Kingdom

Meeting at the Mothers' Union

Lynette Paul (Chairwoman of the Social Concern Standing Committee) writes: On March 15 1994 Hermione Parker was invited to attend one of our regular Standing Committee meetings, to talk about Citizen's Income. Having explained its basic principles, its attractions (especially for single-income families), and also its limitations, she distinguished between the three variants: Basic Income, Social Dividend and Negative Income Tax. She then spoke about the measurement of need, the dangers when social policy (taxation as well as social security benefits) is conducted in a vacuum, and explained the work of the Family Budget Unit in this field.

There followed a stimulating discussion between the members of the Committee present, with the emphasis on the implications of Citizen's Income for family life and family policies. This is something the Social Policy Officer of the Mothers' Union may wish to pursue, and we intend sending a delegate to your Conference at Goldsmiths College in September.

Liberal-Democrats Conference in Cardiff, March 1994

Conall Boyle writes: An important debate on Lib Dem Consultation Paper No. 10 *Tax and Benefits* was relegated to a fringe meeting at an obscure time. Even so, there was a large turn-out of about 200 people — far greater, it was remarked, than on previous occasions devoted to this topic. The final policy paper will go to the September Conference at Brighton.

The chairman was Sir William Goodhart QC, assisted by Lord (Conrad) Russell, with Alan Beith in attendance for part of the meeting, which lasted two hours and covered ahout six major topics, including:

- Citizen's Income — *should we scrap it?*

The italics come from a phrase by Goodhart in an article in Liberal Democrat News (December 3 1993), where he also wrote: *Some of the working group think we should retain this commitment. Others — myself included — think that CI is a utopian scheme which, for all its theoretical attractions, would cost a vast amount of money, be poorly targeted on real needs, and take few people off means-tested benefits.*

As the first speaker, I was delighted to see the largest audience I've ever addressed on CI. I explained about 'targeting' — the preferred Tory option — and its implied marginal tax rates of 80%, 90%, even 100% on the very poor. Old-fashioned full employment, which Labour still hankers after, would be a good trick, but nobody expects it to return in the near future. So a CI, even a CI of only £15 a week, would make a difference (here I was quoting CIRG Bulletin No. 17). And we needn't think we are doing something frightening, says I, waving that day's Guardian, in which even Howard Davies of the CBI (Confederation of British Industry) was advocating some sort of CI — he'd mentioned negative income tax.

When I sat down I thought that as usual CI was too technical or too much of a something-for-nothing wheeze to raise delegates' interest. So I was amazed when a dozen speakers told of their enthusiasm for CI, and from their words showed they understood it very clearly. Phrases like: "CI is one of the best things we've got", and "in the last election, on the doorstep, people really appreciated what we proposed". Only one person spoke against, and then in an obscure way. A speaker who asked "Why should this money be paid to a rich housewife who spends all her time on the golf course?" was laughed off. "Tax the rich husband" was the cry.

By now I was getting the feeling that CI was home and dry — until Sir William Goodhart summed up.

> "I can see that the meeting is overwhelmingly in favour of CI," he said.
> "Only those who spoke!" came the rejoinder.
> "Take a vote!"
> "Yes in a moment."

I do not have a verbatim account of what Sir William said, but it went roughly as follows:

> "The main problem with CI is that at a rate of £33 a week it means an extra 10 pence on income tax, which is a very difficulty policy to sell on doorsteps. We have to accept that CI is a scheme from dreamers, not a practical policy. As to the problem with the high effective rates caused by targeting, yes something must be done to make them less severe. But we cannot do everything; there is only so much money available, and you cannot spend the same money twice. We have to have priorities, and CI is not at the top of the list . . . .
>
> "Now, all those in favour of retaining our commitment to CI? . . .
> "And those against?"

Amazingly, after this hostile summing up, there was a clear majority (I'd say two-thirds) in favour of retaining our commitment to CI. *But the question remains: why the hostility to CI from senior Liberal Democrats?* Does it stem from the 1992 General Election, which Labour is said to have lost because it threatened income tax increases?

Commission on Wealth and Social Cohesion

Hermione Parker writes: Earlier this year Britain's Liberal Democrats set up a Commission on Wealth and Social Cohesion, chaired by the sociologist Lord (Ralf)

Dahrendorf. Like Labour's Social Justice Commission, the Liberal Democrats' Commission is due to report at the end of this year. Apart from Lord Dahrendorf, its members are: Frank Field (Labour MP for Birkenhead and Chairman of the House of Commons Social Security Select Committee); Carolyn Hayman (joint managing director of Korda and the only woman on the Commission); businessman Ian Hutcheson; Will Hutton (Guardian economics editor); Professor David Marquand (also a member of Labour's Social Justice Commission); Dr Andrew Sentence (London Business School and a former director of economic affairs at the Confederation of British Industry); and Sir Ian Wrigglesworth (a former Liberal Democrat president). Lord Dahrendorf is a long-time supporter of Citizen's Income and a specialist adviser to the Citizen's Income Trust. But will his views prevail? As yet we have no indications, nor have we received any invitations to submit evidence.

CIRG North West

Kevin Donnelly reports: The best news from the North West has been the suggestion by Hans Breitenbach to set up a bursary scheme, to enable a wider participation in the London BIEN Congress this September. Any successful CI scheme must eventually become a political decision in which popular support plays a part. But this can only happen if there is grass roots participation, so the bursary will ideally enable some people to attend who otherwise could not afford it. By the time this report is in print £750 will hopefully have been raised to send delegates from the regions to the congress.

The rest of the news is of low-key but well-placed intervention on CI in public discussion, whether at conferences or through the media. However, overshadowing this programme is a wider concern about social security and public spending. This is of course the old affordability-of-CI debate in the context of massive public indebtedness.

Debt, public and private, was the theme of a talk given in Peterborough by Sir Richard Body MP (the spring CI North-West conference having been rearranged to enable members to attend). The title of Sir Richard's talk was the question *Will our economy crash?* And the answer was "Yes, it will", the argument being based upon the growing volume of public and private debt. The hosts for the occasion were the Quaker Land Value Taxation Group, so those who think that taxation and monetary reform must precede any decision on CI would have found support.

That raises questions of truth once more. There is a growing air of unreality about the whole UK economic debate. As North-West organiser for CI, I exchange ideas with many individuals about CI and monetary reform: letters, faxes, phone calls, articles and leaflets all indicate the same well-informed concern, yet the media — and public institutions like the trade unions, churches, universities and political parties — still pretend that the monetary problem does not exist (except the Church Commissioners, with their huge property losses).

"An interesting point,' conceded one well-known public figure. Others admit it privately, but will not discuss it publicly. Yet CI, at whatever level, depends ultimately on the money supply. Let's hope the BIEN Congress will have at least one paper on this issue. If not, the CI North-West bursary delegates will raise it. They represent millions more or less in detention in the places where they live.

Fabian Society/Guardian conference

Susan Raven reports: A Guardian conference organised by the Fabian Society on June 18 drew a large number of Labour and Liberal Democrat politicians. CI got a look-in, but only just.

Simon Hughes, Liberal Democrat MP for Southwark and Bermondsey and a speaker in the opening plenary session, said that both the Liberal Democrat and Labour parties believed in social justice — but whether that meant they supported a Citizen's Income (CI) or a Minimum Income (MI) was a real difference between them and was among the policies which should be openly debated. (CI is still official Liberal Democrat policy, but see Sir William Goodhart on page 12).

In the two workshops I attended (the first on *Families and the Welfare State*, the second on *Taxation and Benefits*) any mention of CI was accompanied by woeful ignorance — at least from the platform. Sue Slipman, Director of the National Council for One-Parent Families, opened her remarks by saying that a minimum wage was of no use to women and "a Citizen's Income will cost too much". Perhaps she has not read the Bulletin for some time. Like many others she appears to confuse Partial BI (which we support) with Full BI (which we do not support).

At the second workshop, which concentrated on taxation rather than benefits (as a voice from the floor complained), there was an interesting discussion initiated by Geoff Mulgan of the think-tank Demos about possible changes to the way we collect taxes. Was hypothecation a good or bad idea? From the floor Sir William Goodhart of the Liberal Democrats said that although hypothecation was an interesting idea, there would be too many things that no one would want to pay for, like Income Support, interest on Government debt and education (the latter, he said, would be unpopular with non-parents).

CI did, however, have supporters in the body of the hall. At one stage a voice called out that an independent income for all would take away from Government the need to create full employment. Josephine Toynbee said that we needed a CI, because the present system clawed back benefits the moment the poor were in work. "We should have a person benefit, like child benefit!" It could be £40 a week, she said. But from the platform Paul Johnson of the Institute for Fiscal Studies said that a £40 CI would cost an extra £20 a week in income tax.

So it might — if introduced in one go straight away — which is one reason CIRG is more interested in starting with small Transitional BIs, like those costed by Hermione Parker and Holly Sutherland and explained elsewhere in this Bulletin.

Book Reviews

Tony Fitzpatrick

INTEGRATING TAXES AND BENEFITS?

David Clinton, Michael Yates, Dharminder Kang
The Commission on Social Justice, IPPR, 30-32 Southampton Street, London WC2E 7RA, 58 pp., ISBN 1 872 452 85 X, p/b £2.95.

Tony Fitzpatrick: This is the eighth issue paper published by the Labour Party's Commission on Social Justice, which was set up in December 1992 at the instigation of the late John Smith, then Leader of the Labour Party. Working under the auspices of the Institute for Public Policy Research (IPPR), the Commission is conducting a wide-ranging review of social and economic change in the UK (see earlier editions of this Bulletin for mention of previous issue papers). What makes this paper different from the others is first that it concerns Citizen's Income (CI) and is likely to affect attitudes to CI within the Labour Party; second, that it is written by a partner, a manager and a consultant at Arthur Andersen Consulting. After discussing the pros and cons of integration with members of the Commission, with Holly Sutherland and with Hermione Parker, the authors conclude that the case for tax-benefit integration is unconvincing.

First they reject negative income tax, mainly on the grounds of administrative complexity, then they reject Citizen's Income (CI), for reasons that are hard to follow, but include:

- Work incentives would be adversely affected
- Taxes and public spending would rise substantially
- Paying a guaranteed income to those who neither earn, care nor train would be politically unacceptable

As an alternative to integration they recommend closer *strategic coordination* between the tax and benefit systems — for example by insuring that the tax and benefits systems work together, instead of creating poverty and unemployment traps. But they do suggest integration for pensioners, one-third of whom simultaneously receive benefit and pay income tax.

The paper's obvious virtue is that it does not confuse CI with negative income tax (NIT): "Although superficially similar, each is designed to address different problems and meet different objectives" (page 1). The authors are also clearer than some about the importance of making fundamental moral and political choices. For them quantitative analysis is not enough.

Yet it has to be questioned whether examining CI in isolation allows such choices to be made. Without comparative analysis between CI and *strategic coordination* (the authors' proposed alternative), objections to CI are given an authority they do not deserve, and the authors are able (and willing) to side-step the assumptions and implications which strategic coordination would involve.

For instance, the paper focuses several times on the difficulties of implementation. Like other reports it assumes that transition to a new system must be a "process of gradual change and reform of the existing arrangements".[1] Fair enough, but given the trends the paper identifies — especially labour market and technological change — there is no easy option. Pretending otherwise means that you can oppose the scrapping of national insurance without spelling out that it will have to be scaled down anyway, or how you propose this should be done. You can accuse CI advocates of believing in the inevitablility of mass unemployment and under-employment[2] without emphasising that full employment is now "more difficult to achieve" (page 56). And you can support integration for pensioners whilst avoiding mention of the vertical redistribution of income from rich to poor, which is indispensable if poverty is to be prevented at all stages of the life cycle.

Most CI advocates are people who have made fundamental choices about the desirable principles and objectives of social security reform. By avoiding those hard decisions the authors leave themselves free to criticise CI in terms of the very principles and objectives which need to be re-thought.

This is what allows them to conclude that although CI fares well when "evaluated against social and administrative objectives" (page 4), the economic and political objections to it are decisive. But what priorities should we assign to the various objectives? And does CI fare as badly in economic and political terms as they assume?

First they say that, so far as work incentives are concerned, the *impact is arguable* and depends *on the level of the BI* (page 36), but a mere two pages on they announce that "the overall incentive to work would be reduced" (page 38). What happened? How did we get from one to the other? No evidence or additional argument is presented. Instead, as so often, a contentious assumption is passed off as common sense.[3] And this is long before we reach deeper, normative questions concerning employment, work, leisure and retirement.

Public spending, we are told, would have to rise substantially. Yet there is not even any basic number-crunching to show (a) whether this is true, (b) to what extent it is true, or (c) whether, if true, it could be made politically acceptable.

The distinction between full and partial CI is drawn, but is not rigorously adhered to. Indeed, at some stages there is confusion, for instance on page 34 even a full CI is said to require housing benefit, and on page 35 a period of residence as well as a test of residence is said to be necessary to qualify for CI. On page 37 partial CI schemes are criticised on the grounds that they would cost more to administer than the current benefit system, but on page 39 full CI schemes are criticised on the grounds that nearly 80,000 staff employed by the Benefits Agency and Contributions Agency could lose their jobs!

Is it really the case that with CI "the level of direct taxation would be higher, and this may be politically unacceptable, even if the net impact of the change is neutral or positive for most families" (pages 38-39)? Or is this to treat low taxation as an end in itself, not as a means, so that low taxation becomes an unquestionable good? One of the troubles of invoking popular wisdom instead of producing rigorous analysis is that some popular fallacies and misconceptions sneak in. And the result is unproven assertions instead of informed debate.

On page 42 the authors mention "political resistance to the idea of giving everyone an income" irrespective of need or effort, but eight lines later they caution against Tony Atkinson's participation income, on the grounds that it removes income tax allowances and pays benefits to new classes of recipient. But either we should never give to those who are not in need — in which case income tax allowances should be scrapped — or we should do so, in which case the current system must be rationalised and hard decisions taken. Otherwise we risk employing *desert* rather than *need* or *right* as our guiding principle. Are we to be told that existing on a subsistence income in order to (say) write a book is less acceptable than earning a wage for sweeping the roads? How many of those who are horrified by mass unemployment nevertheless believe that having millions on the dole — although they want to work — is still morally preferable to having people — for whatever reason — opting out of the employment system?[4]

Who knows whether Joe Voter would reject CI? The public do not give reactions to proposed reforms in a vacuum. Their response is to some degree shaped by the response of politicians and policy-makers. So it is intellectually dishonest to appeal to a public reaction which does not exist. If political parties are going to recommend inertia then they should at least be honest about it. The *surfer on the beach* argument is used by those who have stuck their heads in the sand.[5]

In conclusion I would say that this paper is well-intentioned and more balanced than most — a useful guide to current systems, more than anything. But it is pitifully under-researched, casual and occasionally simplistic. New technology may "increase take-up of means-tested benefits by means other than reform of the entire system" (page 43), but this is not the same thing as reducing stigma. Anyway stigma is only one of many reasons for the unpopularity of means-tested benefits. Others include complexity, invasion of privacy, and the fact that Dad loses benefit if Mum goes out to work.

The welfare state is not an institution within a democracy — it is democracy in action.[6] The problem is not that we have failed to apply social rights, but that they were applied without the theory being fully thought through.[7] The Social Justice Commission has a unique opportunity to do so. And a unique opportunity to fail.

Notes and References

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ASSOCIATIVE DEMOCRACY

Paul Hirst

Polity Press, 222 pp., ISBN 0 7456 0951 / 0952 X, p/b £11.95.

Tony Fitzpatrick: Paul Hirst's output is as diverse as it is prolific. It would be a daunting task to trace the evolution of his thought and interests.[1] Even so, his latest book is in many ways a logical consequence of his previous work and one to which all those interested in Citizen's Income (CI) should pay attention.

In the 1970s Hirst, along with Barry Hindess, was best known as Britain's counterpart of French Marxist Louis Althusser. Their re-working[2] of Althusser's approach to Marxism anticipated those who would come to be termed 'post-Marxist',[3] although it is a label Hirst himself rejected.[4] What Hirst soon rejected even more was Marxism itself — now believed to be a method of analysis and explanation which is ultimately incoherent. As his reputation grew, so did his notoriety with the Left.

By the mid-1980s Hirst occupied more of a familiar Centre-Left political position and was turning his attention to the problems of manufacturing industry and economic renewal.[5] *After Thatcher*, for instance, is no mere reaction against the idiocies of New Right economics, but an elaboration of the constitutions and political context which will be required if economic modernisation is to occur. In seeking to show how these elements are inter-related, Hirst's focus has shifted slightly. He is now more concerned with theories of the state and of democracy. This is the point at which *Associative Democracy* enters the story.

Hirst's objective is to update an important but neglected tradition within political thought. Although associated with G.D.H. Cole,[6] it "developed in the nineteenth century as an alternative to both liberal individualism and socialist collectivism" and was characterised by criticism of the rapidly centralising state and advocacy of an economy that would be decentralised and non-capitalistic, based on "cooperation and mutuality", and a political system that would be based on "voluntarism and self-government".[7] In short, it called for a federal and pluralist society, neither weighed down by bureaucracy nor "dissolved" by the invisible hand of market economics.

This tradition had pretty much died out by the 1930s. This was partly because of its theoretical weaknesses but also because it had been overtaken by events.[8] Its protagonists had warned against polarisation of society into two rival camps — the private sphere of individuals and the public sphere of rational-legal coercion — and now their worst fears had come to pass. By the end of the 1940s a "liberal collectivism" had become the established way of doing things. Keynesian demand management, corporatist planning and Beveridgean social policy were all premised upon a rigid distinction between private choice and public provision. The 1970s saw this liberal collectivism lose credibility and popularity to the ideas of the New Right, yet those ideas were based upon the same premise. Today, in the 1990s, we are left with an ailing economy, a discredited form of government and a seriously weakened welfare state.

What we need, says Hirst, are new forms of economic and social governance which will take us beyond the public/private split without surrendering either to the other — as state socialism did and as economic liberalism is now doing. This will not be done by harking back to a golden age of social democracy that never was. An associative democracy would revitalise civil society by *publicising* it. "It treats self-governing, voluntary bodies not as secondary associations, but as the primary means of both democratic governance and organising social life." At the same time, the state is "pluralised". It remains the source of public finance, is democratised to enhance political accountablility, but is not allowed to substitute for the actions of self-governing associations.[9] Associative democracy builds on the strengths of representative democracy, without lurching into the simplicities of participatory democracy[10] or some kind of corporatist alternative.

Hirst gives theoretical flesh to this basic idea in a number of different areas. Here, I only have space to review what he says about the welfare state.

In calling for "thick welfare and thin collectivism" Hirst signals clearly that the problem is not welfare but *the state*. So much so that we now have a system where the state and the market compete with each other to see which can destroy the welfare principle most effectively. The answer is:

1. *To devolve the provision of public welfare and other services to voluntary, self-governing associations;*
2. *To enable such associations to obtain public funds to provide such services for their members.*

Such a system would empower citizens by giving them greater control over the services they receive. It would not confuse service provision with state provision. It would offer the benefits of decentralisation without handing over public goods to the 'free' market — as is the case with the present government's health and education reforms.[11] And essential to it would be a CI.

In fact, without a CI an associationalist welfare system is probably impossible. For only CI provides the plank "... on the basis of which large-scale experiments that led to diversity and heterogeneity in provision might be acceptable".[12] CI would not only stress the social nature of wealth, it would also provide the opportunity for citizens — as opposed to bureaucrats or consumers — to act in terms of common interests. This could be done by allying CI to some kind of "formula-funding" by which citizens, through elections, could choose which association was to provide the relevant services.[13] But even without this associational provision, a CI would be an important modification to the existing welfare state.[14]

Little of what Hirst says about CI is startlingly original. The value of what he says is in the new context he brings to it. There are, however, a couple of things about that context which worry me.

Firstly, although Hirst is correct to point out that the old Left-Right political spectrum has been undermined, does this necessarily mean that the spectrum itself is also redundant? There is nothing inherently limiting or liberating about a Left-Right axis: it is a tool, nothing else. Many of those who are eager to climb above the axis have only made themselves redundant in doing do. To be on the Left is not to be "inherently oppositional", it is to position oneself against the enduring obstacles to social improvement. "Self-governing communities" will be nothing of the sort unless the society within which they exist is communitarian and egalitarian, as well as liberal. CI permits such a distribution of resources.

Secondly, while there are some theorists who build bridges with others and some who blow them up, many seem to do both simultaneously — which is potentially dangerous for the contemporary Left. It may well be that what Hirst clumsily calls the "new republicanism" is too uncritical of representative democracy.[15] But switch over to the perspectives and concerns of Mouffe, or Held, or Keane, and the "limitations" of Hirst's position are revealed. In the past, the Left's striving to talk with a single voice has splintered it into warring factions. The attempt should not be made again. But we must allow ourselves to hear the degree of harmony which the various voices on offer *do* establish. Again, CI offers a mechanism whereby this can be done. In his disavowal of the Left it is far from clear that Hirst has a constructive role to play.[16]

Associative democracy requires CI? CI may well require associative democracy. Either way, Paul Hirst's latest book is stimulating and encouraging. Add it to your reading lists.

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9. *Ibid*, pp 21-34.
10. Hirst, P., Sociological Review, Vol. 34, No. 3, pp 669-73.
11. *Op. cit.*, pp 165-73.
12. *Ibid*, p 180.
13. *Ibid*, pp 184-89.
14. *Ibid*, p 200.
15. Hirst, P., *Representative Democracy and its Limits*, Polity Press, 1990, pp 3-4.
16. *Ibid*, pp 93-104. Note that Hirst no longer refers to associationalist socialism.

Tony Fitzpatrick is a research student in the Department of Politics, Edinburgh University.

Books and Papers received

We rely on readers to keep us informed, by sending us research papers, articles and other publications on Basic or Citizen's Income (world wide). If you have something you think is relevant, please send a copy to the Editor, c/o CIRG.

Uniting Generations: Studies in Conflict and Co-operation, David Hobman Ed., Age Concern in association with the Nuffield Foundation, 1993, 160 pp, ISBN 0-86242-125-X, price £14.95. Available from Age Concern, 1268 London Road, London SW16 4ER. For years the welfare state has relied on the good-will and taxes of the working population to pay for the pensions of their parents, but this 'inter-generational contract' is now at risk. Contributors Sally Greengross, Melanie Henwood, Malcolm Johnson, Alan Maynard, Olive Stevenson, Anthea Tinker and Alan Walker, as well as former Age Concern Director David Hobman, explore the controversial questions surrounding 'targeting' of benefits, housing, health and social care. During a workshop at which the draft chapters were discussed, Citizen's Income was discussed and received a positive reception. In the concluding Chapter, Melanie Henwood writes: *Although this is not the place for a detailed examination of a Citizen's Income, it does need to be considered alongside other policy options as part of an overall package of policy reforms* (p 32).

The Good Society Considered: the Economic Dimension, John Kenneth Galbraith at St David's Hall, Cardiff on January 26 1994. The full text of this talk was published under the title *The good life beckons,* by New Statesman & Society, January 18 1994, pp14-16; and we quote from it on the front cover of this Bulletin. Today's equivalent of the industrial proletariat, says Galbraith, is an underclass — excluded and deprived — who work, when they can find work, in the service of the comfortably off. Their increased participation in mainstream society requires some very practical, very concrete changes. First, they must have access to a basic source of income that is not socially degrading, and if some abuse the system, so be it. Second, they must have opportunities for upward social and political mobility, especially good education, housing and health care. To reduce the problems of recession and speculation, incomes should also be more equitably distributed. This contributes to economic stability, as well as being a mark of the good society. In recession, governments "must move aggressively to employ people", but in recovery public expenditure must be reduced, and governments must move together on this. "The discomfort and social disarray caused by unemployment and economic deprivation must always be in mind, as also the measures for their mitigation. The good society does not allow some of its people to feel useless and deprived."

Tax and Benefits, Liberal Democrats Consultation Paper No. 10, January 1994, Liberal Democrat Publications Ltd, 8 Fordington Green, Dorchester, Dorset DT1 1GB, ISBN 1 85187 2337, 28 pp, price 28. Sadly it looks as though Britain's Liberal Democrats are about to renege on their commitment to Citizen's Income. See **Conall Boyle** in **At Home and Abroad,** and the correspondence between **William Goodhart** and **Hermione Parker** in: ***To BI or not to BI.***

Benefits and taxes: a radical strategy, James Robertson, New Economics Foundation, 88-94 Wentworth Street, London E1 7SA, 67 pp, £5 to individuals, £9 to institutions. The case for a full CI (enough to live on) financed by taxes on land and energy is summarised by the author elsewhere in this Bulletin. We hope to review this study in Bulletin No 19. In the meantime, CIRG is doubtful about its proposals, for three reasons: first, considerably more detail is necessary to be able to judge the redistributive effects (gainers and losers), and the accuracy of the costings; second, the proposed (full) CIs are not enough to live on, especially the £15 CI for children; third, by uniting the case for CI with the case for environmental taxes, there is a risk that the case for both will be weakened. See **James Robertson: *The changing context,*** elsewhere in this Bulletin.

Basic Income — Basic Right, Mel Cousins in *Poverty Today,* May/June 1994 No. 24, published by the Combat Poverty Agency, 8 Charlemont Street, Dublin 2. A short, clear guide to BI. When Ireland's income tax and social welfare systems were established they applied to two, largely distinct groups of people. Since then their growth has been uncoordinated. Proposals for integration of the tax and welfare systems are at present being considered by a Working Group appointed by Minister of State Joan Burton. The author hopes for an open, well informed debate, for while BI is not a cure-all, the issues it raises deserve careful study and consideration.

Report on Combat Poverty Agency Seminar, 4th February 1994. Available from Combat Poverty Agency, 8 Charlemont Street, Dublin 2. See Helen Johnston in AT HOME AND ABROAD.

Newsletter of the Basic Income European Network (BIEN), Nos 18 and 19. Published three times a year, invaluable information about past and future events and publications relevant to Citizen's Income and Basic Income in Europe. CI is at last being taken seriously in Britain and the Netherlands, and is slowly making its way to the top institutions of Europe. In Finland, Belgium and France a debate is gradually emerging, as awareness of the case for CI spreads. For further information contact Walter van Trier (BIEN Secretary), UFSIA, 21 Bosduifstraat, B-2018 Antwerp, Belgium.

Futuribles, February 1994: *Pour ou contre le revenu minimum, l'allocation universelle, le revenu d'existence?* Philippe Van Parijs. Futuribles, a French monthly review, is available from 55, rue de Varenne, 75341 Paris Cedex 07. Annual subscriptions are 670 FF, individual copies are 67 FF (postage included). The February 1994 edition is devoted entirely to the above article by Van Parijs. In it he explains the limitations of Bismarckian and Beveridgean social insurance, which he regards as outdated. Then he explains the philosophical and ethical arguments in favour of an *allocation universelle* or universal benefit.

Take away the safety net, bring on the trampoline, Richard Clements in Issue 3 (April-May 1994) of New Century, 11 Dartmouth Street, London SW1H 9BN. Citizen's Income made an eye-catching entry, last April, on the pages of Labour's new glossy review — excellent reading for newcomers to CI and for local discussion groups. "The current benefits system discourages self-help and is based on out-moded needs. A basic universal income is more dignfied, positive and relevant to society today" (p 22). Instead of clinging to Beveridge or looking for scapegoats, the Labour Party should be defining what it wants a modern social welfare system to deliver — since almost everyone is agreed that the present system is a mess. Not only do we fail to achieve Beveridge's objective of giving every citizen a minimum level of subsistence, we are also stifling opportunity, incentive and responsibility. By recreating Beveridge's objectives using a system that is more relevant to existing conditions, CI could replace Beveridge's safety net with a springboard on which people can build.

Dignity not Poverty: A Minimum Income Standard for the UK, John Veit Wilson, IPPR, 30-32 Southampton Street, London WC2E 7RA, 51 pp, ISBN 1 872454 81 7, price £2.95. This, the sixth issues paper published on behalf of the Labour Party's Commission on Social Justice, calls for the establishment of a UK 'minimum income standard' — a Government target for the level of income below which nobody should fall. At present the UK is one of the few developed countries in which government does not set a minimum income standard (MIS). The MIS proposed here would provide a basis for social security benefit levels, taxation, debt repayments and minimum wages. It is also relevant to Citizen's Income.

The Pensions Debate: A Report on Income and Pensions in Retirement, Age Concern England, 1268 London Road, London SW16 4ER, 1994, 64 pp, ISBN 0-86242-163-2, price £5.00. This major report provides background information to the debate on the financial position of older people now and in the future. At the bottom of page 54, it also includes the first public support by a major UK charity (with strong international links) for a Citizen's Income:

> Age Concern has long believed that the current contributory system may not be the best option, and that in particular the integration of tax and benefit systems should be explored. This could make administration simpler and cheaper, help address issues of non-take-up of benefits and failure to reclaim overpaid income tax, and ensure an adequate level of income without forcing people into a poverty trap.
>
> There are a number of different ways that tax and benefits can be integrated. A CI system guarantees every individual a certain level of income, while with negative income people only receive payments if their income is below the level of the tax allowance. In this latter system in effect all income is means-tested. Age Concern believes such a system must be based on a CI rather than negative income tax, as a fundamental objective must be to decrease, rather than increase, reliance on means-testing.

Without an adequate basic pension, pensioners have to rely on means-tested Income Support, with its low take-up and the resulting poverty and savings traps. Complexity is another huge problem. Regulations governing Income Support now run to over 300 pages. Pensioners are expected to complete a 24-page claim form with three separate six-page supplements for housing benefit, council tax benefit and help with a mortgage. Administrative costs account for 11.8% of Income Support expenditure, compared to 1.3% for the National Insurance retirement pension. Secretary of State for Social Security Peter Lilley has said that between 1979 and 1990-91 "on average pensioners' total incomes grew faster than that of the population as a whole". But Age Concern researchers show that over the same period the proportion of pensioners with less than half average income (after housing costs) grew from 12% to 44% for single pensioners, and from 21% to 31% for couples. One reason for this is that UK old age pensions are no longer uprated in line with earnings. This underlines the need for any future CIs to be uprated with earnings.

Integrating Taxes and Benefits? David Clinton, Michael Yates, Dharminder Kang, The Commission on Social Justice, IPPR, 30-32 Southampton Street, London WC2E 7R, 1994, 58 pp, ISBN 1 872 452 85 X, price £2.95. The authors all work at Andersen Consulting, but getting to grips with CI seems to have got them beat. Inaccuracies abound, for instance even a partial BI is alleged to require "much of the current tax and benefit systems" (p 34); "some people would be excluded if their residence period were inadequate" (p 35); and "Partial BI schemes could cost more to administer than the current tax and benefit systems, since they would need to be retained alongside PBI" (p 37). No supporting evidence is provided for any of these statements. See **Book Reviews.**

Full employment without inflation, J.E. Meade, The Employment Policy Institute (Southbank House, Black Prince Road, London SE1 7SJ), and The Social Market Foundation (20 Queen Anne's Gate, London SW1H 9AA), 1994, 19 pp, ISBN 0 948434 28, price £6.00. Fifty years after publication of the Coalition Government's White Paper on *Employment Policy* (Cmd 6527, 1944), to which the author of this essay himself contributed, here is the *maestro* again, asking how governments can combine high rates of employment with low price inflation, and recommending new ways to realise the White Paper's objectives. Until the 1970s the hopes of the White Paper were fulfilled — unemployment in the UK averaged under 2% a year and inflation averaged 3%. It was during the 1970s that things started to go wrong. Average unemployment went up to 4% and inflation to almost 16%. During the 1980s inflation came down but unemployment increased sharply. Today inflation is down again, but unemployment remains unacceptably high. The answer, says Meade, must include a Citizen's Income. He calls it Cloud Cuckoo Land, but for readers of this Bulletin the reference to Agathatopia is clear. Full employment, says Meade, requires stable prices and stable wages, but a necessary condition for accepting the down-ward flexibility in wage rates which that implies "is the provision of some alternative source of stable income for all citizens, which does not depend upon the amount of work done. Such a source — call it a Citizen's Income — would make the level of earned pay less essential for an individual's welfare" (pp 14-15). Though CI cannot solve everything — and Meade is careful to emphasise the need to introduce it gradually — it is "a necessary factor in engendering such a change" (p 15).

Flexibility in Work and Benefits, Eithne McLaughlin, IPPR, 30-32 Southampton Street, London WC2E 7RA, 1994, 74 pp, ISBN 1 872 452 88 4, £2.95. This is the eleventh issue paper published by the Institute for Public Policy Research on behalf of the Labour Party's Commission on Social Justice, and it examines the relationship between benefits, unemployment and employment. In passing it also mentions the effects of regressive taxation on the lower paid. The idea, we are told, that benefits cause unemployment is inaccurate, but the system and structure of benefits does have some effects on labour supply, and these effects are important. With this somewhat contradictory proposition as its main finding, the author ends up recommending different packages of alterations to existing regulations, all of them highly bureaucratic. "The general objective of any such package should be to balance the immediate public expenditure implications . . . against their possibilities for reducing the PSBR in the long term" (p 57), but "while the kinds of policy strategies outlined above may be useful and worthwhile in terms of reducing joblessness and enhancing incomes at the bottom of the income distribution, none of them . . . could on their own be expected to 'solve' the problem of low levels of employment in the UK" (p 64). No mention at any stage of the comparative merits or demerits of Citizen's Income. So it seems that Austin Mitchell (elsewhere in this Bulletin) may be right and the Labour Party will be no more adventurous than the Tories. We plan to bring you a full review of this paper in Bulletin No 19.

Snippets from the National Press

On May 4 1994 the Guardian published an article by Sir William Goodhart — chairman of the Liberal Democrats Tax and Benefits Policy Working Group — in which he argued against integration of the tax and benefit systems through a Citizen's Income (CI), on the grounds that a full Basic Income would require a rate of income tax of about 70%, and that all BI schemes would reduce work incentives, encourage tax evasion and be poorly targeted. Here we publish two responses, published on May 10. In Parker's letter the sentences in italics were edited out.

From Ed Mayo and James Robertson, New Economics Foundation:

So, the integration of benefits with the income tax system is out. This opens the way to a more realistic and radical approach which looks at the feasibility of a Citizen's Income in the context of the future of the tax system.

The shift over the last 15 years from direct to indirect taxation will almost certainly continue as support for environmental taxation grows. This reflects the common-sense idea that people should not be taxed for adding value by useful work and enterprise. Rather they should pay for subtracting value by using resources and facilities (and development values) which have been created by nature or society as a whole and not by their own efforts and enterprise.

In certain respects this foreseeable shift in tax structure will tend to hit poorer people harder than richer. It will be necessary to offset this regressive effect. That is where the Citizen's Income comes in. While it is hard to fund a full CI out of income tax, it will be possible to set the new taxes at high enough levels to finance one. We have published a discussion paper exploring this as an option to be phased in over 10 to 15 years.

From Hermione Parker, Citizen's Income:

Once again your contributors have misquoted my costing figures for a Basic or Citizen's Income. Last year it was Sir Gordon Borrie. Now it is Sir William Goodhart. I have never said that a full Basic Income requires a basic rate of income tax of 70%, because it is first necessary to quantify what one means by full Basic Income. My 70% tax rate referred explicitly to a BI equal to one-third average earnings (or about £110 a week today).

As a result of research done by the Family Budget Unit at York University and King's College London, it is clear that even the concept of full BI is a mirage, because living costs depend on factors like housing and travel-to-work costs over which individuals have little control. I therefore agree with Andrew Dilnot that a means-tested (or preferably an income-tested) housing benefit will always be necessary, if poverty is to be prevented. Those who have done the most research into BI are persuaded that the most effective income redistribution systems include both universal and means-tested benefits. Also that any change in the direction of BI has to be gradual, because the distributional effects of even quite small transitional BIs are surprisingly large.

This year transitional BIs of £15 a week for adults and £12 a week for children would be revenue neutral, provided all the personal income tax allowances and the 20% income tax band were abolished, and a new 50% tax rate were introduced on incomes above £65,000. The standard rate of income tax would go up to 26%, but NI contribution would be at 9% instead of 10%. The effects would include income gains averaging £10 a week in the bottom 10% of the population, compared with losses averaging £16.50 for the top 10%. Work incentives would improve.

Sir William Goodhart under-estimates the dynamic effects of personal taxation and social security. So long as we pay people for not working, for being poor, or for rearing children on their own, and so long as we tax businesses for taking on labour, we must expect higher endemic unemployment, rising benefit payrolls and more lone parents. It is this dynamic that CI could reverse, and no amount of references to costings based on static models can alter that fact. Nor can his statements alter the attractions of a system which gives benefit as of right rather than one that has to be applied for and is likely to be removed if the recipient goes out to work, earns more, or gets a new partner.

I hope that the Liberal Democrats will examine the pros and cons of CI in greater depth before their conference next September.

On June 3 1994, in the Guardian, Section 2, Robert Skidelsky (Chairman of the Social Market Foundation) had this to say:

. . . Labour should also use market mechanisms to cut unemployment. Gordon Brown has taken up our suggestion of waiving employers' National Insurance contributions if they take on long-term unemployed. But the party remains committed to a minimum wage and the Social Chapter, which would reduce employment by raising labour costs.

A civilised alternative would be to make a start on a guaranteed non-waged income. Wage flexibility is required for higher employment. A basic income from the state will encourage workers to undertake more risky contracts with employers. The build-up of such income over time will contribute to greater social equality.

VIEWPOINT

For Citizen's Income read Citizen's Investment

Charles Handy

As Thomas Paine pointed out many years ago, improvements in efficiency make some people richer but others poorer, in the short-term at least. It is among the many paradoxes of our times that the increasing productivity of the majority seems to breed unproductivity for the minority, and that societies get richer while many of their citizens get poorer. In both America and Britain, over the past decade, the rich have got noticeably richer and the poor substantially poorer. When the pursuit of efficiency breeds so much inequality, we must pause to question whether it is worth the cost.

The answer, however, is not to dampen down the efficiency, but to do something about the inequality. This time, however, a mere redistribution of income will not be enough. In his day, Thomas Paine argued that those with property should pay a dividend to those without property, in return for the right to use it. He could have advocated redistribution of the property itself, but that would have been to transfer assets from those who worked them well to those who would work them less well. Efficiency would have been sacrificed to justice, which makes everyone poorer in the end. Now, however, we can redistribute the property, because the nature of that property has changed.

By property Thomas Paine meant land, but land today, as any farmer will confirm, is no longer the principal source of wealth. From land we moved to organisational assets as the source of wealth, a new sort of property, and we all got to share in that wealth, to some extent, by virtue of our membership of the organisation. But that was in the days of full employment, when we could count — most of us — on a job in one of those organisations. That is no longer so. At the last count 45% of the workforce was outside the organisation, being self-employed, part-time or unemployed, and that figure will increase over time, recession or no recession. To have a full-time job will soon be the perquisite of a minority. Property will have been purloined.

Applied intelligence equals wealth

There is, however, a new source of wealth, a very new form of property. It is know-how, applied intelligence, creativity and smartness — the ability to create value from nothing, out of thin air. This is the ability that film-makers and writers have, as do scientists and the great designers, those in financial services or in any sort of services. Educationalists can do it, as can music-makers, entertainers, carers, healers and helpers of all sorts, as well, of course, as the traditional entrepreneur, who makes something happen that never happened before.

The new wealth of the developed world will increasingly come from this new sort of property, applied intelligence and the added value which it can produce in any field.

Singapore's strategic plan envisages them *making* nothing physical themselves, but adding value through their brains and skills in design, marketing, finance and planning-exploiting their intelligence. The beauty of this new sort of wealth is that it does not necessarily need a large organisation. Value can be created out of nothing by small groups and independents, just as well if not better than by large bureaucracies. We can, in fact, see the large organisations breaking themselves down into federations of smaller ones, in order to capitalise on the latent intellectual property of their people.

There is good news in all this, for there is no limit, in theory, to the ideas, products and services that could be created out of nothing, produced and sold to everyone's mutual benefit with minimum damage to the environment and the future of the planet. Furthermore, no-one can stop anyone from grabbing some of this new sort of property, for intelligence is not rationed. You can even distribute it without pain, because if I tell you all I know and give you all my skills, I still know it and have them. Intelligence feeds on itself indefinitely.

The ten faces of intelligence

The process of distribution ought, therefore, to be painless, but it will not be easy. Intellectual property is not something which everyone would claim to have. That is because we think of it as the stuff of classrooms and examinations. If that were so, then half of us would be condemned to poverty, without the means to create wealth for ourselves, and some subsidy or extra income would be essential. But intelligence has more than one face. There are at least ten different forms of intelligence, including not only the musical and creative intelligences, which do not necessarily accompany the more traditional factual and analytical forms, but also pragmatic intelligence, or commonsense, intuitive intelligence, linguistic intelligence and the important inter-personal intelligence or ability to work with and through people.

These latter forms of intelligence may not be rated by our schools, but they are often the ones which shape our life in adulthood. If we are to survive in the world ahead, a world dominated by applied intelligence, we shall need to know in what way we are intelligent, and how to turn this latent property to good account. We should also make the optimistic assumption that it is part of the human condition to have at least one of the ten intelligences. We could all have some of that new property, if we found out what we were good at, even if we found it out later on in life. A property-owning democracy would be a real possibility with this new concept of property.

What, you may now be asking, has a Citizen's Income to do with all this? If we turn the concept upside-down and think of it as a Citizen's Investment, it becomes the means whereby we realise the potential of our property of intelligence. It is the way we redistribute the property itself rather than paying a dividend on the property. That way we teach our citizens to fish, rather than feeding them with fish. We give first and recover the contributions later, in the form of a tax on the earnings made possible by the investment. What was not sensible in Thomas Paine's world is possible and sensible now.

How might this work? One idea would be for society to recognise the right of its citizens to a decent livelihood, by giving each individual, on their eighteenth birthday, a two-part bond. One part of the bond would entitle them to three years of further education or training, at a time of their choice, at any point in their lives, at any institution which would take them. Fees and maintenance, up to a certain level, would be paid by the state. They would be encouraged to use this time to unearth their best intelligences and to hone them for the world ahead. What is now available to a privileged and academic minority up to the age of 25 would be on offer to all at any age.

Institutional education, however, no matter how good, will never be enough in itself. The second half of the bond, also for three years, also to be used as and when needed, would give individuals the chance to practise the application of their intelligences under tutelage, as apprentices. The state would pay for their secondment to an organisation, or for their maintenance while they tried it on their own. In return for the work of their apprentices, the organisation would be required to provide relevant help, supervision and training. It is true that these 'apprentices' might be used by some as a substitute for their normal staff, but it has always been thus — cheap labour in return for learning. Why should it be wrong for all to do what architects, accountants and all the professions have always done? Others will see these extra people as an unnecessary complication, as the Armed Services once saw their National Servicemen. They must be reminded that organisations have always been the schools of society and that, within reason, it is part of their social duty, which costs them nothing but some of their time.

An investment, not a subsidy

There would be a catch to all this. With certain exceptions — young single mothers for instance — nobody would be entitled to any form of welfare payments unless and until they had used up both parts of their bond. The contract would be that their first entitlement was to an investment in their potential intelligence, which would give them, hopefully, their means of livelihood, their share in the new property. Only if this investment failed through no fault of theirs would they be entitled to society's further support. Entitlements carry responsibilities, but this way round the entitlement comes first, which makes the responsibility more acceptable than something like *workfare.*

A Citizen's Income would then be redefined as a Citizen's Investment. Universally available, it would be 'chunked' rather than spread thinly. Seen as an investment, not a subsidy, it might be more politically acceptable. Because the take-up would be slow to build up and because it would in itself create more jobs in the education and mentoring sectors, it would be more possible to fund it. Because it would signal a belief in the capacity of its citizens, rather than an implied assumption of incapacity, it might be more gratefully received, and because it came in specific chunks it might have more impact.

It would not, however, be another way of distributing welfare. It would be an attempt to make welfare less necessary for many citizens, by making them more responsible for their own livelihoods in a world where organisations will no longer take responsibility for more than a minority.

If we have to choose between an investment in our citizens and an income, because we cannot afford both, it would be more imaginative, if bolder, to choose the investment.

Charles Handy's latest book, ***The Empty Raincoat,*** *was published by Hutchinson early this year, price £12.99.*

Citizen's Income Bulletin Back Numbers

Until July 1993 the Bulletin was called the Basic Income Research Group or BIRG Bulletin, and the first two editions were in tabloid form. All the BIRG and CI Bulletins listed below are in the current A4 style, and most are available from Richard Clements, Managing Editor, Citizen's Income Bulletin, St Philips Building, Sheffied Street, London WC2A 2EX. Photocopies of particular articles are also available. In addition to the main articles listed here, each Bulletin includes details of relevant events at home and abroad, book lists and book reviews.

Bulletin No 3, Spring 1985:

- *VIEWPOINT:* A new deal for all, Keith Roberts
- *Costing basic incomes,* Hermione Parker
- *Going, going ... gone: the vanishing right of young people to supplementary benefit,* Douglas Smith

Bulletin No 4, Autumn 1985:

- *Out of touch: The Fowler reforms of social security,* Robert Morley
- *The debate about costing,* Hermione Parker
- *Basic Income and young people,* BIRG Youth Group
- *VIEWPOINT: A two-tier Basic Income and a national minimum wage,* Robin Smail

Bulletin No 5, Spring 1986:

- *Social security, taxation and family financial arrangements,* Jan Pahl
- *Basic Incomes, some practical considerations,* Philip Vince
- *Public support for families with children: a study in British politics,* Sir John Walley
- *Cash and caring,* R.A.B. Leaper
- *VIEWPOINT: Realistic radicalism,* Malcolm Torry

Bulletin No 6, Autumn 1986 (photocopies only available):

- *A Basic Income for youth,* Paul Lewis
- *Basic Incomes and elderly people,* BIRG Elderly Group
- *Safeguarding social security in the Netherlands,* Jos Dekkers
- *Poverty and Adequacy,* Anne Miller
- *Letter from Andrew Brown*
- *The case for a guaranteed income in France,* Bruno Couder
- *Childminding costs,* Sue Owen
- *Journey-to-work costs,* Martin J.H. Mogridge
- *VIEWPOINT: Service Credits: a new currency,* Edgar Cahn

Bulletin No 7, Spring 1988

- *What are Basic Incomes?* Bill Jordan
- *Are Basic Incomes feasible?* Hermione Parker
- *Alternatives to Basic Income,* Fran Bennett
- *The implications of BI for people with disabilities,* BIRG Disability Working Group
- *Removal of private pension tax reliefs: viewpoint from an actuary,* Geraldine Kaye
- *Mutual responsibility,* Malcolm Torry
- *VIEWPOINT: Towards an income and work guarantee,* Peter Ashby

Bulletin No 8, Autumn 1988

- *Defining Basic Income,* Tony Walter
- *Administration of integrated tax/benefit systems,* Hermione Parker and Andrew Dilnot
- *Towards a BI democracy,* David Purdy
- *Analysis of a partial Basic Income,* Tony Atkinson and Holly Sutherland
- *A European guaranteed Basic Income system?* Nel van Dijk
- *VIEWPOINT: 'If any would not work, neither should he eat',* James Robertson

Bulletin No 9, Spring/Summer 1989

- *Existence income and activity income,* Henri Guitton
- *Can it happen?* Susan Raven talks to Frank Field MP, Archy Kirkwood MP and the Rt Hon David Howell MP
- *Denmark's Basic Pension,* Adam Trier
- *Proposals for a Basic Income in the Republic of Ireland,* Chris O'Malley MEP
- *VIEWPOINT: A place at the board,* Kevin Donnelly

Bulletin No 10, Autumn/Winter 1989

- *Topsy-turvy nationalisation,* James Meade
- *Breaking the poverty trap: a Basic Income,* Paddy Ashdown MP
- *Proposals for a guaranteed minimum income in Italy,* Maria Luisa Mirabile
- *Citizenship, Basic Income and democracy,* David Purdy
- *Pensions, taxes and welfare,* T.A. Salter
- *VIEWPOINT: Basic Income: value or price?* Conall Boyle

Bulletin No 11, July 1990

- *The Third Age,* Charles Handy
- *The Poverty Trap: poor people's accounts,* Bill Jordan with Simon James
- *Basic Income: alternative benefit or new paradigm,* Joop Roebroek and Eric Hoogenboom
- *Can it happen?* Susan Raven talks to Sally Greengross and Sue Slipman
- *Getting paid for doing nothing: plain justice or ignominy?* Philippe Van Parijs
- *Citizen's Income,* Philip Vince
- *VIEWPOINT: Basic Incomes and industrial development,* Victor Oubridge

Bulletin No 12, February 1991

- *The Alaska Permanent Fund and dividend distribution programme*, J. Patrick O'Brien and Dennis O. Olsen
- *Terminology*, Hermione Parker
- *Basic Income as a lever for economic efficiency*, Ken Mayhew
- *How much is enough?* Jonathan Bradshaw
- *Towards a full BI*, Greetje Lubbi
- *Can a BI-type scheme be made affordable?* Steven Webb
- *Australia: arguments for Basic Income in a poor-law welfare state*, Peter Travers
- *VIEWPOINT: The rights of children — a justification of Basic Income, hitherto unremarked*, Maire Mullamey

Bulletin No 13, August 1991

- *Solidarity*, Mark Boeuf
- *Basic Income in the new Europe*, James Meade
- *Child Benefit, Child Tax Allowances and Basic Incomes*, Hermione Parker and Holly Sutherland
- *Can it Happen? Susan Raven talks to Sir Ralf Dahrendorf*
- *Income Distribution in Czechoslovakia*, Jiri Vecernik
- *Basic Incomes, Democracy and the Labour Market*, Georg Vobruba
- *VIEWPOINT: Basic Income: An Inner City Perspective*, Keith Argyle

Bulletin No 14, February 1992

- *What the politicians say*, Michael Meacher and Paddy Ashdown
- *Communicating Basic Income*, David Smith
- *The jobs dilemma: ecological versus economic issues*, Sylke Nissen
- *Modest-but-adequate food budgets*, Michael Nelson and Anne-Marie Mayer
- *The two Williams*, Malcolm Torry
- *Freeing up the labour market?* Jean-Yves Duclos
- *VIEWPOINT: Action for the unemployed*, Philip Riley

Bulletin No 15, July 1992

- *Make it BIG*, Meghnad Desai
- *Eurogrant*, Michel Genet and Philippe Van Parijs
- *A Christian slant on Basic Income*, Ronald Preston
- *Demogrant transfers in Canada and the Basic Income standard*, Derek Hum and Wayne Simpson
- *Social security in Greece*, Gabriel Amitsis
- *The politics of Citizen's Income: a wake and an awakening*, Bill Jordan
- *How claimants react to BI*, Rik van Berkel and Theo Hindriks
- *VIEWPOINT: Left out: The Labour Party and Basic Income*, Kevin Donnelly

Bulletin No 16, July 1993

- *Universal benefit*, Christopher Monckton
- *Participation income*, Tony Atkinson
- *Does 'insertion' work? France's minimum income*, Timothy Whitton
- *Citizen's Income, minimum wages and work sharing*, Ann Gray
- *Basic Income in Spain?* Luis Ayala
- *Citizen Capital*, Berry Hayward
- *VIEWPOINT: Citizen's Income and the Trade Unions*, Richard Exell

Bulletin No 17, January 1992

- *What's Left? Thomas Paine and Citizen's Income*, Stephen Quilley
- *Citizen's Income*, Hermione Parker
- *Labour's Social Justice Commission*, Susan Raven talks to Sir Gordon Borrie
- *From insertion income to existence income*, Chantal Euzéby
- *Basic Income as Trade Union policy*, Rik van Berkel
- *How much is enough? CI and family budget standards*, Autumn Yu
- *VIEWPOINT: Thinking straight about benefits*, John Robson

FUTURE OF THE BULLETIN

The first issue of the Bulletin was produced in 1984, under the title *Basic Income Research Group Bulletin.* The first two issues were in tabloid form and it moved to its present format with Bulletin No 3, published in Spring 1985. The new title *Citizen's Income Bulletin* was adopted with issue No 16, published in July 1993.

In its lifetime the Bulletin has become the leading exponent of the concept of basic income or universal benefit, as Citizen's Income (CI) is also known. Under the editorship of Hermione Parker it has been the vehicle for extensive research into the concept of a Citizen's Income as well as the medium for articles by leading figures from the academic, political and industrial fields, examining the implications of Citizen's Income in their respective spheres.

For those who work in social policy, the Bulletin is now essential reading. Some articles trace the CI debate in other member States of the European Union and North America. In some cases only photocopies of particular articles are available.

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