WHAT IS NEW LABOUR UP TO?

CITIZEN'S INCOME BULLETIN 25

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You are important
You are not a burden, but a resource.
You are important by being a human being for others.
Whatever work you do, in whatever situations,
And whether or not you are paid to do it,
You still contribute to building our society.

Dr John Vikstrom,
Archbishop of Finland, 1997

CITIZEN'S INCOME DEFINED

For every citizen the inalienable right
Regardless of age, sex, race, creed, labour-market or marital status
To a small but guaranteed income
Unconditionally

INDEPENDENCE

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Editorial

What is New Labour up to?

In politics the key distinction is not between right-wing and left-wing governments but between those with authoritarian tendencies and those of a more libertarian persuasion. Pending publication of the British Government's Green Paper on social security reform (the scheduled date is 26 March), for UK supporters of Citizen's Income (CI) present prospects are uncertain. To count as a citizen, it is becoming ever increasingly necessary to have a job. Unpaid work as a parent or carer barely counts, despite widespread recognition that it should. On the other hand Government does acknowledge the limitations of means-tested welfare and aims to reduce dependence upon it.

One of new Labour's first policy proposals after its election to government last May, was to cut the dole queues by getting more unemployed people and lone parents into work or training. Unemployed teenagers will be 'trained' to look after babies whose mothers are 'at work'. Bonding between mother and baby will, it seems, take second priority.

Lord Plant gave his view of the situation in a recent address to the National Council of Voluntary Organisations. "The true logic," he said, "of the government's position that work is the passport to social citizenship and the way out of social exclusion, is for the state to become the employer of last resort. This would be very expensive and I do not see the government making any such commitment. Consequently, it is emphasising contribution and reciprocity as central conditions of citizenship without being able to guarantee that society can, in fact, keep its side of the bargain."[1]

Since last summer a succession of policy reviews has been set up, but at the time of writing (19 February) the only published findings are in a report by the House of Commons Social Security Committee **(see Home and Abroad, p18, Books and Papers received, p25).** Significantly, about one-third of those submitting written evidence to the Committee showed an interest in Cl. In this Bulletin we include an article by Ruth Lister in which she reminds readers that the Labour Party's Commission on Social Justice advised against ruling out BI as a possible future option. In her evidence to the Social Security Committee she recommended that Cl should not be ruled out in the longer term and in the meantime some of its objectives could be achieved through a participation income.[2]

Last summer we reported that Martin Taylor, chief executive of the Barclays banking group, would head a task force aimed at streamlining the tax and benefits system, increasing work incentives, reducing poverty and welfare dependency and strengthening community and family life. CIT submitted copies of Hermione Parker's and Holly Sutherland's paper *How to get rid of the poverty trap: Basic Income plus National minimum wage* to the Martin Taylor task force and to the Low Pay Commission. From Martin Taylor's oral evidence to the House of Commons Social Security Committee on 4 February 1998, it transpires that the task force's main concern is work incentives, with special reference to the Chancellor of the Exchequer's idea for a Working Family Tax Credit (WFTC). Living standards and family policy generally were not part of its brief. Nor has there been any communication between the task force and the Low Pay Commission.

Regarding work incentives, the unemployment trap exists, says Taylor, not because unemployment benefits are withdrawn when claimants take a job, but because claimants can (effectively) choose not to work. Remove that option by guaranteeing jobs and removing benefit from claimants who don't accept them, and the unemployment trap will disappear. Yes, the jobs are likely to be poorly paid, hence part of the case for a minimum wage. Yes, dependence on WFTC will be greater than on Family Credit, but family life was not the focus of the inquiry.

What will happen if direction of labour doesn't work? Or if there is a down-turn in the economy? Does government have something else up its sleeve? Will it - should it -as Lord Plant suggests, become employer of last resort? And if so, at what cost?

Or will it look again at Cl?

For readers new to Cl, it is perhaps worth repeating that its purpose is to bring the tax and benefit systems into line with social, economic and technological change. More specifically, it seeks to: (a) prevent poverty, by guaranteeing every legal resident a small but guaranteed income; (b) promote self reliance, by removing all earnings rules and reducing dependence on means-tested benefits; (c) encourage unpaid work, by changing the basis of entitlement from contribution record to legal residence in the UK; and (d) take gender and marital status out of the tax-benefit equation, by making the individual the assessment unit and removing the cohabitation rule.

If growth is to be sustainable and poverty avoided, there will have to be greater redistribution of income from rich to poor, less conspicuous consumption of finite resources and increased emphasis on services.

References

1 Raymond Plant, *So you want to be a citizen?*, New Statesman, 6 February 1998.

2 *Tax and Benefits: An interim Report,* House of Commons, Session 1997-98, Social Security Committee, First Report, November 1997, pp 105-113, Memorandum submitted by Ruth Lister.

New Labour, Old Times ?

Ruth Lister

In 1994 the Labour Party's Commission on Social Justice rejected Citizen's Income (CI) as a policy proposal for an incoming Labour government, but was careful not to rule it out in the future. "If it turns out to be the case", they wrote, "that earnings simply cannot provide a stable income for a growing proportion of people, then the notion of some guaranteed income, outside the labour market, could become increasingly attractive".[1] Ruth Lister was a member of that Commission. In what follows she asks whether the policy stance adopted by New Labour since taking office in May 1997 is compatible with the Commission's strategy, and finds worrying signs that it is inconsistent with certain Basic Income (BI) principles.

New government, New Labour, but for BI supporters it must feel like Old Times! I write as someone who is ambivalent about BI. I see its attractions, including in particular its emphasis on citizenship, its use of the individual as the unit of assessment — for taxpayers and beneficiaries — and its easy accommodation of part-time work. Against this, however, I am sceptical about the acceptability of a scheme which calls for no input to society from its members, especially in an economic and social context in which paid work is still the primary means of income distribution. I am also sceptical about the inclusion of Negative Income Tax (NIT) as a form of CI.[2] That is because NIT relies entirely on means-testing, so is inconsistent with the principles of social citizenship.

At present, like the Commission on Social Justice, I support the idea of a participation income under which, where appropriate, payment of the BI would be conditional upon some kind of active social contribution, defined more broadly than paid employment, to cover care and possibly voluntary or community work.[3]

I also believe it is important not to rule out BI as a possible longer-term option, for under some future economic scenarios, in which there is only a limited amount of paid work to be shared out, the attractions of BI could start to outweigh the drawbacks.

The question now is whether the policy stance taken by New Labour could be compatible with a longer-term BI agenda, with particular reference to the following issues:

- Conditionality and obligations
- The tax-benefit unit
- Objectives of income redistribution

Conditionality and obligations

New Labour's maxim that the rights we enjoy reflect the duties we owe is fundamental to its social policy agenda. Frank Field summed it up in a speech last September, in which he said:

"Our reform agenda is dominated by a new emphasis on responsibilities as well as rights . . . the responsibility of adults of working age to work; the responsibility of welfare recipients to take opportunities to escape from dependency."[4]

The obligation to do paid work is central to Labour's approach to social security reform. In the words of the Secretary of State for Social Security, Harriet Harman, we are reforming the welfare state around the work ethic.

In his November 1997 Pre-Budget Statement, the Chancellor of the Exchequer Gordon Brown warned that along with the new opportunities for young people offered under Labour's New Deal "come new responsibilities" — responsibilities which will be enforced by use of even harsher benefit penalities for non-compliance than under the Conservatives. At the same time, although paid work is not being constructed as a formal obligation for lone parents, the welcome availability of job and training opportunities under the New Deal is being used as justification for abolishing the modest additional help (i.e. lone-parent benefit and premium) previously received by lone parents.

For BI supporters, there must be worrying signals that in 'thinking the unthinkable' about social security reform, New Labour could be moving in a direction which makes less likely any future introduction of a BI scheme. Even for those of us who are ambivalent about BI, this should be a cause for regret. It is important, therefore, that Citizen's Income Trust continues to promote an alternative approach to social security reform.

Benefits for the unemployed have always been underpinned by the obligation to be available for paid work, but we are now witnessing a clear shift towards the prioritising of paid work obligations over social citizenship rights.[5] Such a shift is in the opposite direction to the principles that underpin Basic Income or Citizen's Income more generally.

The tax-benefit unit

The case for individualisation of social security benefits has been made by the European Commission:

"The individualisation of rights would aim to halt the practice of taking account of personal links when ensuring social protection of an individual. It would contribute to bringing social protection into line with legislation governing employment contracts, which considers workers as individuals. More generally, individualisation is in line with the general trend towards a greater autonomy of the individual."[6]

BI incorporates the principle of individualisation. The present tax and benefit systems use a mixture of the individual and the couple as the unit of assessment. At present, it looks as if policy-making could be pointing in both directions. Frank Field's ideas for the reform of National Insurance could strengthen the individual as the assessment unit, although in a very different way from BI. Proposals for a citizenship pension also point more clearly in the CI direction. On the other hand, the Chancellor of the Exchequer has made clear his desire to replace Family Credit (payable to mothers) with a working-family tax credit modelled loosely on the American Earned Income Tax Credit (EITC). This has raised fears of at least partial reintroduction of joint taxation. In addition, as originally conceived, EITC would mean a transfer of resources from mothers to fathers in about three-quarters of couples receiving Family Credit, with the result that there would be less guarantee that the money would be spent on the children. Recent research indicates that such a transfer would be strongly opposed by parents in receipt of Family Credit.[7]

Objectives of income redistribution

Underlying the proposal for a working-family tax credit is the belief that cash benefits — or 'handouts' as they are pejoratively called — are an inferior form of income maintenance compared with support through the tax system. More fundamentally, a Treasury document leaked to *The Times* on 8 December 1997 suggests that proposals are being drawn up with the aim of limiting the role of the welfare state to a 'safety net' for the poorest groups, while the rest of the population would be expected to make its own provision. If true, this would take Britain firmly down the road to a US-style residual welfare state and away from more broad-based Continental European welfare models.

New Labour has also made it clear that better benefits are not part of its strategy for tackling poverty and social exclusion. In New Labour thinking, proposals for improving benefit levels are dismissed as 'Old Labour' — indicating a 'passive' form of welfare provision that promotes a 'dependency culture' — although research has yet to show that a 'dependency culture' exists in the UK. Frank Field has even denounced those calling for improved benefit levels as "guilty of naïvety and cynicism".[8]

As the FT54 (a group of 54 professors of social policy and sociology) argued in a joint letter to the *Financial Times* last October,[9] this creates a "false dichotomy" between the Government's emphasis on 'welfare to work' and education — which the FT 54 supports — and the need to improve "the living standards of those experiencing poverty." Many of us have argued for years that poverty needs to be tackled at its source, which is often in the labour market. But that does not have to be at the expense of doing nothing for those who, for whatever reason, cannot move from welfare to work, in either the shorter or the longer term. Furthermore, we cannot be sure that the work opportunities which are crucial to the New Deal's long-term success will be there for all who want them, particularly in areas which combine high unemployment with a concentration of lone-parent families.[10]

At the heart of the FT54's case is the argument that better benefits are necessary to underpin the Government's own strategy of getting people back to work. According to recent research, so bad is the present situation that educational reforms could be undermined by unacceptably high levels of child poverty — and impoverished benefit claimants could be less willing and able to take up opportunities under the New Deal.[11]

Over the past two decades, benefit levels have fallen in relation to average living standards and continue to do so. In the case of pensions and other long-term benefits, this is the result of ending the uprating link to increases in earnings, where these exceed price increases. This has been one factor contributing to the massive growth in inequality since the early 1980s. Labour's policies for a minimum wage and promoting employment opportunities should help to raise incomes for those in paid work. But by refusing to countenance traditional mechanisms of redistribution through the tax and benefit systems, the new Government is in danger of treating the unequal income distribution as a given. Again, this reflects a philosophical shift in Labour's thinking — its long-standing commitment to greater equality having been jettisoned in favour of lifelong equality of opportunity.

Admirable as such a goal is, genuine equality of opportunity is likely to remain a contradiction in terms in the context of entrenched structural inequalities. Nor will it on its own raise the living standards of the poorest, the test Tony Blair set himself when announcing the establishment of the Social Exclusion Unit.

CIT keep up the pressure

Relief that Britain at last has a Government committed to tackling social exclusion has to be tempered with scepticism about its likely success, especially if social security is treated simply as part of the problem and not also as part of the solution.

For BI supporters, there must be worrying signals that in 'thinking the unthinkable' about social security reform New Labour could be moving in a direction which makes less likely any future introduction of a BI scheme. Even for those of us who are ambivalent about BI, this should be a cause for regret. It is important, therefore, that the Citizen's Income Trust continues to promote an alternative approach to social security reform.

Ruth Lister is Professor of Social Policy at Loughborough University. She is also a former member of the Labour Party's Commission on Social Justice and a former Director of the Child Poverty Action Group. Her publications include ***Citizenship: Feminist Perspectives,*** *Macmillan, 1997.*

Notes and References

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2 Hermione Parker, *Citizen's Income,* CI Bulletin No 17, January 1993.

3 For further information, see Tony Atkinson, *Participation Income,* CI Bulletin No 16, July 1993.

4 Frank Field, Victoria and Albert Museum, 24 Sept 1997.

5 See also Raymond Plant, *Citizenship, employability and the labour market,* CI Bulletin No 24, July 1997.

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9 Letter from Professors Ruth Lister, Robert Moore and others: Government must reconsider its strategy for more equal society, *Financial Times,* London, 1 October 1997.

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Think big, implement small, scale fast

Tim Gbedemah and Philip Cullum

*In evidence submitted to the House of Commons Social Security Committee inquiry into **Tax and Benefits,** Andersen Consulting proposed the creation of a tax-benefit integration 'laboratory', which would "help to determine and demonstrate how the legacies of the existing tax and benefit regimes can be safely and effectively migrated into a new tax-benefit system that works, when tested against the Government's objectives."[1] Tim Gbedemah and Philip Cullum take up the story.*

These are good times for supporters of tax-benefit integration.

The concept of integrating income taxes and benefits has excited interest amongst politicians and academics in the UK over the last thirty years, with, for example, Keith Joseph in 1973 describing the then Conservative government's proposals for a tax-credit system[2] as "so beautifully simple".[3] On the other hand, practical implementation has so consistently proved to be a stumbling block that in 1994 the Commission on Social Justice could describe integration as "the Holy Grail of benefits policy — constantly sought and never found."[4]

Today we have a government which looks likely to introduce a tax credit along the lines of the US Earned Income Tax Credit (EITC), and the House of Commons Social Security Select Committee is conducting an investigation into integration.

Breaking the cycle of failure

It is important that we in Britain learn from past experience, so that if the government proceeds with its plans they do not become yet another example of unsuccessful implementation. Andersen Consulting's worldwide experience in implementing the changes needed to deliver policy — in the private as well as the public sector — suggests a number of important lessons:

- If major change is to be implemented sustainably and to deliver its original objectives, those objectives must be clearly defined and shared by all involved.
- In order to achieve objectives, those involved must also have clear expectations about what needs to be changed.
- The proposals and plans should be well tested, so that execution can be smooth and rapid, and deliver the intended results.

We believe that past tax-benefit integration proposals have failed on more than one of these counts.

Obstacles

As is well known, the possible obstacles to integration are numerous. They include the following: Can and should the unit of assessment (individual, couple or household) be the same for tax and benefit purposes? Is it possible to retain individual taxation under an integrated scheme? Can and should the periods of assessment for payment of taxes and receipt of benefits be integrated? What might be the administrative savings or costs? Would a different form of payment mean a different recipient within the household (e.g. fathers instead of mothers)? Might this in turn mean that the money received would be spent for a purpose other than that which the policy-makers intended? And what would public reaction be to changes which might involve them in providing the State or their employers with more, or more complicated, financial records?

In social and economic policy there are many such uncertainties to be overcome. More practically, the sheer scale and complexity of the current tax and benefit regimes is a challenge to the execution of change. Today's separate tax, benefit and National Insurance regimes are some of the most complex and intricately constructed elements of the UK legislative and socio-economic infrastructure.

Opportunities for change

The good news is the legacies which result from the heavy investment Britain has made in amassing accurate tax and social security data, applying information technology and developing civil service staff skills. These are already built into the administrative structures of government. Even more encouraging for supporters of integration are the opportunities to harness this legacy for change rather than inertia:

- The Private Finance Initiative (PFI). Experience gained as a result of the PFI provides a route by which government can secure assistance from the private sector when seeking to achieve major operational change. PFI allows a clear separation of policy-making from implementation and experience shows that it can transfer certain financial risks out of the public sector.
- The technology, data and administrative assets of the current tax, benefits and National Insurance systems.
- The ability to establish proof of outcome before implementation begins. Past experience of large changes within the benefits field indicates how much potential there is for ideas which seemed well worked out in advance to face substantial problems when implemented.

A tax-benefit 'integration laboratory'

While analytical modelling is useful for evaluating possible change, it takes insufficient account of the human element within alternative systems — such as issues relating to complexity, public attitudes and behaviour. Andersen Consulting recently proposed the creation of a tax-benefit integration 'laboratory' established through public-private partnership. Its remit would be to help government explore ways in which integration of personal taxes and welfare benefits could be advanced. In particular, it would help to determine and to demonstrate how the legacies of the existing tax and benefit regimes can be safely and effectively migrated into a new, integrated tax-benefit regime that meets the government's policy objectives and values.

The laboratory in action

The laboratory would be an office, appropriately equipped and staffed, in which the tax and benefit processing for selected citizens (all of them volunteers) would be integrated. The laboratory would have three goals:

- To produce hard evidence showing which form or forms of tax-benefit integration will deliver the economic, financial and social outcomes sought by government.

- To find ways to exploit the legacies which favour integration (legislative processes, skills, culture, IT systems etc) and tackle the obstacles that might otherwise make integration impossible.

- To begin to address the root causes of any institutional or citizen resistance to integration; and to help create a public, media and marketplace momentum for change.

Those public agencies which deal with individual citizens' tax and benefit affairs under the current regime would need to participate in the laboratory. These include the Department of Social Security (DSS) and the Department of Employment and Education (DEE) agencies, the Inland Revenue and the local authorities. At present there are perhaps 25 key staff involved in the tax and benefit affairs of a typical individual citizen. The office could therefore experiment with cross-skilling and job re-design. It would also examine the amalgamation of tax and benefit records in a 'Citizen's Account'.

Some form of participation in the work of the laboratory would also need to be solicited from stakeholders in the current tax and benefit regimes who are outside government: employers, voluntary organisations and the training and education sector.

The goals of the laboratory would also require the involvement of a small, clearly defined population of citizens and employers. This could be achieved by focusing the office on a particular geographic catchment or 'zone' — perhaps a single travel-to-work area within one local authority — and selecting further from the population within that area. The policy objectives of tax-benefit integration would be used to identify those citizens initially invited to participate.

Depending on political will, citizens' participation could be left voluntary but formal, or made compulsory. In a voluntary mode, those citizens invited would elect to join the experiment because they agree it offers a 'one-way bet' on improved service and improved opportunity. In exchange, they would formally agree to accept any consequent changes in the effective cashflow of their benefits and after-tax wages, or diversion of cash into non-cash benefits.

The laboratory concept enables Government to 'think big, implement small, and scale fast' — a sound approach to achieving major changes successfully. If the Government does opt for a policy of integration, this is an approach which would allow us to test the effectiveness of policy, and so learn from the past history of implementation failures, rather than repeat it.

Tim Gbedemah is a Partner and Philip Cullum is a Senior Research Manager at Andersen Consulting. Andersen Consulting operates from 47 countries and employs 52,000 staff. They are leading management and technology consultants, with specialist skills in the implementation of large-scale change; and significant experience of the operation of tax and social security systems world-wide. Within the UK, they have worked closely over many years with the DSS Contributions Agency, Benefits Agency, Child Support Agency, War Pensions Agency and IT Services Agency.

Notes and References

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3 Quoted in Nicholas Timmins, *The Five Giants,* London: Harper Collins, 1995, p 288.

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After social democracy, no successor to the social democratic settlement is morally tolerable, or in the long run politically sustainable, which does not contain a credible and meaningful alternative to full employment policy.

John Gray in *Endgames: Questions in late modern political thought,* 1997.

Sharing the rice bowl — A citizen's pension

Nigel Vinson

Old age pensions based on claimants' employment histories are inherently unfair and seriously disadvantage those who work at home caring for sick or elderly relatives, or for their own children. In any restructured old age pension the concept of universality must be introduced. All citizens would welcome the simple assurance that such a scheme would bring.

In practice, the UK already has a form of universality, in that elderly people who do not receive a pension based on their employment history can and do get a somewhat higher benefit through Income Support. However Income Support is means-tested and results in the pensioner poverty trap. Pensioners with savings above the permitted amount are disqualifed from Income Support and may end up no better off — or worse off — than their neighbours who never saved.

Citizen's pension

A citizen's pension payable to all elderly people from a prescribed age — irrespective of their work history or other income — would be fair and recognised as fair, because it would be simple to understand. It should be large enough to cover basic needs, but not so large as to discourage voluntary savings. If paid at the same level as present national insurance pension its cost to the taxpayer would be in line with existing arrangements — with the important difference that by removing means tests and the pensioner poverty trap more people would be encouraged to save voluntarily for their old age.

Paying for it

Some people think that private sector funded pensions — unlike the state basic pension — are somehow not a charge on the working population. Yet at national level there is virtually no difference between them. All pensions — public as well as private — are *pay as you go,* because at the end of the day the amounts payable depend on the productive efforts of each working generation.

Individual citizens can save, but a nation cannot save. In the same way as individuals can take out fire insurance but a nation cannot insure itself against any risk, so the cost of old age pensions is dissipated throughout society. One of the purposes of a citizen's pension is to spread the cost — and the benefits — more fairly.

Pensions, whether public or private, are no different to other savings schemes. All of them create a *lien* — or call — on future generations, through the right to interest or dividends, or through the politically granted right to have an old age pension paid from general revenues. Either way they are a charge on future generations of the working population. For there is no magic pot of gold. Pensions have to be paid for out of today's Gross National Product (GNP) and from today's rice bowl.

Even in complex societies like our own, simple tribal economics continues to apply — the economically able still have to grow rice for the economically disadvantaged.

Despite all the achievements of recent times, in this respect nothing has changed and nothing is likely to change. A nation funds its pensions in name only. One person's pension is another person's rent increase or higher tax charge, and it makes no difference whether the pension is financed through the state or the private sector.

The need to work longer

What could make a difference to retirement incomes — especially at the bottom of the income distribution — is a citizen's pension on which people were encouraged and enabled to build, through savings during working life and part-time earnings during retirement. In this instance the mechanism of funding savings by encouraging people to have their own personal savings pot is extremely helpful.

As people live longer, they will have to work longer. Society needs to encourage flexible retirement on both economic and social grounds. A citizen's pension should be the same for men and women, but graded so that it is higher for those who forego it during the early years of eligibility.

The need for simplicity and for fairness

The complexity of old age pensions based on work history is entirely unnecessary. For carers, including most mothers, it is also unfair. A citizen's basic pension, available to all, would be fairer and more affordable and would give the basic, underlying security which people need and want.

Lord Vinson is an inventor with a long record of involvement in the voluntary sector and in the City. He has been a supporter of Citizen's Income for many years.

What's wrong with National Insurance?

Joe Harris

Unlike the earnings-related social insurance pensions payable elsewhere in the European Union, Britain's National Insurance pension pays the same flat-rate amounts for all fully paid-up contributors, plus dependency additions for spouses and dependent children. The State Earnings Related Pension known as SERPS, though part of the UK national insurance system, was not introduced until 1978. During the 1980s the amounts payable through SERPS were cut back and contributors were encouraged into private sector provision. Since May 1997 the incoming Labour government also seems to prefer private sector provision. Among Citizen's Income (CI) supporters there are some who would retain existing NI pensions alongside the CIs and others who would gradually replace NI pensions with CI supplements, which would increase with age (so much at age 60, more at age 65 and so on). Either way, the CIs would form a non-means-tested base on which pensioners would be able to build, without the disincentive effects associated with the pensioner poverty trap. In this article Joe Harris of ***The National Pensioners Convention*** *argues the case for preserving the NI basic pension and SERPS. But he also sees a role for CI.*

Do British voters really want the private sector to displace the state as the main plank of future pension provision?

In his article *Being realistic about pensions reform,*[1] Tony Salter pointed out that the main argument for privatising state pensions is their alleged cost. As this amounts to some 13% of government expenditure, it's no wonder that Britain's New Labour goverment, intent on strict control of public spending, should be canvassing modifications and alternatives to National Insurance (NI). But before seriously contemplating a reduction of its role, all of us, including government, should first ask what's wrong with it.

What is National Insurance ?

National insurance (NI) provides a simple way for each working generation to provide for their fellow citizens who are unable to work, especially the older generation. The benefits National Insurance provides include flat-rate retirement pensions, the State Earnings Related Pension (SERPS), incapacity benefit, contribution-based jobseeker's allowance, the Christmas bonus for pensioners, maternity allowance, guardian's allowance and child's special allowance. None of these is funded from other public money. By far the largest payment is for retirement pensions, which account for some three-quarters of the total.

The conditions NI contributors must satisfy in order to receive benefit do not include financial need. There is no means test. NI benefits supplement any private insurance or savings claimants may have.

The National Insurance Fund is a *Pay as You Go* fund, i.e. the contributions received in any one year are used to pay out benefits that same year. The Fund is flexible. By modifying contribution and benefit rates, it can quickly respond to changing economic situations or needs. It does not depend upon returns from investments or market variables, although a small income does result from investing the Fund's running balance. Administration costs are low — about 3% of the total value of payments made — which is much less than the average taken by private insurance.

Who runs National Insurance?

The National Insurance Fund is the responsibility of the elected government. It enjoys independent status and is subject to an annual audit by the Comptroller and Auditor General, which is laid before Parliament.[2] The Fund's operation is audited and checks are made to ensure that its resources are sufficient to meet commitments. The fund's balance (or 'kitty') is actuarially aimed to be 16.7% of annual expenditure (about nine weeks' contributions). Any additional resources shown to be necessary to maintain this balance are provided by legislating for increased contributions and/or through Treasury grants. The levels of benefits and contributions are controlled by government, year by year.

Where does the money come from?

The principal contributors are employers and employed or self-employed earners. Unlike private insurance, contribution rates do not depend upon occupational risk. A clerical worker's contribution is calculated on the same basis as that of a coal miner, even though the coal miner is more likely to suffer industrial injury. Employers contribute a percentage of their wage and salary bill.[3] Overall, employers pay about 58% and employees 42% of total NI contributions.

Although Treasury contributions officially stopped in 1989, new grants were legislated in 1993 to enable the Fund to retain its required actuarial balance. This was necessary because of the recession and the costs to the Fund of personal pension rebates.

Expenditure on NI benefits is currently in the region of 8% of Gross Domestic Product (GDP). In 1995/96 the excess of receipts over payments was just over £1 billion and the closing balance was £7.8 billion. Approximately 12% of gross NI contribution income is taken by the National Health Service. This meets about 10% of the health service budget. The 1995/96 accounts are summarised in the Table.

So what's wrong with all that?

Britain's national insurance system (like Bismarck-style social insurance) has its limitations. Many people, especially women, are penalised, because they have been unable to earn and contribute the number of NI contributions necessary to qualify for a full Category A pension in their own right. Although crediting of contributions is possible for those receiving child benefit, and for Income Support recipients who are caring for someone who is sick or elderly, many carers are excluded by the requirement (until the year 2010) of a minimum of 20 years' contributions.

In pursuit of cost-cutting, the scope and benefits of SERPS have been reduced. Although 'portable' from one workplace to another — which is important in an increasingly insecure labour market — SERPS no longer matches the original promise of a pension approaching half pay for the average wage earner.[4]

Regarding the NI basic pension, for those who receive it the most serious criticism is simply that it is too little. It is less even than Income Support and, because it is indexed to prices instead of average earnings, its value, relative to the living standards of the working population, reduces year by year, i.e. it excludes pensioners from sharing in the growth of national prosperity. With each passing year the difference becomes more apparent, especially for the increasing number of pensioners living into their eighties and nineties.

National Insurance Fund 1995-96

	£ billion	% Total
Benefits		
Retirement pension	29.963	74.6
Incapacity benefit	7.623	19.0
Unemployment benefit	1.102	2.7
Widows' benefit	1.016	2.5
Invalidity benefit	0.271	0.7
Pensioners Christmas bonus	0.124	0.3
Maternity allowance	0.028	<0.1
Sickness benefit	0.012	<0.1
Guardians & child allowance	0.002	<0.1
Total benefits	40.141	
Other payments		
Personal pensions	1.961	
Administration costs	1.180	
Others	0.292	
Total payments	43.574	
Receipts		
NI contributions	39.850	
Treasury	3.575	
Investments	0.444	
Others	0.714	
Total receipts	44.583	

Source: National Insurance Fund Account 1995-96, HC221, HMSO February 1997.

What of the financial outlook?

On the assumption that pensions will continue to be uprated with prices, the National Insurance Fund is expected to operate soundly with reduced Class 1 (employee/ employer) contributions until the year 2050/51.[5] If upratings were to be in line with average earnings, an increase in contributions of some 7% would be required over the same period.[6] Achieving this objective, without substantially raising NI contributions, by putting a portion of the contributions into an investment fund has been studied. However, this 'thin end of the wedge' approach (sacrificing total independence from the market) would make little difference.

These forecasts take into account SERPS, which at present, because of its relatively recent introduction, accounts for only some 6% pf the pension pay-out, but which, if not further cut back, by the year 2030 will increase to 26% of pension pay-out, as more contributors reach pensionable age.

The way ahead

Britain's New Labour Government has stressed its desire to "do something for the poorest pensioners". It advocates a higher pension for those most in need. But, as everybody knows, helping the "poorest" by this method depends on being able to define and locate them — through a test of means — which is contrary to the National Insurance principle that the benefits paid out, because they are based on contributions paid, are not subject to a test of financial need.

A better and more acceptable way of taking pensioners out of poverty is to raise the National Insurance pension substantially and to draw something back from the better-off pensioners, as at present, through income tax. Unlike means-testing, this would not discourage extra personal provision or saving.

SERPS should be restored to its original form. Its advantages over private pension schemes need more publicity. It has been undersold to the working population. It offers better value than occupational and private plans and covers those to whom occupational pensions are not available. Extending the crediting-in system would benefit the increasing numbers of short-contract workers as well as women, who are severely disadvantaged under the present system. It could also lay the basis for a Citizen's Pension.

Crediting-in to the basic pension, of carers and those unable to be in continuous employment, would ensure that everybody receives it as of right. This crediting-in could be paid for by general taxation and, perhaps with a wider and strengthened SERPS, be developed into a Citizen's Pension.

Clearly, modest increases in NI contributions will be required to provide adequately for the growth of the elderly population, but this growth is parallelled by that of national wealth, brought about by the increased productivity which is now outstripping labour availability. Future increased contributions to National Insurance will not reverse improving living standards and should be politically acceptable, because contributors will in their turn benefit in retirement.

The current debate

The current pensions debate needs to clarify the purpose of the state pension. Is it to alleviate poverty in old age, or is it to be the basis that will ensure a reasonable life in retirement, reflecting the general prosperity enjoyed by the working population?

In 1892 Charles Booth referred to the 'endowment of old age', believing that people unable to work due to age, should enjoy more than mere survival and be able to give as well as to receive. But the pension introduced in 1908, although it made thousands of old people 'pensioners' instead of 'paupers', freeing them from stigma and the loss of civil rights, was set near the level of the cost of Indoor Poor Relief. It provided a life little better than that of the workhouse. Unfortunately, the perception that the state pension is a hand-out to relieve poverty remains. If this were to change then the single basic pension of £62.25 would be seen in a different light. A pensioner needs an income over twice this level for a reasonable but modest lifestyle.[7]

The labour and enterprise of previous generations provide the base from which the nation's wealth grows. Life in retirement should benefit from that growth and continue to improve. In reviewing pension provision, inter-generational equity rather than a cold calculation of what is necessary to survive should guide us. Who would dispute Tony Salter's contention that pension levels should be uprated with and related to the standards of life of the rest of society?[1]

Poverty and pensions are separate issues. Government will eliminate poverty by providing a thriving, productive and rewarding economy, not by means-testing pensions. Older people are poor for the same reasons as younger people — their incomes are too low. The poorest pensioners require support because the NI basic pension is insufficient to secure a decent living standard and because some don't receive it at all.

National Insurance can provide substantial pensions, indexed to average earnings, without extortionate increases in contributions or Treasury grants. Together with an extension of crediting-in for those unable to build up a contribution record, this would enable all retired people to share in national prosperity. Making that goal dependent upon private provision weakens the welfare state and condemns many people to poverty in old age.

Joe Harris is Coordinator of the Research Committee of the National Pensioners Convention. The NPC is the umbrella organisation to which various charities, trade union retired members' associations, pensioners' organisations and forums are affiliated.

Notes and references

1 Tony Salter, *Being Realistic about Pensions,* Citizen's Income Bulletin No. 24, July 1997.

2 Social Security Contributions and Benefits Act 1992.

3 Employers currently pay between 3% and 10% of weekly pay from £62 (the Lower Earnings Limit) to £465 (the Upper Earnings Limit) plus 10% of pay above this level. Employees pay 2% of weekly earnings up to £62 plus 10% of earnings between £62 and £465 only.

4 Tony Lynes, *Our Pensions,* Eunomia Publications, London, 1996.

5 National Insurance Fund Long Term Financial Estimates, HMSO, London, 1995.

6 Peter Townsend and Alan Walker, *New Directions for Pensions,* Pamphlet No. 2, European Labour Forum, Bertrand Russell House, Gamble Street, Nottingham NG7 4ET, 1996.

7 Hermione Parker (ed), *Modest But Adequate, Summary budgets for sixteen households, April 1997 prices*, Family Budget Unit, Department of Nutrition and Dietetics, King's College London, November 1997.

It would seem to be much more reasonable for the State, as the natural source of social protection, to concentrate public resources on the provision of a basic retirement income, or 'citizen's pension', at a high enough level to guarantee a minimum standard of living.

Tony Salter in *Benefits & Compensation International,* June 1997, p 11.

How to get rid of the poverty trap: Basic Income plus national minimum wage

Hermione Parker
Holly Sutherland

In Citizen's Income Bulletin 21 (February 1996) we compared the effects of the then Conservative government's proposed Earnings Top-Up with the combined effects of Basic Incomes (BIs) of £17.75 a week for every man, woman and child and a national minimum wage of £4.00 an hour. The results indicated that Earnings Top-Up would increase the scale of the poverty trap —by extending means-tested benefits to lower-paid workers without children — while BI s of £17.75 plus a minimum wage of £4.00 would reduce the scale of the poverty trap, by reducing the number of wage earners in need of means-tested benefits.

Today, Britain has a New Labour government pledged to introduce a national minimum wage and to tackle work disincentives, yet at the time of writing the signs are not encouraging. The level of the minimum wage has yet to be announced — it could be as little £3.50 an hour (£140 for a forty-hour week) — nor do there appear to be any plans to lift the lower paid out of tax, or increase non-means-tested support (e.g. child benefit) for families with children. In what follows the authors compare the effects of the existing tax-benefit system with the effects of a minimum wage of £4.00 an hour, introduced in conjunction with BIs of £20 a week for every man, woman and child. The research was undertaken as evidence for the Low Pay Commission, the costings apply to the 1997/98 financial year, and were calculated using Polimod.[1] The authors wish to emphasise that what follows is not a policy proposal. Its purpose is to inform the debate and stimulate interest in BI. Considerable further research would be necessary before a politically acceptable BI proposal could be put forward.

Throughout the European Union, welfare states designed half a century ago are out of kilter with the needs of society's most vulnerable members, including lone parents, children, young adults and carers, as well as elderly and unemployed people and those with disabilities. So long as entitlement to social security remains based on the claimant's record of employment in the labour market, people who study, or train, or do unpaid work outside the labour market, risk poverty. One consequence is that the demand for paid work rises, adding to unemployment. Another is the impoverishment of elderly people (usually women) whose home responsibilities have prevented them from building up large enough pensions to avoid poverty in old age.

In Britain the situation has been aggravated by the tax and welfare policies of Conservative administrations from 1979-97 — policies which redistributed income upwards (from poor to rich) and sideways (from single-wage to two-wage families). Dependence and expenditure on means-tested benefits have escalated while lower-paid workers have been pauperised. Worst affected are single-wage families with children (two-parent as well as lone-parent) and teenagers cast out from broken homes.[2]

In what follows, we start by examining the redistributive effects of a minimum wage of £4.00 an hour, assuming no other changes (Figure 1). Then we examine the redistributive effects if minimum wage and BIs of £20 a week were introduced simultaneously (Figure 2). Finally we look at the effects on work incentives of a BI + minimum wage option, using model family analysis and breaking with previous articles in this series,[3] by comparing net incomes instead of net spending power[4] (Figure 3).

Basic Income (BI) explained

Basic Income is a new approach to poverty prevention which would extend the equivalent of child benefit to every citizen. It is so radical and the opposition to it so entrenched that in Britain the media barely mention it. Yet behind the scenes there is growing interest in it; for example in the evidence submitted to a recent inquiry by the House of Commons Social Security Committee, it surfaced repeatedly.[5]

For newcomers to BI, the key changes are integration of the tax and benefit systems, universality, individual assessment units and up-front payments. At present most EU member States operate dual systems of income tax reliefs and social security benefits, with different regulations applied to each and certain categories (mainly women, children and school-leavers) treated as second-class citizens. With Citizen's Income, which includes Basic Income, this would change. Instead of one set of rules for the rich and another for the poor, the tax and benefit systems would be 'made one' or integrated. Every legal resident would receive a small, guaranteed, tax-free income — from the cradle to the grave — and would pay a new income tax (or BI contribution) on all (or almost all) their other income. The same rules and regulations would apply from top to bottom of the income distribution, as a result of which there would no longer be differences in tax liability or benefit entitlement on account of gender, marital status or sexual orientation. Once fully in place, a BI scheme would result in administrative savings (not included in our costings) worth £ billions.

The basis of entitlement for the BIs is legal residence and the unit of assessment is the individual. So the much-hated cohabitation rule becomes irrelevant. For most people — those with incomes of their own — the BIs would operate like fixed-amount deductions (or credits) against their income tax. The novelty is that for people with no income of their own — carers, children, students, the sick, the old and the unemployed — the BIs convert automatically into upfront cash payments. And for people with very small incomes the BIs operate like cash top-ups.

Once fully in place, a BI system could be financed through a new income tax (or BI contribution) hypothecated to the BIs. It could operate alongside the National Insurance Fund, or replace it. There are arguments for and against each option.[6]

Minimum wage on its own

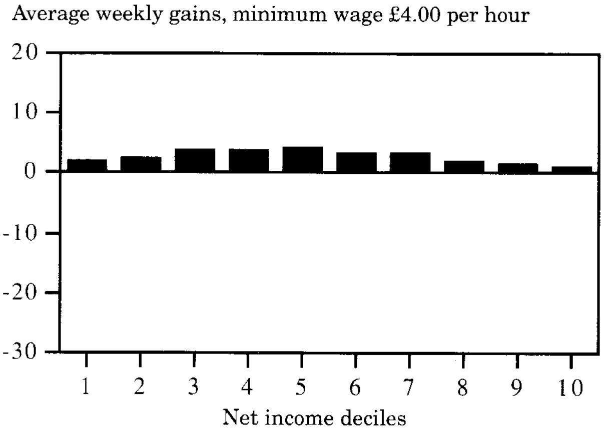
Conservative governments have long opposed a national minimum wage, saying it would force employers to pay unrealistic wage rates and would be an ineffective way of targeting help where it is most needed. Some CI supporters are also opposed to a minimum wage and see CI as an alternative to it.[7]

On the other side of the debate, minimum wage advocates argue that the risk to jobs depends on the level of the minimum wage, and that economic efficiency is also at risk if taxpayers' money is used to subsidise uneconomic, inefficient or corrupt employers. One of New Labour's first initiatives in government was to set up a Low Pay Commission, chaired by Professor George Bain of the London Business School, with a remit which includes recommending to Government the initial rate at which the minimum wage might be introduced.

Even on its own, a minimum wage of £4.00 would reduce dependence on means-tested benefits and generate extra revenue through income tax and NI contributions, but its impact on net incomes as a whole would be low. Figure 1 shows gains in the bottom decile of the income distribution averaging only £2.39 a week. Fewer than 7% of families in the bottom decile gain anything, which is unsurprising since most of them are not in paid work anyway. Larger gains occur in deciles 3, 4 and 5; moreover the gainers gain quite a lot.

From Figure 1 it is clear that a minimum wage cannot solve the twin problems of poverty (especially child poverty) and inadequate work incentives. Even the provision of good quality childcare will only help parents who have a job. A minimum wage has also been criticised on the grounds that some of the gainers will be wives who do not 'need' it because their husbands are earning well — a comment based on the unlikely assumption that incomes are shared equitably within all families.

Figure 1: Redistributive effects of a £4.00 minimum hourly wage, £ week, 1997-98



Source: Polimod[1]

Our view, insofar as living standards and incentives are concerned, is that to consider wages in isolation is unhelpful. By introducing a minimum wage and BI simultaneously the combined effects could be much more beneficial than the effects of either on its own.

TBI 97: BIs of £20 a week

From the evidence available there is little doubt that a full BI (loosely defined as *enough to live on*) is impracticable. It would be too expensive and the tax rates necessary to finance it would result in too many losers. It also begs the question: how much is enough to live on?[8]

Using Polimod we costed small 'transitional' BIs (TBIs) of £20 a week (£1,040 a year) for every man, woman and child, the idea being to start small and increase the BIs in the light of experience. The scheme is called TBI 97, but the costings apply to the whole of the April 1997-April 1998 financial year. The TBIs replace income tax allowances (with the exception of residual age allowance) and are deducted from existing social security benefits (except that National Insurance retirement pension, incapacity benefit and widow's pension are reduced by £15 instead of £20). For families caught in the poverty trap our priority is to reduce their dependence on means-tested benefits. Assuming TBIs of £20 plus a minimum wage of £4.00, the number of families receiving Family Credit falls by over one-third.

The changes in tax-free incomes for wage and salary earners are summarised in Table 1. Two-parent, two-child families receive BIs totalling £80 a week, but pay income tax on virtually all their other income, the main exception being a fixed-amount, non-transferable, earned-income tax credit of £7.25 (equal to the first £27.88 of weekly earnings tax-free). Lone parents get £20 a week for themselves, plus £20 for each child, plus the £7.25 a week tax credit for those in paid work, plus lone parent benefit of £6.05, which is retained — the idea being to help lone-parent as well as two-parent families, whilst widening the gap between them. To us this seemed preferable to abolishing Lone Parent Benefit.

Table 1: Tax-free incomes: existing system, compared with £20 TBIs plus £7.25 earned-income tax credit.

£ week, 1997-98

	Existing system			*TBI 97*
	20%	*23%*	*40%*	
Single	15.56	17.89	31.12	27.25
Married couple (1 wage)	20.84	23.17	36.40	47.25
Married couple (2 wage)	36.40	41.06	67.52	54.50
Unmarried couple (1 wage)	15.56	17.89	31.12	47.25
Unmarried couple (2 wage)	31.12	35.78	62.24	54.50
Single + 2 children	46.94	49.27	62.50	73.30
Couple + 2 ch (1 wage)	40.89	43.22	56.45	87.25
Couple + 2 ch (2 wage)	56.45	61.11	87.57	94.50

Assumption: In two-earner couples, each spouse/partner has same marginal tax rate.

Outright gainers from TBI 97 include people on low incomes who at present have no entitlement to benefit, or do not claim the benefit to which they are entitled. They also include people who at present forfeit part or all of their income tax allowances because they lack the income to set against them — typically single-wage couples (married and unmarried) with children, lone parents and people with disabilities. TBI 97 overcomes this problem.

TBI 97 plus a £4.00 minimum wage

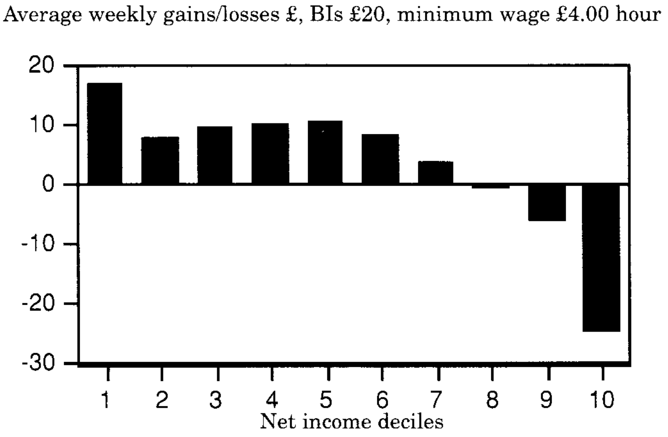
Evidence from Polimod published in previous CI Bulletins has shown that TBIs financed through a more progressive income tax could raise living standards at the bottom of the income distribution and sharpen work incentives simultaneously. Minimum wage enhances this effect. Whilst recognising that some means-tested benefits will remain necessary, our aim is to reduce dependence upon them and our main target is Family Credit. Housing benefit dependency could be reduced at little cost to the taxpayer by the simple expedient of cutting local authority and housing association rents,[9] while dependence on council tax benefit could be reduced by making council tax charges more progressive.

Income tax changes are necessary, not only to pay for the scheme but also to redistribute income downwards (from rich to poor) and sideways to low income families with children. Assuming 1997-98 incomes and the tax and benefit changes listed in Table 2 (with actual 1997-98 social security benefit rates, income tax allowances and bands and national insurance contributions as our reference point), we found that TBIs of £20 a week introduced in conjunction with a minimum hourly wage of £4.00 would be revenue-neutral if existing social security benefits were reduced by the TBI amounts (saving £16 billion) and there were some increases in income tax rates. Marginal income tax rates go up somewhat, but at the bottom of the income distribution average income tax rates (after adding in the BIs) come down. To finance the TBIs we also use the higher income tax revenues accruing from the minimum wage.

The current 20% rate of income tax is abolished and the standard rate is raised from 23% to 26%, with the latter increase partly off-set by reducing Class 1 National Insurance contribution from 10% to 9%. The threshold for higher-rate income tax remains virtually unchanged, but a 45% income tax rate is introduced on taxable incomes (excluding the BIs) above £46,000. The opposite strategy, pursued with devastating effects under Thatcherism, was to cut income tax rates, increase NI contributions and shift the tax burden downwards — protecting those worst affected through means-tested benefits, but depriving them of their economic independence. Called 'trickle down', it defied the laws of gravity and trickled up instead.

The redistributive effects of the scheme (Figure 2) are considerably larger than the effects of either a national minimum wage or TBI 97 on its own. Gains in the bottom decile of the income distribution average just under £17 a week, losses in the top decile average just under £25 a week. Gains in the middle of the income distribution are where large numbers of families with children are congregated.

Figure 2: Redistributive effects of £4.00 minimum wage plus BIs of £20, £ week, 1997-98



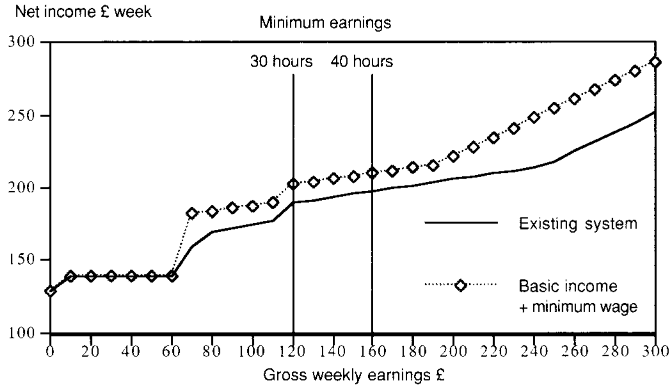
Source: Polimod[1]. Non equivalised incomes.

Catalyst for change?

By comparing net incomes of specified family types before and after the changes described above, it becomes clear that the effects on net incomes when BI is introduced in conjunction with a minimum wage are much greater than if either change is introduced on its own. By reducing dependence on Family Credit, together they produce a catalyst for labour market and social change. The disincentive effects of housing benefit and council tax remain, but could be tackled by reducing rents and restructuring council tax.

Figure 3 compares the poverty trap now with the poverty trap as it would be, for a single-wage family with two children aged under 11, assuming TBIs of £20 and a minimum wage of £4.00 an hour. Housing benefit and council tax benefit are not included. The bottom line tracks net incomes, including Family Credit, within the existing system. The upper line tracks net incomes assuming TBIs of £20 for each family member and the tax changes set out above. The vertical lines mark the earnings floors, working 30 hours and forty hours a week. The 30 hour line is also the threshold for the Family Credit thirty-hour bonus of £10.55, which explains the increases in net incomes at this point.

Figure 3: Poverty trap, April 1997-98
Existing system and TBI 97 compared
Couple + two children under 11
Minimum hourly wage £4.00



With a minimum wage of £4.00 an hour, nobody working 30 hours a week earns less than £120 a week and nobody working 40 hours earns less than £160. For the families shown here the gain assuming weekly earnings between £80 and £200 is about £12 a week, it then increases to a maximum of £36 on earnings of £250, above which it starts to tail off.

The level necessary to escape the poverty trap falls from £250 to £190, a fall of nearly 25%. Ideally the minimum wage together with the BIs would ensure that no family with (say) two children, working forty hours a week, would need family credit. But that would require a minimum wage of £4.75 an hour.

TBI + minimum wage would also reduce the unemployment trap. For people at the edges of the labour market, it opens up new choices. For the two-child family in Figure 3, although net incomes out of work show no improvement, the income support component falls from £128.53 (including free school meals and free welfare milk) to £48.53. The balance is replaced by the TBIs — opening up new choices. If no paid work is available, unemployed parents can top up their BIs with residual Income Support. But with a minimum wage of £4.00 and the first £27.88 of earnings (per wage-earner) tax-free, part-time work (plus residual Family Credit) is likely to be a better option.

Table 2: TBI 97 + £4.00 minimum wage
Summary of changes

National minimum wage £4.00 hour		
BI single £20 week		
BI couple £40 week		
BI child £20 week		
Child benefit abolished		
BIs count as income for income support and family credit		
One-parent benefit £6.05		
Class 1 NI contribution 9%		
NI long-term benefits down £15		
NI short-term benefits down £20		
Residual NI benefits tax free		
Child NI additions £8.95 (first), £11 (others)		
Family Credit adult max £49.79		
Family Credit max per child		
under 11	=	£ 1.05
age 11-15	=	£ 8.95
age 16-17	=	£13.80
age 18	=	£23.70
Personal income tax allowance £0.00		
Married couple's tax allowance £0.00		
Additional personal allowance £0.00		
Age allowances £915, £1055		
Married age allowances £1,355, £1,395		
Age allowance income limit £12,353		
New earned-income tax credit £7.25		
20% income tax band abolished		
23% income tax band increased to 26%		
40% income tax on taxable incomes above £26,000		
45% income tax on taxable incomes above £46,000		
MIRAS restricted to 10%		
Superannuation etc contributions restricted to 10%		

Conclusion

By combining TBI with a minimum wage, the poverty trap and the unemployment trap can both be reduced. Minimum wage will truncate the poverty trap by putting a floor under wage levels. A well-constructed TBI scheme would enhance this effect by lifting the lower paid out of tax. Together TBI plus a minimum wage have the potential to raise living standards at the bottom of the income distribution, increase work incentives and cut enough red tape to stretch from Land's End to John O' Groats.

Hermione Parker is Editor of the Citizen's Income Bulletin. Holly Sutherland is Director of the Microsimulation Unit. Department of Applied Economics, University of Cambridge.

Notes and References

1 POLIMOD is a programme written by Holly Sutherland as part of her research on policy simulation at the Microsimulation Unit, University of Cambridge. POLIMOD uses data from the Family Expenditure Survey, made available by the Office for National Statistics (ONS), through the Data Archive, and used with their permission. Neither the ONS nor the Data Archive bears any responsibility for the analysis or interpretation of the data reported here.

2 Hermione Parker, *Taxes, Benefits and Family Life: The Seven Deadly Traps,* Institute of Economic Affairs, 1995. Graham Serjeant, *Spectre of a means-test millennium,* The Times, 8 January, 1998.

3 Hermione Parker, Holly Sutherland, *Basic Income 1994: Redistributional effects of transitional BIs,* CI Bulletin 18, July 1994; *Why a £20 CI is better than lowering income tax to 20%,* CI Bulletin 19, February 1995; *Earnings top-up or Basic Income and a minimum wage,* CI Bulletin 21, February 1996.

4 Net incomes defined as: earnings + child benefit + family credit + BI - income tax - NI contribution; net spending power defined as: earnings + child benefit + family credit + BI - income tax - NI contribution - net rent / mortgage - council tax - work expenses.

5 House of Commons, Session 1997-98, Social Security Committee, First Report, *Tax and Benefits: An Interim Report,* 19 November 1997, HMSO.

6 See Joe Harris, *Why scrap National Insurance?,* page 8 in this Bulletin.

7 Keith Roberts, *A Working Britain: A Design for a Market Economy,* Michelmersh Press, Michelmersh, Romsey SO51 0NR, 1995; Nigel Vinson, Letter Page, CI Bulletin 22.

8 For research into living costs, see Hermione Parker (ed), *Modest But Adequate: Summary budgets for sixteen households, April 1997 prices,* Family Budget Unit, Department of Nutrition and Dietetics, King's College London, London W8.

9 The net cost, after savings in housing benefit, of reducing Housing Association rents by 10% would be £86 million. The net cost, after savings in housing benefit, of reducing local authority rents by 20% would be £110 million. Source: Written Answers, House of Commons Hansard, 4 December 1997, columns 283-284.

At Home and Abroad

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

Austria

Liberals propose BI

Volker Kier reports: On 12 October 1997, the Austrian progressive-liberal party, *Liberales Forum,* organised a 'federal forum' on the theme *Liberal fiscal reform — new solidarity.* The outcome is a detailed proposal for fiscal reform combined with introduction of a social security safety net based on citizenship *(Grundsicherung).* Existing social assistance, child benefits, unemployment benefits, student grants and public pensions would be replaced by refundable tax credits of 6,000 - 8,000 Austrian Schillings a month for each adult and of 4,500 - 6,500 Schillings for each child, according to age. In addition the first 4,000 Schillings of earnings would be tax exempt. The system would be financed through a flat-rate income tax of 40-47%, abolition of certain tax exemptions, an increase in capital taxation and greater reliance on energy taxes. For further information, contact Dr Volker Kier, Sozialsprecher, Liberales Forum, Reichsratstrasse 7/10, A-1010 Vienna.

Finland

Archbishop supports CI

Tapani Lausti reports: Citizen's Income (CI) emerged in the news headlines in Finland when Dr John Vikström, the Archbishop of Finland, publicly embraced the idea. Vikström sees Citizen's Income as a possible solution to social exclusion. According to Vikström's model, CI would give everyone the basic economic security they need, which could then be augmented by other income, to achieve an adequate standard of living.

"In this way," says the Archbishop, "even working a little would be possible and would make sense. The system would not push people into idleness and divide citizens into winners and losers as cruelly as is the case now. I look at the question from the point of view of human dignity. A basic income paid to everyone would be less humiliating than the present benefit system can sometimes become. Basic income would send every citizen the following encouraging and motivating message:

"You are important.
You are not a burden, but a resource.
You are important by being a human being for others.
Whatever work you do, in whatever situations,
Whether or not you are paid to do it,
You still contribute to building our society."

In his recent speeches, the Archbishop has criticised the social philosophy of neo-liberalism. He has encouraged a debate on the moral dimension of the market economy. See the Eagle Street Newsletter No 3, March 1997 on the Internet pages of the Finnish Institute in London: http://www.finnish-institute.org.uk.
The Institute can also be contacted on tel. 0171 404 3309 or fax. 0171 404 8893.

Germany

Berlin debates welfare state

Bill Jordan reports: On 17th-18th November, 1997, a conference entitled *The Future of the Welfare State: German and British perspectives,* organised by the British Council and the Anglo-German Foundation, brought together social policy academics and politicians from both countries — including the German Minister of Health, Dr Sabine Bergmann-Pohl, the British Minister for Welfare Reform, Frank Field, and the new Labour MP Gisela Stuart, who is a Member of the House of Commons Social Security Committee.

On the first day, the exchanges followed predictable lines, with the German representatives acknowledging the vicious circle of rising social security contributions, falling revenues, deficits in funds, falling investment, growing unemployment and further increases in contribution rates — whilst insisting that the fundamental institutional structures should remain in place, and that only marginal changes are necessary or justified.

British speakers developed themes appropriate to the more politicised environment of the UK debate on welfare reform: on demography, old age pensions and long-term care (Professor Alan Walker, Gillian Parker); on poverty and exclusion (Professor Ruth Lister, Dr Hartley Dean); on employment (Carey Oppenheim); on women (Professor Jane Lewis); on lone parents (a particularly strong contribution by Professor Jane Millar); and on the management of welfare (Professor Nicholas Deakin).

However, it took Frank Field's arrival on day two to galvanise the conference — not so much his speech, but how he answered the questions. Berlin might have seemed a good opportunity for a low-key, relaxed debate with his former peers in the social policy community, with no press and no pressure. (After all, Ruth Lister succeeded him as Director of the Child Poverty Action Group, when he first became a Member of Parliament). But instead he chose to take the moral high ground, to castigate his questioners for their lack of a democratic mandate, to pillory them for being out of touch with mainstream sentiments, and to parade his values and ethical credentials. It was yet another, worrying example of the authoritarian tendencies in New Labour's dealings with its subjects (sic), especially when he told a largely German audience that work obligations take precedence over rights.

In the calmer moments of the conference, a kind of consensus emerged between the representatives of the two countries about the need for an income maintenance system that is employment-friendly, savings-friendly and promotes part-time work, sabbaticals and long-term training strategies.

How strange, then, that only three people mentioned Citizen's Income: Claus Offe and Ilona Ostner to recommend it, Ian Gough to dismiss it.

Netherlands

CI pilot in Dordrecht?

Loek Groot and Paul de Beer report: In 1995, the Green Left party of the city of Dordrecht came up with the idea of a BI pilot project. In 1996 the proposal passed the council meeting and now awaits further discussion (planned for Spring 1998) and approval by the Ministry of Social Affairs. Although a field experiment is probably the best way to get an insight into the behavioural impacts of BI, in the limited experiment planned for Dordrecht it will not be possible to replicate the real-life introduction of a BI. For this there are three main reasons :

1. *No other changes.* Because the scope of the experiment is extremely limited , there can be no other changes. Thus the minimum wage will remain unchanged as will working hours. In theory BI should produce a decrease in labour supply calculated in hours, but an increase calculated in persons, resulting in paid work being spread out over a greater number of people. In the Dordrecht experiment, this effect is unlikely to occur, because labour supply will not decrease for the economy as a whole.

2. *Gainers and losers.* Because BI involves losers as well as gainers, potential losers are unlikely to participate in the experiment and those who are prepared to do so — because it enables them to work less at minimal cost — are not a representative sample of potential losers, if BI were introduced on a national scale. Only those for whom BI has a neutral or positive effect are likely to participate in the experiment. Because gainers are likely to join, it should be possible to show the labour market effects on gainers, for instance whether they cut their working hours. If too many gainers join the experiment, its cost could exceed budget, in which case it may be necessary to limit participants to those who hardly profit (or hardly suffer) from a BI.

3. *Changes to the tax, premium and subsidy schemes.* In theory these changes go hand in hand with the introduction of BI, but in a pilot project they cannot be changed. So their effects will need to be represented in the BI amount. Consequently, for many participants, the BI will not be a constant and unconditional amount, but will depend on the participant's personal situation and behaviour. For many participants the simulated BI amount will be negated by the simulated increase in taxes or the reduction in subsidies and/or benefits.

It therefore seems best to limit the experiment to groups in the population for whom BI can be simulated relatively easily and inexpensively. Two such groups are people in receipt of minimum benefit, especially social assistance *(Bijstandsuitkering)*, and wage-earners whose net income would remain largely unaffected. People who might set up their own businesses could also be included.

By restricting the experiment to the above three groups, it would be possible to reduce its costs. Central government might lose revenue, but those costs fall outside the experiment's budget. If BI proves to be a stimulus to legal working in the formal economy, as opposed to the black economy, central government might gain. Initially there would be no extra costs for workers with gross incomes at the break-even point. Their BIs are financed from the higher tax rates payable with BI. Extra costs only occur when participants in this group decide to work less. The maximum, aggregate cost equals the number of participants times the BI, but this cost would only occur if all participants in the top income group stopped working. For the group of prospective entrepreneurs, there are costs for the scheme's budget from the start. Former full-time workers and people without an income would receive a BI every month if they set up their own businesses. An extra deduction on their profits would only partially compensate for this.

Effects of BI to be researched. The main purpose of the experiment is to find out the labour market effects of a BI. Will workers work less or stop working? Will gainers be prepared to accept a lower-paid or part-time job? Will spouses/partners do more or less paid work? BI may also affect consumption patterns, household composition, family formation, gender roles, the way leisure time is spent and social participation.

Phases of the experiment. These could run as follows:

- Preparation: including formulation of the BI model, the tax rate and choice of income groups to be included.
- A representative survey of the Dordrecht population, including a questionnaire to find out:
  - (a) Respondent's age, sex, marital status, family composition, ethnicity, education, income, employment etc.
  - (b) Opinions on BI (or other reform options).
  - (c) Willingness to participate in the BI experiment.

  Results of the survey would be used to select an experimental group and a control group.
- Implementation of the survey, for a period of at least three years, followed by a phasing-out period of perhaps two years, and finishing with another questionnaire for participants.
- Evaluation, by analysis of the questionnaires.

Readers interested in further information about the Dordrecht survey should contact: Loek Groot, Faculteit der Sociale Wetenschappen, Heidelberglann 1, 3584 CS Utrecht, Netherlands.
E-mail <L.Groot@fsw.ruu.nl> at :external_mail

New Zealand

Second UBI Conference

UBI New Zealand report: A second national conference on Universal Basic Income (UBI) will be held in Wellington, New Zealand in late March 1998. Offers of papers and workshops are sought from community workers, researchers and analysts on issues surrounding the implementation of a BI for all New Zealand citizens, its purpose being to encourage economic participation and to be socially sustainable. Topics include: the future of welfare, the merits of 'targeting' versus universality, rights and responsibilities, higher versus lower taxes, the impact of UBI on different groups and strategies for change. Contact address: UBINZ, c/o Private Bag 11 042, Palmerston North. Fax: 06 350 6319.

Spain

Greens propose CI

BIEN Newsletter 28 reports: On 27 November 1997, the national daily *El Mundo* reported that the Green Party of the Province of Castilla y Leon had submitted a proposal to counter social exclusion to the provincial assembly. The authors of the proposal argue that it is impossible — and undesirable — to create the thousands of jobs that have been promised. Instead they advocate introduction of a CI (*renta ciudadana*) sufficient to cover everyone's basic needs. For further information contact: Ramiro Pinto Cañon, C/ Zapaterias 14, E-24003 Leon. Tel. 34-908—478106.

United Kingdom

Citizen's Income Trust (CIT)

Rosalind Stevens-Strohmann writes: The commitment of our new Government to go the 'Full Monty' on welfare reform does not, as yet, include getting down to basics — Basic Income that is!

This is not for lack of trying on our part. There has been frenetic activity at CIT, particularly in terms of submissions to the various policy reviews. As a result of pensions brain-storming sessions in London last summer and autumn, CIT was one of many organisations invited to make a formal submission to the Government's Pensions Review. Like others, we were disappointed that the only response to date has been yet another consultation document — this time specifically on stakeholder pensions. We remain optimistic, nevertheless, that Government will take heed of widespread support for a truly universal basic state pension. We have also put the case for CI to the Low Pay Commission, the Martin Taylor Inquiry and the Chancellor of the Exchequer (in response to his Pre-Budget Statement).

Arguably CI is an obvious example of 'thinking the unthinkable', yet far too many of the public policy think tanks act as if it were a taboo subject. So we have difficulty in attracting bright young academics into this area of research. Here at the London School of Economics some very promising students have nevertheless come forward, and we welcome their future involvement in our activities. I was also pleased to welcome Julian Barbara, a PhD student from the University of Melbourne in Australia, on the first stage of his CI study tour.

CIT is delighted to report that funding has been secured for the next two years. The objective is to get CI firmly on to the political agenda. Mention of CI figured highly within the written and oral evidence to the House of Commons Social Security Committee Inquiry on Tax and Benefits. **(See Books and Papers received.)**

There is also growing interest in CI at grass roots level. Shortly before Christmas I was asked to give a talk to a local Labour Party group — the debate was stimulating and it was a pleasure to experience such open-mindedness. I also enjoyed the opportunity of presenting a joint workshop on Basic Income with Father Seán Healy of the Council of Religious of Ireland (CORI) **(see CI Bulletin No. 24).** The workshop was part of a two-day seminar at Ruskin College, Oxford, which looked at Fifty Years of Progress. One participant enquired about the times of the ferries over to Dublin, where the Government has already set up a working group to look specifically at BI, with an undertaking to publish a Green Paper by June 1999.

There is a growing consensus among advocates of a private insurance approach to welfare reform that the efficacy of the current contributory system needs to be investigated. This was highlighted at a recent high-level conference in Königswinter, Bonn, entitled Insurance and Welfare. Lord Plant **(see article in Bulletin No 24)** was a keynote speaker. He drew attention to the relevance of the conference to New Labour's approach to welfare reform, which assumes that taxpayers are unwilling to pay for higher levels of benefits (particularly unconditional benefits), because they are thought to damage work incentives and reduce economic competitiveness. Lord Plant argued strongly that such an approach needs to be balanced with clear public support for a contributory system and with recognition that a social insurance system based on the individual's obligation to work will inevitably increase social exclusion. To my mind this approach is clearly compatible with a CI financed either through income tax or through a hypothecated CI contribution.

I was also delighted to be invited to participate in a seminar on competitiveness organised by the Graduate School of Social Sciences at the University of Manchester. Entitled Beyond the Workfare State, the seminar examined whether, given the present degradation of the welfare state, there are any progressive left-liberal alternatives to workfare — or 'welfare to work', as it appears in the lexicon of New Labour. The papers presented focused on three possible reform agendas: re-organising working time, active labour market policies (the Scandinavian model), and CI.

Following on from that seminar, CIT hopes to organise a seminar in spring or early summer 1998, for supporters of all forms of CI. We hope to form an alliance through which we can promote a wider discussion of welfare reform.

Finally, please note that CIT now has a new CI leaflet — available free of charge from Citizen's Income Study Centre. The flyer provides an easy introduction to CI, and would be particularly useful to anyone organising an event about CI, or for circulation among interested students.

House of Commons Inquiry

Hermione Parker reports: Towards the end of July 1997, the Social Security Committee of the House of Commons announced an inquiry into the interaction of the tax and benefit systems. The Committee's terms of reference were made public (see Fig. A) and invitations were sent out to submit written memoranda. At that stage, according to an accompanying Press Notice, the Committee's intention was to produce a Report early in 1998, ahead of the report to Ministers by the Martin Taylor Task Force.

For those invited to submit written evidence, this looked too good an opportunity to miss. At last we had a government prepared to listen . . .

However at the end of November there was a change of course. Instead of waiting until all the evidence had been taken, the Social Security Committee published an interim report **(see Books and Papers received p.25),** and at a meeting on 26 November (the day after the Chancellor's Pre-Budget Statement) the Committee agreed terms of reference for a second phase of its inquiry (see Fig. B), the main purpose of which is to examine the Chancellor's proposals for a Working Family Tax Credit (*cf* US Earned Income Tax Credit), as put forward in his Pre-Budget Report.

From the evidence available, it seems a foregone conclusion that Family Credit will be replaced by Working Family Tax Credit (WFTC), although the Social Security Committee may yet be able to influence the finer detail. The costs of Family Credit have been rising fast. By replacing it with WFTC — which will appear in the public accounts as revenue foregone instead of a cash expenditure — the Treasury could show 'savings' of £2,000 million in public expenditure.

On 21 January, Lord Desai and Hermione Parker were invited to give oral evidence to the Committee. A transcript of the session will be published in due course and parts of the Committee's oral evidence sessions are expected to appear on a television film documenting the Inquiry. We put the case for BI, which bears no resemblance to WFTC — except that much of the cost of the BIs could also be shown in the public accounts as revenue foregone, if the Treasury were willing to make the necessary adjustments.

Members of the Social Security Committee have already received copies of the paper by Hermione Parker and Holly Sutherland, *How to get rid of the poverty trap: Basic Income plus National minimum wage,* on pp 11-14 of this Bulletin. To help Members reach an informed decision, what they now need is a paper comparing the effects of the two options before them:

- Minimum wage + BIs of £20 per person
- Minimum wage + Working Family Tax Credit

Since the Social Security Committee consists of one Liberal Democrat MP (Archy Kirkwood, who is also its Chairman), seven Labour MPs and three Conservative MPs, it will be interesting to see which way their final Report goes. For mothers, one potential drawbacks of WFTC is that, unlike Family Credit, it may be paid to fathers. Another drawback is that it may not be paid until the end of the tax year, by which time it would help families pay off their debts — or get them out of gaol — but little else.

CI Bulletin would be interested in readers' views on WFTC, particularly the views of Family Credit recipients.

Fig. A. Tax and Benefits Inquiry: original terms of reference

- To analyse the difficulties with the current tax/benefit arrangements;
- To examine how greater integration of the tax and benefit systems
  might affect work incentives for claimants and family structures and to assess the net impact on public spending and resources;
- To examine whether a more streamlined and integrated system would bring administrative and efficiency advantages to claimants, taxpayers and staff;
- To examine the underlying principles of taxation and benefit; whether the assessment unit should be the individual, a couple or wider household; the question of control and transfer of money within households; the nature of support by the tax and benefit system for families and children.
- To ascertain what useful lessons can be learned about tax and benefits from the experiences of other countries;
- To contribute to discussion of the issues currently being considered by the Task Force under Mr Martin Taylor.

Fig. B. Tax and Benefits Inquiry: terms of reference, new phase 2

To consider the proposals relating to tax and benefits integration in the Chancellor of the Exchequer's Pre-Budget Report of 25 November 1997, including the Working Family Tax Credit, benefit tapers and National Insurance for lower paid employees, with particular reference to work incentives, family life and public spending; and to report before the Spring Budget in 1998.

Book Review

UNEMPLOYMENT AND THE FUTURE OF WORK
An Enquiry for the Churches

Council of Churches for Britain and Ireland (CCBI)

Inter-Church House, 35-41 Lower Marsh, London SE1 7RL, 1997, pp vi and 298 pp, ISBN 0 85 169 238 9, pbk, £8.50.

PATHWAYS TO A BASIC INCOME

C.M.A. Clark and J. Healy

Conference of Religious of Ireland (CORI), Milltown Park, Dublin 6, 1997, 87 pp, ISBN 1 872 335 34 9, pbk, £5.

A.H. Halsey writes:

So far Britain's New Labour government has said nothing about a Citizen's Income (CI) and has said little about full employment — except as a desired outcome of increased investment in education and training. Instead, following the Governor of the Bank of England, it has done a lot towards maintaining the prime policy target of its predecessor, namely low inflation. Yet in 1995, shortly before he died and before these two books appeared, James Meade, a life-long advocate of Citizen's Income, left us a legacy of public policy advice. In *Full Employment Regained?,*[1] he urged us both to give priority to full employment rather than inflation and to introduce a Citizen's Income.

Three obstacles bar the path :

- The future of work
- The future of the family
- The failure of all the political parties to adopt integrative policies towards both of these uncertain futures — that is to combine strategies for both production and reproduction in the 21st century.

Very roughly and other things being equal, we can anticipate a future of increasing abundance and, from around mid-century, of decreasing population (worldwide as well as in the UK). Essentially, these shortcomings of social policy stem not so much from the absence of political consensus — all political parties want affluence and release from the spectre of an over-populated world — but from the inadequacies of the social sciences as predictors of economic, political and social trends.

Chancellors of the Exchequer may set targets for 2.5% inflation or 5% unemployment, the Halifax Building Society may confidently forecast a 5% annual rise of house prices and the media may broadcast those predictions. But no one can speak with compelling authority about the emerging conditions of the 21st century. It is not only that wars, revolutions, Kondratief waves and natural disasters are unforeseeable — the history of demographic forecasting is a history of error in exact numbers — but that technology defies prediction and, perhaps above all, that the forces of public opinion, preference and fashion, expressed through markets and polling booths, are constantly sources of surprise to social scientists and politicians.

However, none of this constitutes any definitive argument against trying (like this journal) to persuade on behalf of the citizen's income movement, or, like the Council of Churches for Britain and Ireland (CCBI), to argue for full employment, or, like the Conference of Religious of Ireland (CORI), to map a pathway in Ireland for implementation of a Basic Income. What it does do is to counsel caution and to remind us all, whether forecasters or propagandists, that we may be wrong.

It does not do too much violence to an inevitable complexity to see these two church declarations as advocating the two apparently opposite aims of social policy. At any rate the emphases are different. CCBI wants to go for full (paid) employment and not, or at least not in the short run, for a BI. CORI assumes that Ireland's economy is well-placed for competition in a flexible global economy, that labour market flexibility has replaced traditional job security, that life-long learning has replaced life-long employment — and therefore gives highest priority to instituting the policy of Basic Income, which is deemed feasible and would be brought in fast.

The CCBI does not judge a full CI to be either feasible or fast. Its treatment of the subject is brief (pp 75 ff) and begins by acknowledging Charles Handy's dilemma for the modern state (in his *The Future of Work*[2]) that a civilised country must guarantee its citizens either a job or a livelihood. After all, if the State guarantees everyone healthcare and education, then why not also the cash for such basic necessities as food, clothing, shelter and warmth? But, like Handy, the CCBI draws back.

Many people, as well as the political parties, are put off CI by its cost. Handy supposes that in the short run taxes would have to be raised enormously — with VAT rates of 100% or income tax of at least 50%. The Labour Party set up the Commission on Social Justice (CSJ), which, in its report of 1994, looked at the underlying principle behind a CI and recognised a moral and economic case in its favour. But it too recommended rejection, partly because CI lacked a 'broad-based consensus' — the majority would oppose unconditional payments to those who choose not to work. However the CSJ, as Ruth Lister reminds readers on p 2 of this Bulletin, was not an irreconcilable enemy of CI:

> ". . . if it turns out to be the case that earnings simply cannot provide a stable income for a growing proportion of people, then the notion of some guaranteed income, outside the labour market, could become increasingly attractive".[3]

The CCBI too is not unsympathetic. But it is impressed by the severity of the practical objections. It sees as a crucial point that "other calls on taxation and public spending might deserve a higher priority" (p. 77). And finally it asks, setting aside the problems of taxation and political acceptability, "whether a separation between income and work for some people along these lines is actually what we would like to see achieved" (p.77). For its own part the answer is no, and the preference is for full employment with a sensible minimum wage, a reformed tax system to encourage more employment in the private sector, higher taxes to finance more jobs in the public sector, a programme of creating good jobs for the long-term unemployed, the reduction of means-testing, and high priority for the education and training of all. Higher taxes apart, this reads very like the unfolding policy being followed by the Labour government.

But what more generally, and in the longer run, are the political prospects for CI? It is significant that the Irish Government has been more involved with the debate over BI. Garret Fitzgerald, a former Prime Minister of Ireland, appears with a strongly favourable judgement of the Basic Income system for Ireland (already published in this journal).[4] He makes, with impressive elegance and brevity, the familiar points about the complexity and outdatedness of our inherited tax and benefit systems and emphasises the rigid limits which they set to redistribution to the poor from the rich. Basic Income offers an escape from these deformities of the system we were bequeathed by Beveridge. Fitzgerald adds that the Irish economy is at last delivering strong growth and he traces the *political* origin of the interest in BI policy to his own initiative in 1985. His adviser, Patrick Honohan, reported at the time that, for all its merits, the new system would require marginal tax rates of 65% to 70% over a wide range of incomes. The idea was dropped, but surfaced again from CORI later, who have published a series of papers, including *Pathways to a Basic Income.*

Clark and Healy make a calculation which, if it is true, transforms the political viability of BI. For they estimate that CORI's latest scheme — for a full BI of £70 per week — could be initiated with a 48% rate of income tax. Moreover this revised version could be brought in within three years. (This takes advantage of 'Revenue buoyancy', meaning the commitment of the Irish Government to make tax cuts worth £900 million over the same three years.)

Nevertheless, as Garret Fitzgerald reminds us, CORI's CI proposal involves "the disappearance of the present social insurance system, to which many people are strongly attached". Which political party will carry the burden of persuasion? Will prudence persuade the democratic majority to go for a more gradual introduction of what seems to be an inevitable development of social policy? Would CI be more politically acceptable if social insurance schemes were retained?

In the meantime I would offer every support to the idea of experiment in the laboratory of the countries which make up the European Union. The idea comes from Professor A.B. Atkinson (who prefers the participation variant of CI, to avoid the 'free rider' criticism, or Brian Barry's 'surfer'):

> "The Commission should consider setting up CI experiments in a selection of towns across the EU and should monitor the effects over a three-year period. Such experiments would demonstrate both the effects of a participation income on social inclusion and its administrative feasibility".[5]

Professor A.H. Halsey is Emeritus Professor of Sociology at Nuffield College, Oxford. He is producing a third (centennial) edition of his ***British Social Trends*** *and his autobiography,* ***No Discouragement,*** *was published last year by Macmillan.*

References

1 James Meade, *Full Employment Regained?,* Cambridge University Press, 1995.

2 Charles Handy, *The Future of Work,* Blackwell, 1984.

3 Commission on Social Justice, *Social Justice: Strategies for National Renewal,* Vintage, 1994, pp 263.

4 CI Bulletin No 24, July 1997.

5 A.B. Atkinson, *The Social Quality of Europe,* paper presented at Amsterdam Summit, June 1997, CI Bulletin No 24, p 23.

Book Review

THE POLITICAL ECONOMY OF SOCIAL CREDIT AND GUILD SOCIALISM

Frances Hutchinson and Brian Burkitt

Routledge, 1997, 197 pp
ISBN 0 415 14709 3, hbk, £45.00

Bill Jordan writes:

This is a very topical book. In the weeks before last Christmas, a leading Japanese finance house collapsed; the South Korean economy was in crisis, its government forced to turn to the International Monetary Fund for a massive loan; and the New Labour government in Britain announced measures to cut lone parents' and disabled people's benefits, in order to induce more of them to enter the labour market. The theoretical texts and political movements analysed by the book's authors can claim to explain the connections between these events, and to have predicted — three-quarters of a century ago — just such continuing problems and contradictions in global capitalist development.

The first part of the book is a painstaking reconstruction of the early writings (1919-22) of Major C.H. Douglas, the heretical critic of orthodox neo-classical economics. The authors argue that it is impossible to make sense of these texts without understanding the context of guild socialist thinking within which they were framed. Douglas himself was an engineer and an accountant, engaged in government war contract work at the time he developed these ideas, but most of his early writings were published in the *New Age,* the leading socialist journal of the period immediately after World War 1. Its editor, A.R. Orage, was a prominent member of one of the wings of the guild socialist movement, and this book argues that he was, in effect, the joint author of the texts. Once his charismatic and broad intellectual influence was lost to the movement for Social Credit (when he quit the editorship and emigrated in disillusion in 1922), little of originality was added to the theory, and much of its persuasive force was lost.

Guild socialists had long argued that the evils of capitalism were more connected with the 'commodification of labour power' (the system of work for wages) than with ownership of the means of production. They aimed to restore the freedom and dignity of labour, through the trade union movement, and thus transform productive processes, not just in their organisation, but also in their rationale and purposes. Hence they embraced cultural and ecological goals, personified in the work of William Morris. Douglas is not remembered for his affinity to such ideas; he was a rather cold, remote technocrat, whose writing style was often strangely obtuse and incomprehensible. However, one passage illustrates his detestation of 'wage slavery', and possibly also the influence of Orage on his expression of it:

> "There is abolutely no concrete difference between work and play ... No one would contend that it is inherently more interesting or more pleasurable to endeavour to place a small ball in an inadequate hole with inappropriate instruments, than to assist in the construction of the Quebec Bridge, or the harnessing of Niagara. But for one object men will travel long distances at their own expense, while for the other they require payment and considerable incentive to remain at work". C.H. Douglas, *Economic Democracy,* 1919, p.88.

The Douglas / *New Age* texts traced all the phenomena listed in the first paragraph of this review to the system by which credit (and debt) were — and still are — created by banks. Douglas pointed out that money was not a neutral 'numeraire', as neo-classical economic theory claimed, but a commodity that is traded like any other. The difference is that the banks are licensed to create it out of nothing, and to charge an interest rate for lending it to firms and individuals.

In the production process, the prices charged for final products reflect both the costs of wages, salaries and dividends in that final process (A payments), and those in respect of 'intermediate' goods used (semi-manufactures, fuel etc.), depreciation of equipment, etc. (B payments).The latter costs are necessarily financed out of bank loans and overdrafts, and the constant growth of output required to finance these repayments gives increasing power to financial institutions. The consequence is an economic system of irrational enslavement to waged work, such that governments enforce the obligation to earn a living, even on those whose potential productivity is manifestly minimal.

Corrupt Japanese finance houses, South Korean manufacturing assets being sold at knock-down prices to Western banks, and British claimants being coerced by a Labour government are all traceable to the same fault in capitalism.

Part of the Douglas /*New Age* remedy was to give *national dividends* to all citizens, as unconditional Basic Incomes, unrelated to employment record or current means. These payments would distribute the common heritage of culture and technological knowledge to all members of society. In consequence, as consumers, citizens could use this 'Social Credit' to call forth production that met their needs, rather than respond to advertising pressures to sell what they had been required to produce. National dividends would gradually replace wages and salaries as technological progress advanced and productivity grew.

The second half of the book traces the misinterpretations of these early texts by both orthodox labour and neo-classical economists, and the subseqent fate of the Social Credit movement as a political and (in the hands of Hargrave's Green Shirts) a paramilitary, quasi-revolutionary force. The brief conclusion makes a link with the Basic Income texts and the Citizen's Income movement of the present day. The book should stimulate a fresh debate between those who still see monetary reform as a necessary condition for viable BIs and the mainstream of the movement.

Bill Jordan is Reader in Social Studies at Exeter University, Professor of Social Policy at Huddersfield University and European Professor of Social Policy at ELTE University, Budapest. He is the author of ***The New Politics of Welfare: Social Justice in a Global Context,*** *to be published by Sage in September 1998.*

Books and Papers received

We rely on readers to keep us informed, by sending us research papers, articles and other publications relevant to Basic or Citizen's Income (world-wide). If you know of something you think is relevant, please send a copy to The Editor, CI Bulletin, Citizen's Income Study Centre, St Philips Building, Sheffield Street, London WC2A 2EX.

Basic Income, Inequality and Unemployment: Rethinking the linkage between work and welfare, Charles Clark and Catherine Kavanagh, Journal of Economic Issues 30 (2), June 1996, pp 399-407.

This is the Charles Clark who co-authored *Pathways to a Basic Income,* published by CORI, Milltown Park, Dublin in April 1997. After reviewing the argument in favour of BI from both right and left, the authors set out the "institutionalist case" for BI: "Those who are particularly rich in our society, are so because they happen to fill specific positions in the social provisioning process that allows them to take a disproportionate share of social output. A Basic Income recognises the social nature of income generation and the large share of output due to 'society and history' and distributes it among all citizens".

The article closes with an argument that is seldom heard: "A Basic Income policy would go a long way towards encouraging family values (much more so than censoring movies and art), for it recognises the important role of everyone in the family and not just those who yield an income from market participation."

"...And Economic Justice for All": Welfare reform for the 21st century, Michael L. Murray, M.E. Sharpe, New York, London (Eurospan Group), February 1997, 234 pp, ISBN hbk 1 56324 988 X, £49.95, pbk 1 56324 989 8, £18.50.

The idea of a GAI (Guaranted Adequate Income) to replace the present welfare system is by no means new, in either the USA or Europe, but Murray's study focuses on the USA. Despite a certain loquaciousness, it is an informative and entertaining book. "Our current welfare programs are based on the premise that society should determine who can be excused from working."

The book's main proposal, the guaranteed adequate income (GAI), is based on the premise that "individuals can be allowed to determine whether to work . . . Acquisition is no longer the primary economic concern of society. Distribution is. Chapter 7, on the history of guaranteed income plans, helps fill the gaps that other authors fail to reach, but is extraordinarily out of date regarding the debate in the UK (latest quoted publication is 1983), and makes no references to the debate worldwide. Details of the GAI proposal emerge on p 190 and include eleven 'Non-negotiables'; four 'Negotiables' (including the grant amount); 'Mechanics'; 'Cost'; and three lines on 'Funding'. The let-down comes when the reader learns that the GAI *has to be applied for* by filing a declaration of estimated income and wealth, taking into account "the equity in a home, stocks and bonds, cash, automobiles, home furnishing, boats, and all other items of value" (p 198).

Like the US Earned Income Tax Credit (EITC), to which Britain's Chancellor of the Exchequer has taken such a fancy, the GAI proposal is geared to a system where income tax is paid in arrears (*cf* Britain's PAYE / Pay As You Earn system) and would be payable in arrears instead of up-front. GAI claimants (for that is what they would be) would wait until year's end before receiving anything.

The New Economics of Sustainable Development: A briefing for policy makers, James Robertson, Forward Studies Unit /Cellule de Prospective, European Commission, forthcoming.

This 122 pp Briefing was submitted to the Forward Studies Unit of the European Commission in May 1997. Its purpose is to draw the attention of policy makers to changes which will contribute to economic efficiency and social inclusion as well as environmentally sustainable development. The Forward Studies Unit (FSU) plans to publish the Briefing in French and English early in 1998. Contacts at the FSU are Marc Luyckx (e-mail: marc.luyckx@cdp.cec.be) and Jerome Vignon, the FSU's head. The tax proposals include a Citizen's Income.

Costs and Distributional Effects of Increasing the Basic State Pension, Ruth Hancock and Holly Sutherland, Age Concern England, 1268 London Road, London SW16 4ER, 17 pp, free.

This note explores the cost of increasing the (National Insurance) basic state pension by £20 a week (Category A) and £12 (Category B), in order to restore its value to the level it would be, had it been uprated in line with average earnings (instead of prices) since 1980. The gross annual cost is £8.7 billion and the extra revenue accruing (assuming no other changes) is only £0.9 billion. The authors explore other changes to fill the gap.

The Attractions of Basic Income, Brian Barry, in **Equality,** Jane Franklin ed., Institute for Public Policy Research (IPPR), 30-32 Southampton Street, London WC2E 7RA, 1997, 172 pp, ISBN 1 86030 053 7, £11.95.

In a collection of essays published by one of Britain's leading 'think tanks', Professor Brian Barry argues the case for a Basic Income, paid up-front without a means test to every man, woman and child, and withdrawn through a more progressive tax system. The lesson that has to be learned, writes Barry, is the lesson of the pro-market think tanks, who hammered away at their ideas until they "succeeded in creating an intellectual climate in which previously unthinkable ideas became thinkable and then in due course capable of being put into practice" (p 159).

It is the lack of conditionality which distinguishes BI from other reform proposals. Yet it closely resembles child benefit. Although a BI below subsistence level has its merits, Barry focuses on BI at subsistence level. "Why has such an essentially simple idea failed to make the breakthrough into mainstream political discourse?" he asks (p 160). One reason is the tendency of BI supporters to "get sucked prematurely into elaborate computations", which put readers off and take no account of behavioural impacts (p 161).

One way to learn about likely behavioural impacts would be by introducing BI at a low level and increasing it gradually. If the pessimists turned out to be right, government could either retain BI's unconditionality but keep it "below the point at which it started to become attractive . . . to live on" (p 162); or switch to a participation income, which required recipients to be in some sort of work. Depending on the BI amount, a 50% tax rate might be necessary to pay for it. It sounds a lot, but, says Barry, one-third of Britons face implied marginal tax rates well above 50%, because they are on means-tested benefits.

Barry concludes with an analysis of BI and market socialism. Despite its brevity (less than fourteen pages), this contribution to the debate is useful and stimulating.

Fiscalité et redistribution: Plan pour une réforme, François Bourguignon and Pierre-André Chiappori, Notes de la Fondation Saint Simon n° 88, 91 bis Rue du Cherche-Midi, F-75006 Paris, March/April 1997, 40 pp.

This is the most serious attempt to date to quantify the effects of a BI in the French context. France's tax and benefit system is complex and creates strong disincentives at the top and bottom of the income distribution. Also: "The comparative generosity of the existing minimum income system," say the authors, "makes it impossible to give a positive slope to the redistribution curve without increasing considerably, and almost prohibitively, the marginal rate of taxation on the whole population." The authors nevertheless insist that this paper is only a preliminary exploration.

Endgames: Questions in late modern political thought, John Gray, Polity Press, 1997, 212 pp, ISBN 0 7456 1882 0, pbk, £12.95.

The underlying theme of this book is "the meltdown, as yet far from complete, of the ideologies that governed the modern period" (p ix) and "the gap between late modern thought and emerging postmodern realities . . ." (p xi). In Chapter 2, After Social Democracy, Gray argues that "no successor to the social democratic settlement is morally tolerable, or in the long run politically sustainable, which does not contain a credible and meaningful alternative to full employment policy. . . It seems necessary, therefore, to look at radical alternatives, however unpromising they may be in immediate fiscal terms" (p 43). One such view sees our inherited culture of work as increasingly obsolescent, hence the case for an unconditional BI.

The decisive objections to BI are not that it is too expensive — it could "well be cheaper than workfare" — but ethical. BI might encourage society to abandon with a clear conscience the growing proportion of people who, as a result of technological change, are de-skilled and marginalised. Also: "Basic and Citizen's Income schemes strengthen the culture of liberty without responsibility, of individual choice without corresponding obligation, which is the least benign moral inheritance of individualism" (p 44). In a footnote, however, Gray adds that those concerns apply only to the most radical versions of BI : "It may be that limited and conditional BI schemes have an important role in any policy aiming to protect the human interests once promoted by full employment policy" (p 190, footnote 23).

We hope to delve further into this book in CI Bulletin 26, later this year.

Categorical Benefits in Welfare States: Findings from Britain and Israel, John Gal, Discussion Paper WSP/132, Welfare State Programme, STICERD, London School of Economics, Houghton Street, London WC2A 2AE, June 1997, 46 pp, pbk, free.

Following his contribution to HOME AND ABROAD in CI Bulletin No. 23, where he likened Israel's Absorption Package to a temporary BI, John Gal takes the debate forward by examining the role of *categorical benefits* in Britain and Israel, where they play a growing and significant role. Categorical benefits are defined as "state-administered cash benefits paid to individuals who belong to socially-defined categories, regardless of their specific income status or prior contribution to a social insurance system" (p 6). 'Demogrants', 'Basic Incomes' and 'Citizenship Benefits' are all forms of categorical benefits.

Misères du Présent, Richesse du Possible, André Gorz, Paris, Galilée, 1997, 229 pp, ISBN 2 7186 0451 4, 160 FF.

André Gorz used to be opposed to unconditional BI (see *Arguing for Basic Income,* P. van Parijs ed., London, Verso, 1992), but has changed his mind and explains why in this new book, whose basic theme (familiar to his readers) is that we must "dare to want an exodus from the work society". The reason for this change stems from the observation that our society needs less and less paid work, yet keeps nurturing the idea that without paid work people forfeit their well-being and dignity. True, people do need a sufficient and stable income. They also need an activity that is appreciated by others. Capitalism's trick is to merge these two things and use the merger to secure people's submission to capital. An unconditional BI provides a way out, but only if it is enough to live on.

The EUROMOD Preparatory Study: A summary report, Holly Sutherland ed., Microsimulation Unit, Department of Applied Economics, University of Cambridge, DAE Working Paper, Number MU9705, Amalgamated Series No. 9725, July 1997, 27 pp, pbk, free.

This study was established to explore the potential of a Europe-wide, tax-benefit microsimulation model. Its results are summarised. Microsimulation, the rationale for a Europe-wide model and the type of model to be built are explained. And there is particular reference to behavioural responses.

Eur3: a Prototype European Tax-Benefit Model, François Bourguignon, Cathal O'Donoghue, José Sastre-Descals, Amedeo Spadaro, Francesca Utili, Microsimulation Unit, Department of Applied Economics, University of Cambridge, DAE Working Paper, Number MU9703, Amalgamated Series No. 9723, July 1997, 48 pp, pbk, free.

The characteristics of a multi-country, static microsimulation model are explained and compared with existing national models.

The Emergence of Lone Motherhood as a Problem in Late Twentieth Century Britain, Hilary Land, Jane Lewis, Discussion Paper WSP/134, Welfare State Programme, STICERD, London School of Economics, Houghton Street, London WC2A 2AE, August 1997, 61 pp, pbk, free.

This readable and concise account of how lone motherhood came to be perceived as a problem by UK policy makers and politicians is important reading for students of CI. The initial reponse was to improve benefits for lone parents, treating them on a par with two parents. It was not until the late 1980s that the growing number of lone parents became a source of concern, especially when the majority became dependent on the benefit system. Blaming the mothers, say the authors, does nothing to redress the growth in inequalities since 1980. "The focus of the policy debates about lone mothers should return to their children," they conclude.

Benefits and Work: A CAB perspective on the welfare to work debate, Janet Allbeson, National Association of Citizens Advice Bureaux, 115-123 Pentonville Road, London NI 9LZ, July 1997, 102 pp. ISBN 0 906072 35 2, pbk, £8.00.

This report, based on evidence from Citizens Advice Bureaux in England and Wales, focuses on the reasons why people who are out of work get stuck on benefit and why the rewards for working can be so meagre. "People want a wage they can manage on, independent of the bureaucracy which goes with claiming" (para 2.91). Recommended solutions include a minimum wage, lower taxes (through higher tax thresholds) for lower paid workers, lower rents, increased investment in childcare facilities and a review of the child support scheme.

No mention of CI, yet if NACAB looked more closely at their recommendation to increase personal tax allowances, they would find that some of the lower paid (especially part-timers) would forfeit part of any increase, because they don't earn enough to set against the full amount. Hence one of the strongest elements in the case for replacing income tax allowances with BIs that convert into cash for people on low incomes. This was the thinking behind child benefit and the 1972 Tax Credit proposals, and it still holds true.

Long-term Unemployment and the Threat of Social Exclusion: A cross-national analysis of the position of long-term unemployed people in Germany, Sweden and Britain, Jochen Clasen, Arthur Gould, Jill Vincent and others, Joseph Rowntree Foundation, The Policy Press, August 1997, 37 pp, ISBN 1 86134 062 1, pbk, £11.95.

Research into long-term unemployment was conducted in Germany, Sweden and Great Britain during 1995 and 1996. Despite differences, all three countries use social security systems based on the Bismarck and Beveridge principle of benefits restricted to those who are out of work but available for work (or unable to work), and financed through a mixture of social insurance contributions and general taxation. So it is unsurprising that all three face similar problems.

In September 1996, using internationally comparable data, unemployment was 8.1% in the UK, 9% in Germany and 10.3% in Sweden. On a general level, respondents attributed increased unemployment to 'structural' factors like "globalisation of national economies, deregulation of financial markets, the decline of traditional industries and the consequent loss of 'male' manual jobs" (p 5).

At no stage do the authors seek to correlate these structural factors with the social security systems in operation. No surprise, therefore, when the policy implications for the British labour market are said to be basically more of the same. Recommendations are predictable, for example less concern for disincentive effects and more for living standards; more "labour market measures"; more childcare provision; protection of local communities by not forcing unemployed people to move house.

Inequality in the UK, Alisa Goodman, Paul Johnson, Steven Webb, Oxford University Press, 1997, 297 pp, ISBN 0 19 877361-7, pbk, £15.99.

Although this book is not about CI, the detailed exposition of changes in income distribution since the 1960s is useful reading for anyone making the case for tax and benefit reform. Much of the analysis, however, relies on *equivalence scales* (meaning the relative incomes required by families of different composition to reach living standard equivalence) which are controversial, for two reasons. Firstly, the scales used are derived from expenditure surveys which are twenty-five years old. Secondly, by using scales derived entirely from expenditure data, the authors make the implicit assumption that the amounts of money families spend — including families at the bottom of the income distribution — are also the amounts they 'need' to spend for healthy and socially inclusive living. Therefore the scales beg the very question the authors set out to solve. Nor is there any *a priori* reason for assuming that a single set of equivalence scales is accurate from top to bottom of the income distribution.

Government must reconsider its strategy for a more equal society, letter to the Financial Times, 11 October 1997, from Professor Ruth Lister, Robert Moore and others.

This letter, signed by over 50 leading social scientists, welcomed New Labour's establishment of a Cabinet Office unit "to address the scourge and waste of social exclusion" — but sharply criticised the omission of benefit levels (except for those incapable of paid work) from its terms of reference. Redistribution from rich to poor seems to have been ruled out, despite massive redistribution from poor to rich under the Tories. "If people have been impoverished and excluded through acts of social and fiscal policy, then there is no need to seek complicated causes and remedies for their poverty and exclusion. Putting money (back) into the pockets of those with insufficient money may not be the answer in all cases; but it would help."

Investing in Disabled People: A strategy from welfare to work, Marilyn Howard, The Disablement Income Group (DIG), Unit 5 Archway Business Centre, 19-23 Wedmore Street, London N19 4RZ, October 1997, Part 1: *The incapacity trap,* 24 pp, Part 2: *A new approach,* 34 pp, ISBN 0 905179 18 8, pbk.

DIG has put forward a new approach to assessment for incapacity for work, plus a range of options for improving the benefits system. At present only a few people move from incapacity benefits into work, while even fewer combine part-time or therapeutic work with benefits. The existing all-work test traps people who pass it, because they fear losing benefit if they try out work. So DIG proposes an assessment of employability which focuses on what they can do rather than what they can't do.

Some of the difficulties identified by DIG could be ameliorated by the introduction of a guaranteed Basic Income with no strings attached. Citizen's Income Trust — and the Basic Income Research Group before it — have long argued that BI disability supplements should be included reflecting the extra living costs incurred. CI supporters may wish to use this report as a focus for discussion groups. **(See also: Implications of Basic Income for People with Disabilities, BIRG Bulletin No. 7, Spring 1988; and Marilyn Howard and Tim Lawrence in CI Bulletin 22.)**

The Politics of Social Policy in Europe, Maurice Mullard and Simon Lee eds, Edward Elgar Publishing Ltd, 1997, 304 pp, ISBN 1 85898 367 3, hbk, £49.95.

The purpose of this book is to assess the "tensions and uncertainties" of European social policies in the 1990s. Contributors come from Denmark, Sweden, Norway, Ireland and the UK. Complementing their analyses are studies showing how those countries plan to tackle the problems ahead. Citizen's Income features in Simon Lee's Chapter 7, Competitiveness and the welfare state in Britain, but only in a longish reference to *Saturn's Children,* by Alan Duncan MP and Dominic Hobson **(see CI Bulletin 20).** This is a pity, for it is the breadth of interest in CI that is one of its strengths: from 'socialist libertarians' like Meghnad Desai, Bill Jordan and Philippe van Parijs — through supporters of the 'new economics' like James Robertson and forward-lookers like Charles Handy — to right-wing libertarians like Duncan and Hobson.

Tax and Benefits: An Interim Report, House of Commons, Session 1997-98, Social Security Committee, First Report, November 1997, 324 pp, pbk, London, The Stationery Office, £25.67.

Page 13 of the Labour Party's manifesto before the May 1997 General Election included a commitment to "examine the interactions of the tax and benefits system, so that they can be streamlined and modernised, so as to fulfil our objectives of promoting work incentives, reducing poverty and welfare dependence and strengthening community and family life".

In line with this pledge, the newly elected Labour Government almost immediately announced the formation of a task force headed by Martin Taylor (Chief Executive of Barclays Bank) to consider the interaction between the tax and benefit systems. In July the House of Commons Social Security Committee set up its own inquiry and in November it published an interim report (**see Home and Abroad**). Of the 27 organisations and individuals submitting written evidence in time for the interim report, about one-third referred to Citizen's Income in detail or in passing.

Readers of this Bulletin are likely to find much of interest in the report, which contains little or no support for the Chancellor of the Exchequer's proposals for a US-style Working Family Tax Credit.

Combining Work and Welfare, Jane Millar, Steven Webb and Martin Kemp, Joseph Rowntree Foundation, York Publishing Services Ltd, 64 Hallfield Road, Layerthorpe, York YO3 7XQ, October 1997, ISBN 1 899987 64 9, price £11.95.

In 1994 about 4.6m employees were earning less than two-thirds median hourly wages. Using the Institute for Fiscal Studies model (TAXBEN), the authors conclude that a minimum hourly wage of £3.75 would reduce the number of individuals living in 'poor' households by about 300,000, improve work incentives and generate up to £1.2 billion in public expenditure savings and increased revenues from income tax and NI contribution. Minimum wage weakens the case for a 10% starting rate of income tax and for extending Family Credit to workers without children. A reform package including higher Family Credit for school-age children, faster withdrawal as earnings rise and lower social rents would have stronger anti-poverty and pro-work effects. No mention of CI, yet it would be interesting to compare these findings with those of Hermione Parker and Holly Sutherland on pp 11 - 14 of this Bulletin.

Social Protection and Inclusion: European challenges for the United Kingdom, Donald Hirsch ed., Joseph Rowntree Foundation (JRF), York Publishing Services Ltd, 64 Hallfield Road, Layerthorpe, York YO3 7XQ, November 1997, ISBN 1 899987 66 5, pbk, £11.95.

Leading social security experts from seven countries attended a JRF International Policy Seminar in York in May 1997 to discuss trends in income protection and their implications for the UK. The report concludes that despite difficulties peculiar to the UK and difficulties common throughout Europe, the UK could learn from the European principle of universal mutual protection — as an alternative to North American 'welfare'. No mention of CI.

Bridges from Benefit to Work: A review, Karen Gardiner, Joseph Rowntree Foundation, York Publishing Services Ltd, 64 Hallfield Road, Layerthorpe, York YO3 7XQ,1997, 60 pp, ISBN 1 899987 60 6, pbk £11.95.

Following the election of New Labour to government, welfare-to-work has risen to the top of the policy agenda. Based on a study of 42 government-sponsored welfare-to-work schemes, this report asks which are the most effective, whether they give value for money, how many people are helped to find jobs, and whether participation opportunities are taken up. In her findings Gardiner concludes that "the devil is in the detail". She recommends that everybody who wants to work should be included in the schemes, not just the claimant unemployed; that study whilst on benefits should be permitted; that compulsion should be avoided; that more substantial solutions on childcare provision are called for; and that reforms are necessary which will encourage spouses of claimants on means-tested benefits to take paid work. With CI most of those changes would happen automatically. So why did JRF exclude CI from its terms of reference?

Why Work? A Case for Fundamental Change, Peter Merry, Centre for Human Ecology, P.O. Box 1972, Edinburgh EH1 1YB, Occasional Paper No. 2, November 1997, 96 pp, ISBN 0 90 876 03 6, pbk.

For readers seeking new solutions, this little book is informative and a good read. Analysis of the problem comes first and is well set out. Solutions (inevitably) are more controversial. However, the two fundamental rights proposed as the basis for shaping a new concept of work are likely to meet with the approval of most CI supporters. Taken from Seán Healy's and Brigid Reynolds' *Work, Jobs and Income: Towards a New Paradigm* (CORI, Dublin, 1993), they are: first, the right to meaningful work, with the latter defined as "anything one does that contributes to the development of one's self, one's community, or the wider society"; and second, the right to sufficient income to cover basic needs.

To enable both those rights to be respected, the author (like other advocates of the 'New Economics') relies on: (i) eco-tax reform; (ii) CI; (iii) redistribution of paid employment; (iv) creation of meaningful work. Although the feasibility of some of Merry's proposals is open to question, the package merits further study. One way to take the debate forward would be by allowing local communities to do their own experiments (Merry's suggestion). Another would be through the 'Laboratory' approach proposed by Tim Gbedemah and Philip Cullum on pp 5 - 6 of this Bulletin.

The WIS That Was: Replacing the Canadian Working Income Supplement, Michael Mendelson. Joseph Rowntree Foundation, York Publishing Services Ltd, 64 Hallfield Road, Layerthorpe, York YO3 7XQ. January 1998, ISBN 1 899987 69 X, £7.00.

More than half a century after Beveridge warned that benefits for children should be "in times of earning and not-earning alike", in Canada the penny has dropped. Working Income Supplement is to go. Future benefits for children will be the same irrespective of the work status of the parents. Reasons given include the deleterious effects of WIS on social cohesion, poor targeting, lack of flexibility when incomes change and high marginal tax rates — all criticisms which apply with equal force to UK Family Credit and to the government's proposed Working Family Tax Credit.

The new system will be called the Canada Child Tax Benefit / CCTB. To start with, CCTB will be paid at the rate of C$1,625 / £710 a year for first children in a family and C$1,425/ £620 for each subsequent child, but over the following two years CCTB will be increased to around C$2,500 /£1,100 per child per year. This is the same rate as child support payments under means-tested benefits, which can therefore be withdrawn. As with the present system, CCTB will be withdrawn gradually from families earning C$25,000 - C$65,000 (£11,000 - £28,000 a year). Early evidence from a similar scheme in British Columbia indicates falling dependence on means-tested benefits and reduced poverty among working families. Two questions remain. Is C$2,500 a year sufficient to support a child? What level of living does C$65,000 (the cut-off point for CCTB) represent?

Newsletters of the Basic Income European Network (BIEN), Nos 27 and 28, Autumn and Christmas 1997, 16pp and 13 pp.

Edited by Philippe van Parijs, each newsletter contains information about past and future events concerning Basic Income, together with up-to-date information on relevant publications. Published three times a year, the newsletter is sent free of charge via the internet to anyone who requests it by sending the message "subscribe BIEN" to: bien@etes.usl.ac.be.

BIEN depends on supporters worldwide, so if you are interested please contact BIEN's secretariat: Chaire Hoover, 3 Place Montesquieu, B-1348 Louvain-la-Neuve, Belgium, by mail, e-mail or fax: 32-10-473952.

A Basic Income policy would go a long way towards encouraging family values (much more so than censoring movies and art), for it recognises the important role of everyone in the family and not just those who yield an income from market participation.

Charles Clark and Catherine Kavanagh, 1996.

VIEWPOINT

Is Citizen's Income still a serious option?

David Donnison

Twenty-five years ago, when I joined the Supplementary Benefits Commission, I brought with me some thoughts first planted in my head by Barbara Wootton. She had forecast that a civilised society would eventually give its citizens a Basic Income (BI) just for existing, and all would be willing to contribute the taxes which would make this possible, each according to their ability to pay. It followed that the work of the social security and the tax authorities would be combined within a single Ministry for Income Distribution. I told Sir Keith Joseph, who had invited me to take over the deputy chairmanship of the Commission after Richard Titmuss died, that I wanted to explore these possibilities. Indeed, that was one of my conditions for taking on the job. What innocent, happy days those were, when such thoughts could be exchanged with an intelligent Tory Secretary of State!

Later, as Chairman of the Commission which set up a major review of its system, I dug deeper into the issue. There were hopeful signs around. Child Benefit, the first instalment of a Citizen's Income, seemed to be surviving and gaining credibility. The officials who worked for the social security services and the Inland Revenue were much the same kinds of people, with similar values and similar expectations of the citizens they dealt with — their cultures much closer to each other than either was to the health and social work administrators with whom social security had been brigaded. Inter-departmental conflicts, which have so often defeated social reformers, need not be a major obstacle.

The road block we faced in the late 1970s was of a different kind. Social security systems had already become far too complex and expensive to permit a one-off, 'big bang' reform. Major changes, like Barbara Castle's earnings-related pension scheme, had to be introduced gradually, building up financial resources and political support over a generation. They therefore had to secure assent within the main political parties that would alternate in power through that long haul. A Citizen's Income was (and still is) an even bigger project. Every analysis of it showed that for many years the state could only provide a CI payment which would be too small to replace most other benefits, but too expensive to be politically acceptable within the main parties. Far from simplifying the income redistribution system — one of its main attractions for the longer-term future — CI would for many years complicate things.

Since then, other things have been happening which make CI even harder to believe in. The whole idea of a single, simple, fair and acceptable tax and benefit system made sense only within a rather 'Germanic' world in which most men work full-time for long periods with the same employers who keep reliable accounts of their hours, wages and taxes. Communities are stable: their people stay in the same house and stay married to the same person for many years, and know their neighbours. There's bound to be a little fraud and a little confusion in every society, but in this 'Germanic' world — which twenty years ago seemed to be our future — nearly everyone would abide by the same rules, pay what they owed to the state and get efficient services in return.

We knew that in Mediterranean countries things were different. There, to get your pension, your planning permission or even your car license, you needed a cousin in the relevant government department. We used to assume that this world, where people survived with the help of their families, informal local networks of friends and business associates and occasional corruption, would eventually give way before the onward march of the bureaucratic culture of North-West Europe.

Now, as the European Union prepares to admit new countries whose peoples have for generations depended on informal, illicit economies and the help of family and local networks, learning distrust of the state as a first principle of life, it becomes clear that the Mediterranean, not the Germanic, world is the one we are all converging towards. Meanwhile, even in Germany, the bureaucratic culture appears to be disintegrating.

Here in Britain the tax and benefit systems are so widely regarded as unfair that people increasingly regard it as a duty to defraud the state. More people work at two or three part-time jobs, for earnings which may or may not be declared for tax, and which vary from week to week. More of them work in different countries at different stages of the year. (The two Glasgow Irishmen who have always painted our house have gone multi-national, working in Paris or Brussels when it suits them.) People live and raise families together without the formalities of marriage, change partners more often, and share responsibilities for earnings and payments in changing ways. The social networks on which they depend lead less often to the neighbours, more often to widely scattered friends and family, with the help of the telephone, motor car, or e-mail. Meanwhile, social security offices, distributing larger numbers of payments with fewer staff, no longer visit people in their homes and the Inland Revenue makes us all fill in our own tax returns. Personal links with the bureaucracy, and the orderly compliance with its rules which they helped to sustain, are disappearing.

I could add that reasonably fair, income-related taxation is believed by politicians to have become so unpopular that both the main political parties have sworn to reduce it. Since they need more revenue to fund various things which they have promised us — more university places, better pensions — New Labour are resorting to odd, hypothecated taxes, such as fees paid by students and Frank Field's plan for a compulsory 'private' pension scheme. In short our whole culture is driving CI, with its calls for universal benefits financed by a more progressive income tax, off the map of politically feasible options.

Citizen's Income, I regretfully conclude, was the great North-West Passage of social policy. It had to be explored. But there is no way through.

David Donnison is Emeritus Professor at the University of Glasgow. He was Chairman of the Supplementary Benefits Commission from 1975 - 1980. His latest book, ***Policies for a Just Society,*** *is published by Macmillan.*

Excerpt from the Press

Why wannabe pop stars would benefit from a supportive state

***The Guardian,* Jobs and Money, 1 November 1997**

Alan McGee, head of the Creation record label — home to such luminaries as Oasis and Primal Scream — is calling on the Government to change the Income Support rules for aspiring musicians, writes **David Hemingway.**

McGee, a member of Tony Blair's Creative Industries Task Force, argues that those who are serious about a career in music should be left alone to pursue it rather than being sent on courses for unwanted job interviews. According to the Creation boss, bands such as Oasis earn millions for the UK in export sales and tax revenue. And, he says, in return for this income the state should reciprocate in its treatment of up-and-coming musicians: "If we want the benefits that music brings — the money, the cultural diversity, the respect from overseas — we have to allow the musicians to eat."

He describes the present benefits system as "an assault course for artists". Under the current Jobseeker's Agreement, claimants must be available for, and actively seeking, employment. In practice, this means that bands have to lie about their activities, and attend schemes and courses in which they have no interest, in order to maintain their entitlement to unemployment benefit or income support.

The Guardian spoke to some bands and labels, at differing stages in their careers, for their views:

Martin Rossiter of Gene, whose third album, Drawn To the Deep End, was released earlier this year:
"As a recipient of a Gold Giro for long service, I was fortunate enough to slip through the 'restart' net. If this hadn't been the case it certainly would have made my life as an embryonic musician a lot harder. However, there is a greater problem to be addressed, which is the structure of the welfare state for all. An environment needs to be created where everyone can pursue, and hopefully fulfil, their potential, not just those with six-stringed dreams."

Dickon Edwards of Orlando, who have just released their debut album, Passive Soul:
"I do believe in everyone fulfilling their own roles in society, in their own way. I was on the dole for two years and gave all kinds of excuses for not going to Job Clubs. I'd explain I was in a band and that one day, hopefully, would make a living this way. They didn't see it like that and would rather I went off to be an accountant. . . Tim Chipping, Orlando's singer, was on the dole for three years and would write songs and watch television. If that's what you want to do then you should be paid for it. I do think that, in time, it will be everyone's right not to work. It's bizarre that Alan McGee is affecting policy but he clearly has his head screwed on. The Government should stop hassling people who are on the dole. The pain of living on such a meagre amount is bad enough."

Jake Shillingford of My Life Story, whose second album, The Golden Mile, was released earlier this year:
During the Thatcher years there were all sorts of schemes developed to get people off the dole and my main aim was to stay on it as long as I could. I was teaching myself and felt that I was intelligent enough to get on with my own thing. What worries me is that, in the UK, you get very creative musicians that aren't particularly adept at playing instruments, whereas in America everyone seems to be very skilful but tends not to be so creative. I would be in favour of not changing a thing: a whole culture develops. It is hard to get on with your own thing in the arts and I think it's the people with the right attitude, skill and charisma that cut through. Genius will always out."

Angle Dixon, who has a track on a compilation released by the Cup of Tea label under the name Barcode:
" I am signing on. Obviously, they always suggest I do something else. I usually stand firm. I'm not going to do anything else. Being forced to do something is a waste of your time, the employer's time and the Employment Service's time. I think I'm quite talented. I just need someone to give me a chance."

Chris Chass of Che Records:
"Musicians shouldn't be treated any differently than, say, painters. I don't think they should have an advantage over the 'ordinary person' because they're in a band. I don't want to be quoted as saying nothing should be done: something has to be done but I don't think it should be approached through the DSS."

> *Our current welfare programs are based on the premise that society should determine who can be excused from working. . . the guaranteed adequate income (GAI) is based on the premise that individuals can be allowed to determine whether to work . . . Acquisition is no longer the primary economic concern of society. Distribution is.*
>
> Michael L. Murray in *". . . And Economic Justice for All"*, 1997.

House of Lords 3rd November 1997, WA 258

Economically Significant Work

Lord Kennet asked Her Majesty's Government whether, in the light of the work being produced by the National Statistical Office on all economically significant work done, in contradistinction to work only paid for and recorded, they will now measure the Gross Domestic/ National Product with the greater accuracy these statistical techniques permit, and, in order to obviate the distortions which current Gross Product measurement methods insert into comparative studies of international economic well-being, whether they will seek to introduce this new accuracy into international measurements of "growth".

Lord McIntosh of Haringey: The information requested falls within the responsibility of the Chief Executive of the Office for National Statistics, who has been asked to arrange for a reply to be given.

Letter to Lord Kennet from the Director of the Office for National Statistics, Dr. T. Holt.

. . . The ONS estimate of unpaid work is presented in a satellite account. This should be read alongside measures of paid activity in Gross Domestic Product. The article entitled A Household Satellite Account for the UK, a copy of which is enclosed, argues on pages 63 and 64 that such parallel presentation is preferable to trying to produce a single index. This article appeared in the October edition of the ONS publication *Economic Trends,* a copy of which is available in the House of Lords Library. Since unpaid work is unpaid, we feel that to create a single measure based on the assumption of some market valuation would create a meaningless magnitude. The wide range of estimates shown in the article also underlines the judgemental nature of any estimate. Rather than attempt to construct a single measure of "wider GDP" we have taken the view that it would be preferable to see GDP as normally defined in the context of a small set of indicators reflecting elements excluded from national accounts such as unpaid work. The same principle is applied to satellite accounts used in the context of the environment.

There is now a wide range of industrial countries which have constructed similar accounts. There may exist some basis for international comparison of such a set of summary indicators.

Citizen's Income Bulletin Back Numbers

Until July 1993 the Bulletin was called the Basic Income Research Group or BIRG Bulletin. All the Bulletins listed below are in the current A4 style, and most are available from The Citizen's Income Study Centre, St Philips Building, Sheffield Street, London WC2A 2EX. In addition to the 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 Mullarney

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 1994

- *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

Bulletin No 18, July 1994

- *Basic Income 1994: Redistributive effects of transitional BIs,* Hermione Parker and Holly Sutherland
- *To BI or not to BI?* An exchange of letters between Sir William Goodhart and Hermione Parker
- *Stranded :* Susan Raven talks to Austin Mitchell MP
- *The changing context : CI as part of a larger reform package,* James Robertson
- *Citizen's Income and renewable money : The need to re-examine social credit-type systems,* Pat Conaty
- *The root cause of high public spending is poverty,* Richard Clements
- *VIEWPOINT: For Citizen's Income read Citizen's Investment,* Charles Handy

Bulletin No 19, February 1995

- *Director's View : Opportunities scuppered, hijacked, missed . . .* Richard Clements
- *Guaranteed minimum income in Brazil?* Eduardo Matarazzo Suplicy
- *Borrie is no Beveridge: Citizen's Income now!* Meghnad Desai
- *Every citizen a rentier,* Dominic Hobson and Alan Duncan MP
- *Interviews:* Susan Raven talks to Tony Atkinson and Penelope Leach
- *Basic Income and economic efficiency,* Ken Mayhew
- *Why a £20 CI is better than lowering income tax to 20%,* Hermione Parker and Holly Sutherland
- *VIEWPOINT: Thoughts from Capri — Basic Income as a global idea,* Gunnar Adler-Karlson

Bulletin No 20, July 1995

- *Citizen's Income and families,* Richard Whitfield
- *Welfare and efficiency in a non-work society,* Francesco Silva, Marco Ponti, Andres Balzarotti and Ronald Dore
- *Interview:* Susan Raven talks to Alan Duncan MP
- *Gearing up for the next general election,* Richard Clements
- *Basic Income in Ireland,* John Baker
- *VIEWPOINT: Responsibilities as well as rights,* Gordon Borrie

Bulletin No 21, February 1996

- *Labour market effects of CI: A trade union standpoint,* Barrie Sherman and Phil Judkins
- *Earnings top-up or Basic Income and a minimum wage,* Hermione Parker and Holly Sutherland
- *Interview:* Lord Vinson talks to Susan Raven
- *Citizens' pensions and women,* Jay Ginn
- *Obituary: James Meade,* Tony Atkinson
- *VIEWPOINT : Thoughts from Wythenshawe,* Abigail Thomas

Bulletin No 22, July 1996

- *Surfers' Saviour,* Brian Barry
- *BI for beginners,* Richard Clements
- *Citizen's Income and family policy:* Clive Soley MP talks to Susan Raven
- *Private provision — public concern,* Marilyn Howard and Tim Lawrence
- *BI for intermediates,* Hermione Parker and Susan Raven
- *What kinds of people do we wish to be?* Fred Twine
- *Obituary: Stanley Booth-Clibborn,* Anne Miller
- *VIEWPOINT: Trickle Up . . . ,* Hans Breitenbach

Bulletin No 23, February 1997

- *Children, families and Citizen's Income,* Roger Smith
- *Basic Income in Ireland?* Anne McManus
- *Basic Income plus:* Susan Raven talks to Jim Lester MP
- *Building blocks for a new society,* Jan Otto Andersson
- *BI in the Netherlands?* Robert J. Van der Veen
- *VIEWPOINT: 'Core Plus',* Andrew Dobson

Bulletin No 24, July 1997

- *Citizenship, employability and the labour market* Raymond Plant
- *Basic Income system has merit for Ireland* Garret Fitzgerald
- *Unemployment and the future of work* Andrew Britton
- *Social security in the computer age* Joe Lee
- *Being realistic about pensions* Tony Salter
- *Obituaries: Nancy Seear, Hans Breitenbach, Desmond Banks.*
- *VIEWPOINT: New Labour, new millenium: What hope for CI?* Chris Downs

Flexibility and security: towards a new European balance

By Ursula Huws, Director of Analytica and Associate Fellow of the Institute for Employment Studies (ISSN: 1462-0081), price £5.00.

This report, published by the Citizen's Income Trust, takes a new perspective on the current welfare debate. Starting from the economic goal of increasing labour market flexibility, the stated aim not only of EU policy but also of many individual member states, it asks: How can working patterns be made more flexible while still guaranteeing a minimum standard of security for the European workforce? How can the escalating costs of welfare be contained? How can the unemployed be eased back into the labour market without falling foul of the many benefit and poverty 'traps' which bedevil the current system?

The study is based on a detailed comparison of four contrasting European welfare models (Sweden, Germany, Greece and the UK), and concludes that a fundamental reform is required if flexible employment is to become acceptable to the majority of the workforce. Policy must be developed in such a way as to avoid social exclusion, insecurity, inequality and low pay. The role that a Citizen's Income could play within this context is examined in some depth.

Copies of the report at available directly from the Citizen's Income Trust, priced £5.00 (including postage and packing). Please send either a cheque, postal order or banker's draft payable to Citizen's Income Trust and in £ sterling to:

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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. A list of all Bulletins still in print, with details of articles and authors in each issue, is obtainable from this office. Some articles trace the CI debate in other member States of the European Union and elsewhere in the world. In some cases only photocopies of particular issues are available.

Work is now being undertaken to widen the scope of the Bulletin. Its circulation to those most concerned with developments in the social policy area is being extended. And it is available for commercial advertising.

For further details, please call or write to Rosalind Stevens-Strohmann, Citizen's Income Study Centre, St Philips Building, Sheffield Street, London WC2A 2EX. Telephone: 0171 955 7453 Fax: 0171 955 7534

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BIEN CONGRESS

Amsterdam, 10th - 12th September 1998

BIEN's 7th International Congress will take place in Amsterdam, Thursday 10th to Saturday 12th September 1998. It will held in the Felix Meritis Building, situated on one of the canals in the city centre, within easy reach of the central railway station and airport, and will be organised by the Dutch Basic Income Network *(Vereniging Basisinkomen)*, the University of Amsterdam and BIEN's Executive Committee.

The main themes of the Congress will be:

- FULL EMPLOYMENT WITHOUT POVERTY
- SUSTAINABLE FUNDING
- SOCIAL EUROPE

Inexpensive accommodation can be provided for those who register early. If you would like to receive a provisional programme, registration form and practical information, please send your name and address to:

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