WHY AN INDEPENDENT SCOTLAND WOULD FARE BETTER WITH A CITIZEN'S INCOME (CI) OR BASIC INCOME (BI) SCHEME

EVIDENCE TO THE EXPERT WORKING GROUP ON WELFARE.

By

ANNE G. MILLER

DECEMBER 2013

CONTENTS

Please note that, although I am Chair of The Citizen's Income Trust, I am also the only Trustee who resides in Scotland, and I am submitting this evidence in a personal capacity.

WHY AN INDEPENDENT SCOTLAND WOULD FARE BETTER WITH A CITIZEN'S INCOME (CI) OR BASIC INCOME (BI) SCHEME.

EXECUTIVE SUMMARY

The purpose of this paper is to show that a Basic Income (BI) would not only be desirable in an independent Scotland, but would be economically feasible. The paper starts by suggesting that the widespread incidence of poverty in the UK is not just caused by the below-poverty levels of benefit, but is due to the structure of the UK Social Security system. Further, the systematic redistribution of income from poor to rich by successive UK governments since 1979 has added to this impoverishment, and has had a disastrous effect on the economy.

The features that define a Basic Income scheme are described, together with the objectives that they can fulfil on their own account. However, a BI scheme by itself cannot redistribute income from rich to poor without financing it from a restructured income tax system.

Defining a BI scheme does not specify a complete benefit system, and there are many further aspects to consider, including how to finance it. It becomes obvious that there is not an optimum BI scheme. Any scheme put forward should be designed to meet clearly-specified, prioritised objectives, to which a constraint as to its maximum cost may be added. A method is indicated for costing a scheme in terms of a standard rate of flat-rate income tax in a hypothecated, restructured personal income tax system that subsumes National Insurance contributions by employees, and removes all tax loopholes. It is suggested that the *maximum feasible* amount of a *Full* BI would be in the region of half of average income per head of man, woman and child. This figure for the UK in 2012 would have yielded a Full BI of £9,087 pa (£174 pw) in 2014-15, or for Scotland, £8,585 pa (£164 pw), for financially vulnerable people, and a partial BI of half of this for all others. Depending on the particular scheme, this could have been funded by a standard flat-rate income tax of 40%.

Some of the typical arguments that are made against a BI scheme are rehearsed and their counter-arguments given, including the claim that a BI scheme would be too expensive and that 'we can't afford it'. Schemes can range from ones that would be revenue neutral, based on the current structure of income tax, designed to restore incentives to work-for-pay, reduce administration costs, and give more choice, to other more expensive, radical ones which could also help to prevent poverty and redistribute income from rich to poor.

If a BI scheme were to be implemented, the transition should start with a modest entry-level scheme that continues with the same income tax structure. Once the wrinkles in the scheme had been ironed out, more generous levels of benefit could be considered. Political will is more of a stumbling block at the moment than economic feasibility. The concept of a Basic Income is still not very well known or understood by the public, and a grassroots campaign would be required. Some examples are listed of where a Basic Income scheme or pilot study has been implemented in different parts of the world.

A Basic Income scheme is a necessary, but not sufficient, condition for a better society. But it is not a panacea for all society's ills, and equitable policies for health, housing, education, etc. are still vital.

I. INTRODUCTION

The **First Objective** of any Government should be: to provide the conditions to enable all of its citizens to meet their needs (material, emotional, psychological and spiritual), to enable them to develop and to flourish. This should inform all of its other policy objectives, including health, education, housing and, of course, its fiscal policy.

If a new Social Security system were designed from scratch for our society in the 21st century, we would be unlikely to end up with the UK's current National Insurance (NI) and means-tested Social Assistance (SA) system. It is complex, unwieldy, unjust, inefficient and not fit for purpose. It is a Gordian Knot that cannot be unravelled or reformed. It needs to be cut through and replaced by a radical alternative, designed for today's society. It is argued in this paper that the new radical alternative should be a Citizen's Income (CI) scheme, also known as a Basic Income (BI). These two terms will be used interchangeably in this report.

The concept of a BI is fairly simple, but it does not define a complete system, and, when it is coupled with other instruments, it can become complex and technical. My submission of evidence in March 2013 'Evidence in Favour of the Introduction of a Citizen's Income (CI) or Basic Income (BI) scheme in an independent Scotland' (Miller, 2013b) gave an overview of the situation. In this second submission, I am attempting to tackle some of the details that inevitably arise when readers consider the practical side of BI schemes, and to answer some of the questions that are frequently asked.

II. WHY WE NEED CHANGE: THE STRUCTURAL FAULTS INHERENT IN BOTH THE CURRENT NI AND MEANS-TESTING SA SYTEMS.

The post-war consensus led to the implementation in 1948 of the Beveridge report of 1942, based on a National Insurance (NI) scheme and Social Assistance (SA), which latter was intended as a means-tested safety net. It was designed for the working and social conditions prevailing after WWII, which were very different from those experienced today. Now, the poorest in society are subject to punitive conditions and below-poverty benefits. However, even without the low benefit levels, there are structural problems within the NI and SA systems.

Eligibility in the NI system is based on the contribution record of an individual while in work, or which has been credited while receiving the NI benefits. Since only about half the population is in work, or seeking work, and about another 35% are children or pensioners, this means that about 15% of the population must be classed as working-age financial dependents with no access to NI benefits on their own account. The majority of these are women who have been raising children or caring for adult dependents, (who have had their contribution records credited latterly), and also many women pensioners are in a similar situation. In addition, the NI benefit system for self-employed people is minimal. The NI system was designed for an industrial society, where most men were in employment, and much of it is no longer applicable to today's circumstances. The NI benefits were provided for a limited set of circumstances, - maternity, invalidity, sickness, unemployment and retirement (MISUR) - over which it was anticipated originally that claimants would have little control. They have been expanded since to include paternity leave, etc. The Unemployment condition has led to rigidity in the labour market, where claimants are either in work for a full week, or out of it for zero hours. It does not encourage part-time work, nor can it subsidize the incomes of low-waged workers. Similarly, some claimants do not have complete contribution records and are not eligible for the full amount of a benefit. Another problem is that many of the benefits are short-term. One of its good features is that claimants appreciate that, having paid their contributions, there is no stigma involved and they feel entitled to the benefits and take-up is relatively high.

Table I in the Appendix gives the cost of different NI and SA benefits in the UK in 2011 and 2012.

Social Assistance was designed as a means-tested benefit (MTB) based safety net, for the few who might fall through the NI system. Since its inception, the NI benefit amounts have not kept up with inflation and the MTB system has become the major system. It has become extremely complex, so that not even the government knows how many separate benefits there are. Poverty is now widespread, food banks have returned in many parts of the UK, three million children in the UK are estimated to live in poverty and many of these are in households where one or both parents are working. Private debt has reached enormous proportions, and financial insecurity is endemic in our affluent society, with associated health problems in consequence.

It is not just the below-poverty level of the benefits that present the problems. The structural faults in the MTB system include the fact that it is **not individual-based**, (in contrast to the income tax system since 1990-91), and poor couples, whether married or otherwise cohabiting, have to make joint applications. Joint applications for MTBs precludes financial privacy or autonomy. In the case of couples where one partner is relatively wealthy but mean, and the other is financially dependent, the latter has no recourse through the application for benefits on his/her own account, except via separation. The Marriage Laws require partners to 'aliment' each other, but does not entitle the financially-dependent partner to have access to the wealthier partner's income. This infantilises the financially-dependent partner. Many such financially-dependent partners have relied on Child Benefit to feed and clothe themselves and their children.

An adult offspring living with his/her parents is entitled to apply for benefits on his/her own account, but his/her financially-dependent parent is denied this right. Not only that, but benefits for couples living together are less than for two singletons sharing acommodation, so that couples would be entitled to feel discriminated against, in spite of different governments stating that they wish to support marriage. One of the reasons stated for divorce or separation is that of money problems. Penalising couples financially could add an extra burden onto poor people already coping with poverty. The present system encourages couples to separate, and leads to an increase in demand for single person homes.

Another problem associated with MTBs is that they have become very complex, and a claimant may have to apply to as many as four different agencies for the benefits to which s/he is entitled. At each agency, s/he must fill out a lengthy and complex form every time his/her circumstances change, leading to the increased risk of error by either claimant or administrator. Probably the worst, unavoidable problem is that MTBs inherently impose a disincentive to work-for-pay on their recipients. When a claimant tries to work his/her way out of poverty, s/he not only pays 20% income tax and 12% NI contributions, but is faced with a raft of benefit withdrawal rates, which are aggregated. This has meant that some claimants have faced a Marginal Deduction Rate (MDR) of nearly 96%, leaving them in their pockets with just over 4p of every pound earned. This refutes the claim of the government that working is the best way out of poverty. Then the claimants are labelled as lazy scroungers. Both government and media take it upon themselves to stigmatise those who claim benefits, as though all are attempting to commit fraud. The stigma associated with claiming benefits deters many who are entitled to them, leading to low take–up. It also adds to the stress laid on those who do claim, with identifiable adverse effects on their health, and increased costs to the health service. Many claimants feel that, although the below poverty benefits are bad enough to cope with, the stigmatisation and exclusion impose an intolerable burden.

The Universal Credit (UC) system is designed to address this problem, by replacing six benefits (Income Support, Jobseekers Allowance, Employment Support Allowance, Working Tax Credit, Child Tax Credit and Housing Benefit), with the one UC (Miller, 2011). (UC is neither universal, nor a tax credit, but merely another means-tested benefit bolted onto the personal income tax system, designed to tidy up some of the complexity and duplication that has crept into the present SA system). UC has a single withdrawal rate of 65% for those whose gross incomes are less than the personal allowance for income tax, and 76% for those above it. This is an improvement on the current 96%, but still contrasts starkly with the fact that higher income tax payers only pay 40% income tax and 2% NI contributions, while those on the additional income tax only pay 45% and NI. This is still a highly regressive income tax system. While UC is a step in the right direction, it is too little and too late. The UC is still based on joint applications, and even if the UC is paid to the financially dependent partner, s/he will not necessarily be able to budget, because the amount of the UC could vary from month to month, depending on how his/her partner's income varies.

In addition to the below-poverty level benefits and the structural problems inherent in the NI and SA systems, there is a big elephant in the room - that of the gross inequality of both income and wealth in the UK (Miller, 2013c). The post World War II consensus, that led to most western societies becoming more equal than before the war, lasted a mere generation. In 1979, the Gini coefficient in the UK was 0.25, but rose to 0.34 by 1990, and has stayed at 0.34 ± 0.02 since then, rising to 0.36 under New Labour in 2007, (Cribb *et al*, 2013, p.38). Since 1979, the UK has become the third most unequal economy in the western world (Dorling, 2012, p.74) after the USA and Canada. This has been the result of overt and covert policies by all of the UK governments over the last three and a half decades.

These include:

- growth which has benefited the top 40% of the income distribution, while, during a recession, suddenly 'we are all in this together' and the poorest have had their meagre benefits cut again, leading to a ratchet effect of increasing inequality.
- Monetary policy, with the relaxation of the regulation of financial institutions, eg. the deregulation of the stock market, and privatisation of the London Stock Exchange in 1986.
- Housing, selling off the social housing stock, and encouraging an inflationary property boom.
- Banks: reckless lending by UK banks, and bailing out the banks because 'they were too big to fail' (private profit and public loss), rather than bailing out those with the mortgages so that they could repay the banks. In Iceland, a private bank that failed was not bailed out; instead the bankers were jailed.
- Benefit levels have not been pegged to the prosperity of the country and are below the government's own poverty benchmarks.
- The MTB system leads to high Marginal Deduction Rates and a highly regressive income tax system.
- Tax Expenditures, the raft of tax allowances and exemptions that successive government have provided to enable wealthy people to avoid paying taxes legally, represent an enormous subsidy to the rich.

The press often suggests that poor people are the problem. Few of them focus on the wealthy, or gross and increasing inequality, as a possible contributing factor of the recent recession, leading to demand deficiency, rather than the supply-side problems assumed by successive governments with their austerity measures. After WWII, the UK net debt / GDP ratio reached 240%, and by 1975 it had been reduced to below 50%, with UK debt interest payments starting at 6% and reducing to 4 % by 1950, to 3 % by 1990, and 2% by 2000. In 2011, this net debt / GDP ratio was 68%. Thus the current national debt is not high by historical or international standards, and the cost of servicing it is manageable. The public debt is symptomatic of the UK wanting to pay for things such as wars or Trident, but being unwilling to pay for them out of taxation of some kind, preferring to increase public debt, thus laying the cost onto future generations. The enormous private debt level is also symptomatic of poverty and the need for redistribution of income and for taxation on wealth.

A market economy has no inherent mechanism to redistribute income or wealth from rich to poor, and in fact tends to redistribute from poor to rich. Even the Neoclassical School's perfect competition model would merely maintain the *status quo* distribution. Markets need to be regulated. Governments should ensure that its citizens are protected from being commodified.

The state should provide an instrument to redistribute income (and wealth) from rich to poor:

- To counter-act the tendency of markets to redistribute from poor to rich;
- A government's first duty should be to protect all of its citizens, not just the wealthy;
- Wilkinson and Pickett's *The Spirit Level*, 2009, reveals that more equal societies have been better for everyone;
- To regenerate run-down local economies, and hence boost demand in the national economy, reducing its dependence on global vicissitudes.

III. THE DEFINITION OF A BI, AND THE OBJECTIVES THAT IT CAN FULFILL.

The European Parliament set up a new procedure, entitled a "European Citizens' Initiative", in April 2012 by which citizens across the European Union could request the Parliament to discuss or implement new ideas, if accompanied by one million signatures within a year of registration. After much debate, the recent European Citizen's Initiative on Unconditional Basic Income (ECI on UBI) defined a BI as having the following four characteristics:

a. Eligibility (defining who is entitled): BI is **UNIVERSAL**.

b. The Basic Income is assessed and delivered on an **INDIVIDUAL** basis for every man, woman or child.

c. It is **UNCONDITIONAL** – it does not depend on any preconditions, such as willingness-to-work tests, being involved in voluntary service, or behaving according to traditional gender roles.

d. It is **HIGH ENOUGH** to ensure a life of dignity and enabling participation in society.
This introduces the concept of a **Full BI**, on which it is possible to live modestly and to participate in society, as compared to a **Partial BI** on which it is not, and would need to be topped up by other income, usually earnings, and a **Child BI.**

The following three conditions might also be noted:

e. It is **NON-SELECTIVE** – in a 'pure' BI scheme, the amounts of the BIs could be age-related, but certainly would not vary according to personal characteristics or personal circumstances, such as race, creed, gender, sexual orientation, marital status, cohabitation, household living arrangements, past work record or current work status. A BI scheme in which the BIs are selective are sometimes referred to as 'hybrid' schemes. The entitlement would not be means-tested on the recipient's own income or wealth, nor on that of another family or household member.

f. The conduit for the tax-exempt BI would be automatic **DELIVERY** to those who qualify, including the responsible parent of a dependent child, as now. An alternative might have been to deliver it as a Negative Income Tax (NIT), a transfer payment net of any lesser income tax on gross income, or as a Tax Credit (TC), a tax payment payable on gross income net of any lesser benefit due. The BI method is chosen because it is considered that it is the method most likely to ensure a regular predictable income for those without any other income to ensure that they will have enough to live on.

g. **MONITORING and COMPLIANCE** must be simple to understand and implement. The administration system will have to maintain a database on the population of citizens, as now. The database should be used to identify, record and monitor citizens' claims for a BI, and their assessment for income taxation. The cost of compliance comprises both the cost of the lost revenue and the cost of monitoring, (De Wispelaere and Stirton, 2008). In Norway and Sweden, the income of, and tax paid by, any citizen is now available online for scrutiny by others. Many Norwegians and Swedes are proud of the amount of tax that they contribute to their society.

A BI scheme is a set of instruments rather than a program of policy objectives. However, it can fulfil a variety of welfare objectives in its own right, and depending on the other instruments with which it is coupled, it could fulfil a further set of welfare objectives.

A BI scheme can help to meet several related objectives for welfare reform, typically:

I. Equality objectives:

- Value all individuals;
- End dependence on past contribution records;
- End the stigma and low take-up of means-tested benefits, helping to create a more united and inclusive society;

II. Financial Security objectives:

- Help to prevent financial poverty for the non-economically active section of the population *ex ante*;
- Help to prevent, or, at least, to reduce the risk of financial poverty for those in work and unemployed;
- Contribute to financial security;
- Reduce the current time-consuming personal effort required to apply for benefits;

III. Labour Market objectives:

- Remove the current MTB withdrawal rates that create an inherent disincentive for claimants to work-for-pay, even part-time. Reducing the current high marginal deductions from potential earnings (tax, NI and benefit withdrawals) facing unemployed and low-paid workers will restore incentives to work-for-pay and labour market efficiency;
- Ease the transition into and out of paid employment and between jobs.
- Give employees some countervailing power in the workplace.
- Give employees some choice over their type of employment.

IV. Administrative objectives:

- Introduce simplicity and transparency;
- Reduce administration and compliance costs;

V. Personal choice objectives:

- Grant financial privacy and autonomy to individuals;
- Give parents and other couples the choice of living together, or not;
- Help all individuals to achieve a better work-life balance.
- Help all individuals to develop to their full potential, leading to greater well-being, improved health, reduction in crime, and a renaissance of the arts.

Ton the whole, the greater the amount of the BI, the greater will be the degree of achievement of many of the objectives above.

However, a BI scheme by itself will not redistribute income, and thus by itself will not reduce inequalities between rich and poor, men and women, and geographically. For this objective to be achieved, the CI scheme would have to be financed by a restructured, hypothecated, personal income tax system, into which the NI contributions of employees and self-employed are subsumed. Income tax and benefits are two sides of the same coin, and it is appropriate that the one pays for the other, providing a virtuous circle. Hypothecating the income tax system to pay for the CI system should make it more transparent, and thus the government more accountable. The tension between the benefit levels and the income tax rates should ensure that the system stays within feasible limits. Hypothecating the income tax system means that all government expenditure would have to be paid for out of other sources of taxation. These have been of the same order of magnitude in recent years.

Malcolm Torry, in his recent book, *Money for Everyone: why we need a Citizen's Income*, argues that a CI scheme is robust enough to meet the needs of a variety of demographical, family and labour market situations.

IV. THERE IS NO ONE OPTIMUM SCHEME; THEREFORE, THE BI SCHEME SHOULD BE DESIGNED TO MEET CLEARLY STATED OBJECTIVES.

Although the concept of a BI is very simple, it is not the complete story. One must also specify exactly who is eligible, the amounts of the BIs and how the scheme will be paid for. Then there are the other instruments with which they are coupled, and different schemes can fulfil a wide variety of welfare objectives. The initially simple concept can become very complex and technical. Even the features that define the BI scheme will require some further thought.

The BI is **UNIVERSAL**, so everyone is eligible in theory. The Citizen's Income Trust defines 'universal' as applying to everyone who can establish his/her right to legal residence in the UK, but the population could be defined differently. For instance, what about Scots or other UK residents who choose to live abroad either permanently or for part of the year. Thus, income could leak out of the virtuous circle of taxation → BIs → taxation. Should those who wish to retire abroad be entitled to the BI? Perhaps an independent Scotland might take a leaf out of the USA book? All USA citizens, wherever in the world they live, are required to pay taxes to the IRS in the USA on income wherever in the world it has arisen. What about refugees and asylum seekers, legal and illegal immigrants? Should there be a period of residence before they become entitled to BI rights? How long? These decisions are not peculiar to a BI scheme, but have to be addressed whatever system is operated, now or in the future, so the problems are not new. One hopes that they will be made within the context of a comprehensive migration policy, which recognises that migration has contributed to growth in the UK, which has benefited the top 40% of the income distribution over the last three and a half decades. However, immigrants may find themselves in competition with poorer members of society for scarce resources such as social housing, education, health services, etc. It should also be remembered that migration not only affects the host country, but can have adverse effects on the country of origin, as Scotland has experienced, having suffered from exporting its most valuable asset, its young and middle-aged educated people, over many decades.

The BI scheme is **UNCONDITIONAL**, but some people say that they would prefer a Participation Income (PI) system, in return for which the recipients are required to carry out some service. This is usually something that is decided by others, possibly a group of privileged people, and it has to be monitored, which may lead to spying on neighbours, and the cost of monitoring the system could remove much of the administrative advantage of a BI system, (De Wispelaere and Stirton, 2008). Given that most people wish to work-for-pay, (not just for the income, but because working has many health and social benefits), and that others who cannot join the labour market wish to contribute to their society, the alternative is to trust the population to make their contributions in their own way. Peer pressure will do the rest.

How high is **HIGH ENOUGH**? When the BI debate began, there was much discussion as to whether the BIs should be a simple, flat-rate Social Dividend for everyone, or whether it should be designed to meet individual needs, which would make it more complicated. The distribution of a low, flat-rate Social Dividend would mean that there would still have to be some other system in place to meet the needs of vulnerable people. One solution is to make the Social Dividend high enough so that the needs of most people would be met, according to an acceptable poverty benchmark. This implies that everyone would receive a Full BI. The current official

EU benchmark is 0.6 of median income, which replaced the previous benchmark of 0.5 of average income/earnings. However, these benchmarks are unreliable, as it is difficult to find out how they are calculated, and different groups appear to use different methods to compile them. They also assume a given household equivalence ratio. The publication of Minimum Income Standards (MIS) in 2009 provided a much more open unofficial benchmark (Miller, 2009). The MIS reveal that a *likely maximum* for a *Full* BI is likely to be around 50% of average income per head of man, woman and child, (some schemes specify lower Full BIs), and that this would be feasible, (Miller, 2013a). In the current MTB system, the emphasis is on preventing anyone from receiving more in benefits than they need, even if it means that others receive less than they need. With all universal benefits, it is more a matter of accepting that some people, such as some two-parent families, might receive more than they need.

People with disabilities should receive further tax-exempt benefits in addition to their BIs to meet the costs of their disabilities (such as costs of care, mobility, special diets, etc).

Some working-age adults have disabilities that affect their ability to compete in the labour market, as is true for those who take on unpaid caring responsibilities for adults or dependent children. A universal Full BI would support these **financially vulnerable groups** sufficiently, but would also mean that others without disabilities or unpaid caring responsibilities would be free either to enjoy a modest care-free life at home or to enter the labour market to earn more income. Would this be fair? Should the BIs be selective and thus should working-age adults in the latter group receive a lower Partial BI? What happens if they cannot find work? Those at risk of poverty in this group include those who have never married, and who live in rented housing, and in deprived areas. Might an individualised housing benefit be retained? The BI system could be designed so that a responsible parent and his/her dependent children could be protected financially, and the level of the Partial BI could be set so that the family unit is still protected when a second adult is part of the household. There are many aspects of the design of a BI scheme to be considered, and different communities would choose different solutions. It also demonstrates that a hybrid system may ease the way eventually to a pure BI system.

Another major decision is that of **how to finance the BI system**. Table 2 in the Appendix gives the figures for the revenues yielded by different taxes in the UK in recent years. Various sources have been suggested, including a sales tax, oil revenues and income tax. A sales tax would have the added merit of taxing the activities taking place on Scottish or UK soil by transnational companies that avoid paying UK corporation tax on their profits. In his writings about the Alaskan Permanent Fund and Dividend, Widerquist (2010, 2011, Torry 2013) makes informative comments about sovereign wealth funds based on community-owned resources, which can build up over time and bestow enormous benefits on the population. He argues that nations do not have to be resource-rich in order to set up a sovereign wealth fund, and indicates the necessary conditions to do so. This might be a good source of finance for Scotland in the future. On the continent, discussion has centred around the Unconditional Basic Income being financed out of VAT. So far, the work of the Citizen's Income Trust has concentrated on BI schemes for the UK financed from personal income taxation. In this report, I shall assume that the BI scheme is financed via a hypothecated, restructured, proportional (flat-rate) or progressive personal income tax system.

It must be obvious now, that **there is no one optimum scheme.** However, it will also be obvious that a BI scheme can be designed from first principles to fulfil a set of clearly stated prioritised objectives. The source of financing should also be chosen in order to fit in with specified objectives. A constraint, in terms of the maximum cost of the scheme, or a maximum rate of a particular tax, might also be imposed. Having designed the scheme, it will then be possible to cost it, giving a single summary figure.

A method has been developed to **COST A BI SCHEME** in terms of a hypothecated, restructured, personal income tax, in which the National Insurance contributions by employees and self-employed workers are subsumed into the system, in which there are no personal allowances, (having been replaced by BIs), no tax exemptions or tax allowances. These are the tax loopholes that have been provided by successive UK governments to enable wealthier sections of society to avoid paying for their fair share of taxes legally, and it represents a substantial subsidy for rich people. Tax loopholes mean that the tax rate is higher for those who cannot avoid paying taxes than it would otherwise have been. Also, every taxpayer would pay the same rate of tax on all sources of income (earnings, earnings from self-employment, dividends and interest, capital gains, rental income, etc.).

The method involves calculating the proportion of the population who receive a certain level of BI, which latter is calculated as a proportion of average income per head (Y-BAR) of man, woman and child. (Personal income, measured in the *UK National Accounts* as 'Total Resources of Households and Non-Profit Institutions Serving Households', is less than GDP, which includes other income paid directly to the government). The product of proportion of population and the proportion of Y-BAR gives the cost in terms of the income tax rate required to finance the BI for that section of the population, (Miller, 2009, p.10 and 2013, p.7). The sum of income tax rates for different sections of the population aggregates to the final figure.

However, a **MARGIN** must be added to allow for administration costs, a safety-net for those who are not eligible and for those still in poverty despite the BI scheme, and to provide the costs of their disability for those affected, and for a residual NI scheme for those who do not qualify for a BI, such as those living permanently abroad who have built up an entitlement to NI. The product of this tax rate and total personal income gives rise to a measure of the sum of 'Gross Transfers', but the real cost should be measured as 'Net Transfers', (see section V below). Using the standard flat-rate of income tax to give a figure summarising the cost of the scheme does not preclude some future government from introducing a higher rate of tax on those with the highest gross incomes, nor from financing it from a different source of taxation.

It is well known that Norway has invested virtually all of its bonanza from North Sea Oil as a sovereign wealth fund in investments round the globe, and is now one of the wealthiest countries in the world, while the Westminster government appropriated all of Scotland's North Sea Oil, squandered it and England's share, without making any major investment in infrastructure, but gave tax cuts to the wealthy.

In *Citizen's Income: a brief introduction*, 2013, it is demonstrated that a low-level entry scheme for the UK can be achieved by converting certain benefits into BIs, financed by removing some tax loopholes, without changing the overall personal income tax structure. This will restore the incentives to work-for-pay for claimants and low-paid workers, reduce some of the administrations costs, and provide a BI to citizens who were formerly excluded through the joint applications condition, and thus it will alleviate poverty slightly. If the objective is to prevent poverty *ex ante*, rather than alleviate it *ex post* after the damage has been done, then it usually requires a larger BI and, obviously, higher levels of funding.

I have demonstrated how a set of objectives could be taken into account when designing a BI scheme (Miller 2013a), including in this case: that redistribution of income was important, that the amounts should increase with the prosperity of the country, where the BIs were measured in terms of a proportion of Y-BAR, that financially vulnerable people should be protected with a Full BI, but others on a Partial BI might also need some protection, that those receiving partial BIs might enjoy an income disregard (income tax rate of 0%) until their income tax schedule meets and merges with that of those on a Full BI. Finally, that in order to prevent any risk of a

downslide of the economy, the BIs should be fixed proportions of the most recently available figures for Y-BAR, using the same standard tax rate, for the term of an administration of a government. The two sample schemes described are at the generous end of the scale, and would entail a standard flat-rate of income tax of 40% and 50% respectively. However, neither of these would necessarily be considered appropriate as an entry-level scheme, unless there was an overwhelming mandate for them.

V. PHILOSOPHICAL AND POLITICAL ARGUMENTS AGAINST BI, AND THEIR COUNTER ARGUMENTS.

Why give people something for nothing?
A BI scheme values all citizens, and entitles them to necessities. Luxuries have to be earned. It can achieve this at approximately the same cost as the current, complex system of means-tested benefits and tax credits that stigmatise claimants. Poverty is an unwarranted capital punishment that undermines health and shortens lives.

Reciprocity is the main argument that opposes giving people 'something for nothing'. This has been convincingly challenged, (Birnbaum, 2012). The main argument for reciprocity is that something should be given back in return for receiving a benefit, whether in the form of working for pay, or carrying out some unpaid voluntary service. This brings us again to the concept of a Participatory Income, with its inherent drawbacks, (De Wispelaere and Stirton, 2008). There are several inconsistencies with the concept of reciprocity anyway. Why do some people have more than others in the first place? Why should the reciprocation take the form of working-for-pay or unpaid work? Who shall decide what form the reciprocation will take? Suppose there is just not enough work to go round in a sustainable economy. Above all else, we need a different, fairer way of distributing income than via paid employment. Most people would like to work, and wish to contribute to their society. Society should trust its citizens to contribute to society in the best way that they can. Giving choice over their lives to all individuals, not just wealthy people, is one of the objectives that a BI scheme can fulfil.

Why give it to rich people, who do not need it?
Universal schemes, such as the NHS, are inclusive, popular and redistributive. It is cheaper administratively to give BIs to all, and to concentrate on assessing each person once only each year for income tax. The new tax structure would ensure that rich people do not profit overall.

Making the BI system universal should help society to be more harmonious, and avoid it being divided into a group of stigmatised claimants and a group of resentful tax-payers. All will benefit, and all would be potential tax-payers.

What if some people choose not to work?
Working age people receiving a Partial BI would still need to earn a living, but some may choose to take an occasional sabbatical to study, travel, do voluntary work, or to achieve a better work-life balance. It is anticipated that there will be redistribution between paid work and unpaid caring and domestic work, and that wage rates will change. Many wealthy people still work now, in spite of their unearned incomes.

Rich people will emigrate.
Recent governments have claimed that the UK needs to encourage wealthy people to live in the UK, and provides favourable tax conditions for them to do so. The truth is that wealthy people love living in the UK with its temperate climate, political stability, mixed culture and English

language, and most would still do so without the tax breaks. Governments are concerned that rich people will emigrate and take their businesses with them if they were not given tax breaks and low levels of income tax. What is the evidence that this is more than an idle threat? How many wealthy people have already done so, or would do so in the future? How much tax is too much? Would wealthy people withdraw their businesses on which they made good returns, just because their personal taxes increased? Are these the sort of people that we wish to include in our society, if they blackmail our government into impoverishing poor people even further, for their own greed?

Labour and income should not be taxed.

Many people regard their income as their own, without recognising that money is a man-made institution, that can be manipulated to favour one section of society over another, and that earnings, especially, are made in a social context. No person may claim to be a self-made millionaire unless s/he made his/her millions on a deserted island where s/he has lived all his/her life. Similarly, those with well-paid jobs (however long it took them to train, and however hard they work) have a responsibility to those without. Many unskilled jobs have been automated or out-sourced to other countries, beyond the control of UK workers. John Donne said that no man is an island. This is still true today. Society comprises a set of interdependent relationships, and this means that we all are mutually dependent and mutually responsible for each other. Let us start with honouring the rights of our neighbours to a life of dignity. Receiving charity is no substitute for the right to receive one's fair share of life's bounty.

Powerful interests will prevent it.

No doubt some powerful people might try. If there were a popular movement at grassroots level, they would find it more difficult in a democratic country.

It is often claimed "We cannot afford a BI scheme. It costs too much!"

One should counter this with the following questions:

- To which scheme are you referring? Who has costed it?
- Cost can be measured in different ways. To what measure of 'cannot afford' are you referring – is this in terms of an amount per annum, or an income tax rate?
- Who cannot afford it – and how much extra is too much?

- A rich person, (ie one with an gross income of over £40,000 pa), even under a generous BI scheme (Miller, 2013a, p.10), would not be liable to pay much more than at present. Even under the most generous BI scheme, a tax-payer would lose only 5% of his/her net income at the current higher tax threshold, but the loss would increase to 10% as gross income increases to £100,000, (Miller, 2013a, p.14).
- Most poor people, ie with gross income less than Y-BAR, will probably receive more in amount each year, the more generous the scheme. Even their MDR under a BI scheme could be much lower than their MDR under the current system or under Universal Credit. The number of poor people who would benefit would outweigh the number of wealthy people who might have to pay more.
- The total cost of a scheme can be measured in different ways, for instance, a) as the standard flat-rate of income tax that would be required to finance it, which directly determines b) the sum of Gross Transfers, ie the total cost of the BIs paid out, or c) the sum of Net Transfers, which can be calculated either as the total cost of income tax paid less BIs received by the net tax payers, or as the sum of BIs received less the income tax paid by net benefit recipients; (the difference is the margin for administration, safety-net,

cost of disabilities, etc). The sum of net transfers for a given tax rate will vary according to the inequality of the distribution of gross incomes. In a society where everyone has the same income, a standard rate of income tax of t% and a BI = t.Y-BAR yields a sum of gross transfers equal to t% of total income, but the sum of net transfers is zero. Similarly, in a society where people have equal incomes, the concept of social mobility would be obsolete. Social mobility only has meaning for unequal societies. Social mobility is still regarded as important in the UK, but most of it seems to have occurred in a downward direction in recent years.

- A BI will act as a negative income effect on a person's labour supply curve. It is sometimes claimed that a wealthy person needs a wage increase to make him/her work harder, and that a poor person needs a reduction. However, the evidence of economic theory's backward-bending labour supply curve indicates that the opposite is true, and this is what could happen with a BI scheme financed by income tax. The likely change in an individual's MDR is such as to counteract the income effects of the BI received. Pegging the levels of the BIs as a fixed proportion of the average income per head of the population (Y-BAR) for the term of a government administration, together with the same required standard rate of income tax, should prevent any risk of a downward spiral of the economy. This means that if the Y-Bar decreases slightly, then the amounts of the BIs also decrease, providing a self-adjusting mechanism in the economy.

It is important to calculate how many people with a gross income of less than Y-BAR would end up with a lower net income under a BI scheme than under the present system, and by how much? It may seem counter-intuitive that the more generous the scheme, the greater the BI, the greater the standard tax rate and the more people would benefit. To what extent would people understand this? Would the majority of the population vote for a system with a higher marginal tax rate, if they were to benefit? There seems to be some evidence that even wealthier people would be prepared to vote for a system where they pay more, if they and their families could benefit, and it leads to a fairer society.

There is also evidence that with poverty, as with many other circumstances, prevention is cheaper than cure. It is cheaper to provide guard-rails than ambulances, and life jackets than lifeboats. When poverty is addressed *ex ante*, it is cheaper than alleviating it afterwards, *ex post*, after the damage has been done. The direct cost of poverty is enormous on those who suffer it, but, in addition, there are indirect costs that poverty imposes on the ancillary services (health, housing, education, police, fire and social services), which are much reduced when poverty is tackled head-on.

Bromsgrove and Redditch Councils and Stoke City Council have piloted a new way of working with partners. In the Councils' own words: *"the results are profound. Citizens previously labelled as 'lost' are living good lives, demand on services is going down and the size of the opportunity to reduce cost is staggering"*. (Jones, 2013, p.1). The indirect cost of poverty on the housing, health, police, fire and social services can be recouped when poverty is addressed directly.

VI. IMPLEMENTATION; POLITICAL WILL; EXAMPLES OF BI SCHEMES ACROSS THE WORLD; NOT A PANCEA.

Implementation: The question arises about how the transition from current to BI system would be managed. How should a BI scheme be implemented? The two methods generally discussed are the sector approach and gradual implementation. In the sector approach, the BIs are introduced to different sectors of society. In the UK, there seems to be a mandate for a Child Benefit already, which could be increased to realistic levels, and to introduce a universal Citizen's Pension. The current universal Child Benefit and means-tested Child Tax Credit would be replaced by a Child BI. The current State Retirement Pension and Pension Credit scheme would be replaced by a Full BI, using the funds for providing the State Retirement Pension, and the various tax allowances for pension contributions, to finance it. In the gradual implementation approach, a low level of BI is introduced across the board, and when the wrinkles in the system have been ironed out, the amounts would be increased.

The approaches are not mutually exclusive. One could start with the sector approach for young and old, while preparing for the working-age population. One could convert the Jobseekers Allowance, etc into a BI income and finance it by removing the tax loopholes as described in *Citizen's Income: a brief introduction* (Citizen's Income Trust, 2013), and retain the same overall income tax structure. This low-level entry scheme will restore incentives to work-for-pay for the many claimants and low-paid workers, and reduce the administration costs slightly, but these levels of BI will not prevent poverty, (except for the financially dependent partners who were previously excluded), or redistribute income very much. When the new system was well bedded down, then the BI levels could be increased to prevent poverty and redistribute income within an acceptable level of income tax. However, Zymunt Bauman (Orton, 2006, p.3, col 1) argues that the gradual approach can be undermined by the opposition before it is completed and urges one to be more utopian and audacious. If Scotland wishes to be a fairer and more compassionate nation than is likely under the Westminster Government, it has to change from the small-public-sector, low-tax and low-wage economy, with its race to the bottom, and grasp the nettle of a higher-tax economy with its tangible benefits.

Table III in the Appendix gives figures for the UK between 2009 and 2011, together with those figures that are currently available for 2012. The available figures for Scotland in 2012 are also printed. The mid-year population figure for Scotland in 2012 was 5,313,600. The Scottish National Accounts Project publishes some experimental figures for GDP at market prices. A figure of Scottish Gross Domestic Product in 2012 in cash terms excluding *extra-regio* was £127 billion, and including the share of UK *extra-regio* activity occurring offshore from Scotland was £150 billion. These yield GDP per head figures for Scotland of £23,936 and £28,117 respectively, compared with £24,627 for the UK as a whole. The equivalent figure for Scotland to the UK's 'Total Resources of Households and Non-Profit Institutions Serving Households' was calculated as £91,234 million, yielding an average income per capita of £17,170, compared with the UK figure of £18,174. Scotland's figure is about 94.5% of the overall UK one.

Political will: 'The Overton Window of Political Possibilities', first put forward in the mid 1990s by Joe Overton of the MacKinac Centre for Public Policy, refers to a theory that new ideas have to go through a seven-stage process before they become implemented and celebrated. The recent introduction of universal health care in Canada was cited as an example that followed this process. The stages are:

- Unthinkable
- Radical
- Reasonable
- Acceptable

- Popular
- Policy
- Identity

When the Basic Income Research Group, (later to become The Citizen's Income Trust (CIT) in 1992), was set up in 1984, the idea of a BI was regarded as unrealistic and hopelessly Utopian, (then an insult), - a concept well before its time. The CIT is a small educational charity of a dozen or so Trustees and a director, operating in recent years on a small annual income of about £3,000, (no paid employees, no premises, no debt), aiming its message mainly at Westminster, so far. Its website receives about 300 hits a day and our Director is able to ascertain that many of these come from MPs, their Research Assistants, civil servants and other opinion formers. Now the concept is treated seriously, in that it is *de rigeur* to have it on the agenda of any income maintenance conference, even though it tends to be put on the back burner for now. We are probably at the fourth stage so far, and the concept needs to be better known at grass roots level to become popular.

Examples of BI schemes across the world.

People often ask whether a BI scheme has ever operated elsewhere in the world. The following are examples where it has been introduced and where there are campaigns.

The earliest BI system started in **Alaska**, after oil was first landed in 1967 at Prudhoe Bay in northern Alaska, (Widerquist 2010, Widerquist 2011 and Torry 2013a). The Alaska Permanent Fund was set up in 1976, and managed according to the 'prudent investor rule'. It was agreed that 25% of the oil revenues would be invested in funds around the world, and that an annual dividend would be given to every man woman and child resident in the state. The annual dividend has varied between $1,000 and $4,000. The scheme is extremely popular, and not even Sarah Palin was prepared to dismantle it. 'It has helped Alaska maintain one of the lowest poverty rates in the United States. It has helped Alaska become the most economically equal of all 50 states. And it has helped Alaska become the only U.S. state in which equality has risen rather than fallen over the past 20 years', (Widerquist, 2010).

Brazil implemented a Bolsa Escola Program (later renamed the Bolsa Familia Program), (News item, 2010, p.6, col.1; Shrinivasan, 2012, p.6, col.2). The Bolsa Esquola was a child benefit conditional on the child going to school and attending a health clinic. Suddenly all of those families who had been too poor to keep their children, reclaimed them from the streets, thus solving two problems at once. The scheme was extended to the conditional family benefit with equally happy results and before the end of his second term in office, President Lula da Silva passed an Act which commits Brazil to adopting a BI scheme in the future. The original benefits were not universal or unconditional, but targeted at poor people and at women. The law in 2004 led to the cash transfer program being rolled out to the whole population. The number of beneficiaries has risen from 11 million to 60 million and the conditionality is being phased out.

A privately-financed 2-year pilot scheme was conducted in the village of Otjivero in **Namibia**, from November 2007 to 2009, granting just the equivalent of £7 per month to every individual, with spectacular results (Torry, 2009; Shrinivasan, 2012, p.6, col.2; News item, 2012). Pensioners used their cash transfers to ensure that their grandchildren were well-fed, clothed and shod, and that they were sent to school. "Child attendance went up dramatically, use of medical clinics went up. Those with HIV/AIDS started to take ARTs (Anti retroviral Therapy drugs) because they had been able to buy the right sort of food with the cash. Women's economic status improved, and the economic crime rate went down. Income distribution improved. … If

you provide an equal amount of cash to all members of the community, you are automatically giving proportionately more to the poor. If you do that, you release the constraints that are on the lower income group – they can pay off their debts, they can take risks, and they can buy things that they need for petty production." (Guy Standing in Shinivasan, 2012). However, the private coalition that funded this pilot study were ultimately disappointed because, at the end of the two years, the Namibian government declined to commit itself to the introduction of a BI.

Other pilot schemes have been started in parts of **India**, where poor people had been subsidised via a food voucher system, which was inefficient and accompanied by much corruption, (Shrinivasan, 2012, Standing, 2013). The Delhi government, in 2010, appointed the Self-Employed Women's Association (SEWA) and the Indian Development Foundation to conduct a pilot study of cash transfers as a possible alternative to the Public Distribution System (PDS). The first pilot ran for one year in 2011 in West Delhi's Raghubir slum. The recipients reported that they were able to buy the type of food that they needed instead of being restricted by the food vouchers, and therefore were better nourished, and again they were able to look after their children better and to set up small businesses. Two other pilots were run in Madhya Pradesh, again with encouraging results. Unfortunately, several political parties want to get in on the act for the election year in 2014, and are intending to reduce subsidies before the people receive their cash benefits, which could have disastrous results, risking a backlash.

In the past, the population of **Iran** had enjoyed subsidised fuel prices on account of its oil wealth and food subsidies, (News item 2010b, Tabatabai, 2011, Tabatabai, 2012). However, as part of its economic reform under the Subsidy Reform Law of January 2010, market prices were charged instead, and compensation was given to the population in the form of cash payments. Initially they thought to do this on the basis of need, but it became too complicated and people complained that it would be unfair. In desperation, the government decided to give the same amount (equivalent to $40 per month) to every individual in the country, - although 'the entitlements of all household members go to the head of household alone, not to individual members , even if adult'! Almost there! It is expected that the amount will increase as further price subsidies are removed. Tabatabai (2012) recounts the story of the universal cash transfers, and notes the positive results. He also compares the Iranian system with a rights-based claim, and with the Alaska Permanent Fund

Each of these schemes was popular with the recipients, but none of them was financed directly out of income tax. Alaska has used sovereign wealth funds from their resources of oil. Iran has used its oil revenues directly. Brazil and India have used central funds. The pilot scheme in Namibia was privately financed for its 2 years.

Closer to home, the European Parliament created a new procedure in April 2012 entitled a European Citizens' Initiative (ECI), which entitles citizens to register a concern with the Parliament, which it will consider and debate if the group manages to get a million signatures from the 500 million residents across Europe within the year from registration. A group of about 50 people from 15 European countries registered an ECI on 14 January 2013, entitled 'Unconditional Basic Income (UBI) – Exploring a pathway towards emancipatory welfare conditions in the EU'. For further details of the **ECI on UBI**, see www.basicincome2013.eu.

In the meantime, in **Switzerland**, which is not in the EU, but which has a tradition of holding referenda, a petition has been filed to ask the Swiss Parliament for a referendum on the introduction of a BI. Watch this space!

Not a panacea: It should be emphasised that a BI scheme is not a panacea for all ills. As an example, by itself the introduction of a BI scheme will not solve the UK's housing crisis. The

housing policy of recent and the current UK governments encourages people to regard a house as a form of speculative investment, rather than a home. It regards rising house prices as a good indicator of the economy, because it leads to house-price-driven demand in the economy, but all of it has to be under-pinned by the first-time buyer, who is encouraged to take on larger debts than s/he can afford to get on the bottom step of this moving staircase. This policy provides a method of siphoning wealth from the pockets of the first-time-buyer into those of existing house-owners. This could be discouraged by charging Capital Gains Tax on the profit gained when home-owners trade down their houses, which are currently exempt, and yet most of this profit is pure inflation which the home-owners have done nothing to earn. A Land Value Tax might also be considered. Another reason for the increase in house prices is the shortage of supply due to the changing demographics of the population, (the increase in life-expectancy, the increase in the demand for single person properties as households break up, and the increase in numbers from immigration), none of which has been matched by an increase in the stock of housing, particularly affordable social housing. It should be noted that Germany, where there is a larger private-rented sector, which is much more closely regulated than the UK one, did not suffer this house price bubble. If Scotland could control its house prices, then perhaps fewer savings will be invested in housing and more in the economy.

VII. CONCLUSION.

It is claimed here that a BI is a necessary, but not sufficient, condition for a better society. If the UK, or an independent Scotland, or indeed any other society, wishes to be compassionate, then it will have to adopt some version of a CI scheme in the future. It will affect the core of society and could have many beneficial effects on various aspects of society, including better health, a reduction in the need for personal social services, and a reduction in crime. It should be noted that the recent bleak report published by the IFS, which claims to be a picture of the Scottish economy after independence, is more representative of the face of Scotland within the union in a few years time. The authors of the report merely took into account demographic changes and the fact the North Sea oil will run out, and assumed that the present government's bankrupt policies would continue 'business as usual', ignoring the positive changes of policy that a future Scottish government would adopt.

I very much hope that the Scottish Government will encourage debate on the subject of a Basic Income scheme now, and will introduce one when the time comes, whether financed out of income tax or from a sovereign wealth fund. It could be the centrepiece of a raft of new policies to transform Scotland into a land fit for the people in Scotland.

APPENDIX

TABLE 1. UK SOCIAL SECURITY TRANSFER PAYMENTS, 2011 and 2012

REF	£m	2011	2012
	CENTRAL GOVERNMENT		
	NATIONAL INSURANCE BENEFITS		
CSDG	Retirement pensions	70 781	76 258
CSDH	Widows' and guardians' allowances	604	608
CJTJ	Jobseeker's Allowance	735	674
CUNL	Incapacity benefit	6 391	5 826
CSDL	Maternity benefit	360	386
CSDQ	Statutory sick pay	72	135
GTKZ	Statutory maternity pay	2 160	2 195
ACHH	**Total National Insurance fund benefits**	81 103	86 082
GTKN	Redundancy fund benefit	245	419
GTLQ	Social fund benefit	2 381	2 459
FJVZ	Benefits paid to overseas residents	2 287	2 321
QYRJ	**Total social security benefits in cash**	86 016	91 281
QYJT	**Total unfunded social benefits**	27 814	30 314
	SOCIAL ASSISTANCE BENEFITS IN CASH		
CSDD	War pensions and allowances	944	1 000
CSDE	Income support	15 157	13 462
RYCQ	Income Tax Credits	24 655	26 602
EKY3	Child Benefit	12 257	12 105
EKY4	Non-contributory Jobseeker's Allowance	4 067	4 472
EKY5	Care allowances	8 154	8 578
EKY6	Disability benefits	13 167	14 207
EKY7	Other benefits	8 232	9 628
RNNF	Benefits paid to overseas residents	-	-
NZGO	**Total social assistance benefits in cash**	86 633	90 054
NMDR	**Total social benefits (Central Government)**	200 463	211 649
	LOCAL GOVERNMENT		
GCMO	Total unfunded employee social benefits	4 392	4 599
	Social assistance benefits in cash		
GCSI	Student grants	1 948	2 237
CTML	Rent rebates	5 441	5 706
GCSR	Rent allowances	16 722	17 505
ADAL	Total social assistance benefits in cash	24 111	25 447
NSMN	**Total social benefits (Local Government)**	28 503	30 046
NNAD	**TOTAL SOCIAL BENEFITS, (PROTECTION)**, T 5.1.4	228 966	241 695
	TOTAL PROTECTION AS % OF GDP	15.10%	15.47%

Source: UK National Accounts, 2013, Tables 5.1.4, 5.2.4S and 5.3.4S.

TABLE 2. UK TAXES AND THEIR YIELDS, 2011 and 2012

REF	£m	2011	2012
	TAXES ON INCOME & WEALTH		
DRWH	Household income taxes	149 103	145 776
NMDE	**NI** Self employed	2 641	2 458
GCSE	**NI** Employees	40 160	41 194
	TOTAL	191 904	189 428
CEAN	**NI** Employers	58 640	60 830
	OTHER TAXES ON INCOME & WEALTH		
ACCD	Corporation tax	42 267	39 694
DBHA	Petroleum revenue tax	1 775	2 106
BMNX	Other taxes on income	6 594	7 308
CDDZ	Motor vehicle duty (domestic)	4 889	4 933
BMNY	Nat non-dom rates paid by non-market	1 637	1 649
DH7A	Television licence fee	3 088	3 117
	Other current taxes	2 405	2 584
NMHM	Council tax, etc (local government)	25 748	26 105
NMGI	**CAPITAL TAXES**	2 936	3 129
	TOTAL	91 339	90 625
	TAXES ON PRODUCTION & IMPORTS		
NZGF	V.A.T. to central government	109 252	111 574
GTAM	Beer	3 429	3 425
GTAN	Wines, etc	6 439	6 775
GTAO	Tobacco	9 361	9 897
GTAP	Hydrocarbon oils	26 923	26 703
CJQY	Betting, gaming & lottery	1 206	1 207
CWAA	Air passenger duty	2 605	2 766
CWAD	Insurance premium tax	2 942	3 009
GTBC	Stamp duties	8 831	8 918
	Other	14 090	14 720
CUKY	National non-domestic rates	22 668	23 039
NZGX	**TOTAL**	207 746	212 033
	TOTAL TAXES AND COMPULSORY SOCIAL CONTRIBUTIONS Paid:		
GCSS	to central government	518 266	521 136
GCST	to local government	26 241	26 613
FJWB	to the EU (VAT & Import duties)	5 122	5 167
GCSU	**TOTAL**	549 629	552 916
YBHA	**GDP**	1 516 153	1 562 263
GDWM	**TOTAL AS % OF GDP**	36.25%	35.39%

Source: UK National Accounts (The Blue Book) 2013, Tables 1.2 and 11.1.

TABLE 3. FIGURES FOR UK 2009-12 and SCOTLAND 2012.

	UK 2009	UK 2010	UK 2011	UK 2012	Scotland 2012
Population: total	61,792,000	62,262,000	63,232,600	63,705,000	5,313,600
aged 65 or over	10,105,700	10,304,600	10,425,215	10,840,900	925,600
aged 0-15 inclusive	11,549,000	11,608,100	11,853,764	11,983,600	914,700
GDP £m	1,393,705	1,458,452	1,516,153	1,562,263	149,401
GDP *per cap*: £ per annum	£22,538.00	£23,527.00	£24,168.00	£24,627.00	£28,117.00
£ per week	432.24	451.20	463.50	471.00	537.76
INCOME £m	1,044,908	1,076,419	1,109,808	1,157,781	91,234
Mean Income *per cap*, (Y-BAR)					
£ per annum	£16,910.00	£17,288.54	£17,551.20	£18,174.10	£17,170.00
£ per week	324.30	331.56	336.60	347.59	328.39
BASIC INCOMES - EXAMPLE	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2014-15**
Full BI = 0.50 of Y-BAR: £ pa	£8,455.00	£8,644.27	£8,775.60	£9,087.05	£8,585.00
£ pw	162.15	165.78	168.30	173.79	164.19
Partial BI = 0.25 of Y-BAR: £ pa	£4,227.50	£4,322.14	£4,387.80	£4,543.53	£4,292.50
& Child BI £ pw	81.08	82.89	84.15	86.89	82.10
MEANS-TESTED BENEFITS*				n/a	
Pension Credit for single person,	£137.35	£142.70	£145.40	£148.35	
JSA/ESA Single person, aged 25 +	£67.50	£71.00	£71.70	£72.40	
JSA/ESA Single person, aged 16-24	£53.45	£56.25	£56.80	£57.35	
Carer's Allowance	£55.55	£58.45	£59.75	£61.35	
Child Tax Credit, 1st child (w/d 41%)	£59.29	£62.04	£62.71		
Child Benefit: 1st child	£20.30	£20.30	£20.30		
subsequent children	£13.40	£13.40	£13.40		
National Minimum Wage, £ per hour	£6.08	£6.19	£6.31		
INCOME TAX RATES & THRESHOLDS				n/a	n/a
Personal allowance	£7,475	£8,105	£9,440	£10,000	
Standard rate of tax	0.20	0.20	0.20	0.20	
+ National Insurance contributions	+ 0.12	+ 0.12	+ 0.12	+ 0.12	
Higher rate threshold (gross income)	£42,475	£42,475	£41,450		
Higher rate of tax	0.40	0.40	0.40		
+ National Insurance contributions	+ 0.02	+ 0.02	+ 0.02		
Additional rate threshold (gross income)	£157,475	£158,105	£159,440		
Additional tax rate	0.50	0.50	0.45		
+ National Insurance contributions	+ 0.02	+ 0.02	+ 0.02		

*Recipients of Means-Tested–Benefits are usually eligible for Housing Benefit and Council Tax Benefit also.

SOURCES: **PTO**

SOURCES:

Mid-year UK population estimates for 2009-10 & 2012 & Scotland 2012 were obtained from www.statistics.gov.uk/statbase/Product.asp?vlnk=15106.

Mid-year UK population estimates for 2011 were obtained from www.ons.gov.uk: 'Population and health' Table from regionalprofileskeystatisticstablesdecember2013_tcm77-291809.xls, published on 19 December 2012.

UK GDP = Gross Domestic Product (output method) at market prices, series YBHA, from Table 1.2 of the *United Kingdom National Accounts, The Blue Book*, 2010-13 editions.

UK GDP *per caput*, series IHXT, from Table 1.5, of *The Blue Book*, 2010-13 editions.

UK Income = 'Total Resources of Households and Non-Profit Institutions Serving Households', series QWMF, from Table 6.1.3 of *The Blue Book*, 2010-13 editions.

Scottish GDP in 2012 in cash terms, including the share of *extra-regio* activity occurring offshore from Scotland, = £150 billion, from Scottish National Accounts Project (SNAP) (experimental data) via http://www.scotland.gov.uk/Topics/Statistics/Browse/Economy/gdp

Scottish Income, 2012, = Compensation of employees + Gross Operating Surplus and Mixed Income + Gross Property Income – Total Primary Uses = £91,234 million, from Excel Table 16 (Households and Non-Profit Institutions Serving Households) of SNAP (experimental data) via http://www.scotland.gov.uk/Topics/Statistics/Browse/Economy/householdexpenditure.

Child Benefit and Child Tax Credit rates from www.hmrc.gov.uk
Tax rates and thresholds from www.hmrc.gov.uk

'Benefit and Pension Rates', April 2011 – 2013, BRA5DWP, or DWP035, from www.dwp.gov.uk.

'Proposed benefit and pension rates 2014-15', www.gov.uk/dwp.

REFERENCES:

Amior, Michael, Rowena Crawford and Gemma Tetlow, 2013, *Fiscal sustainability of an independent Scotland*, London: Institute for Fiscal Studies.

Beveridge, W, 1942, *Report on Social Insurance and Allied Services*,

Birnbaum, Simon, 2012, *Basic Income Reconsidered: Social Justice, liberalism, and the demands of equality*, Palgrave Macmillan.

Centre for Research in Social Policy, Loughborough University, 2008, *Minimum Income Standards*. www.minimumincomestandard.org/ready_reckoner.htm, published by the Joseph Rowntree Foundation.

Citizen's Income Trust, 2013, *Citizen's Income: a brief introduction*.

Cribb, Jonathan, Andrew Hood, Robert Joyce and David Phillips, 2013, *Living Standards, Poverty and Inequality in the UK: 2013*, London: Institute for Fiscal Studies.

De Wispelaere, Jurgen and Lindsay Stirton, 2008, 'Why Participation Income Might Not Be Such a Great Idea After All', *Citizen's Income Newsletter*, issue 3, pp.3-8.

Dorling, Danny 2012, *The No-Nonsense Guide to EQUALITY*, Oxford: New Internationalist Publications Ltd.

Jones, Stephen, 2013, 'Reshaping Public Services – a radical approach to reforming public services', (attached §).

Miller, Anne G, 2009, Minimum Income Standards: A challenge for Citizen's Income, *Citizen's Income Newsletter*, issue 3, pp. 6-14.

Miller, Anne G, 2011, Review of 'Universal Credit: Welfare that works', *Citizen's Income Newsletter*, issue 1, pp. 4-10. (A file containing the original of this paper will be attached, because the alignments in Table 1 have become corrupted on the website which make it difficult to understand. §)

Miller, Anne G, 2013a, 'A rule-of-thumb basic income model for the UK, with and without an earnings/income disregard. (Design and cost your own scheme), *Citizen's Income Newsletter*, issue 1, pp. 2-17.

Miller, Anne G, 2013b, 'Evidence in Favour of the Introduction of a Citizen's Income (CI) or Basic Income (BI) scheme in an Independent Scotland', to the Expert Working Group on Welfare, 8 March 2013.

Miller, Anne G, 2013c, 'How a generous Citizen's Income scheme, financed by a restructured personal income tax system, could help to regenerate local demand, and hence the national economy'. Summary of paper presented at the Social Policy Association annual conference, University of Sheffield, 10 July 2013, (attached §)

News item, 2010a, Re 'Partido dos Trabalhadores', *Citizen's Income Newsletter*, issue 2, p. 6.

News item, 2010b, 'Iran might be the first country to establish a Citizen's Income', *Citizen's Income Newsletter*, issue 3, p. 9.

News item, 2012, 'Namibian Basic Income Grant Coalition press release', *Citizen's Income Newsletter*, issue 2, p.8, col 2.

Orton, Ian, 2006, 'Why we ought to listen to Zygmunt Bauman', *Citizen's Income Newsletter*, issue 3, pp. 2-8.

Rowlinson, Karen and Stephen McKay, 2012, *Wealth and the Wealthy*, Bristol: The Policy Press.

Shrinivasan, Rukmini, 2012, Interview with Guy Standing, 'Social Insurance is not for the Indian Open Economy of the 21st Century', *Citizen's Income Newsletter*, issue 1, pp. 5-7.

Standing, Guy, 2013, 'Can Basic Income Cash Transfers Transform India?', *Citizen's Income Newsletter*, issue 2, pp. 3-5.

Tabatabai, Hamid, 2011, 'Iran's economic reforms usher in a *de facto* Citizen's Income', *Citizen's Income Newsletter*, issue 1, p.1.

Tabatabai, Hamid, 2012, 'Iran's Citizen's Income Scheme and its lessons', *Citizen's Income Newsletter*, issue 2, pp. 2-4.

Torry, Malcolm, 2009, 'Can Unconditional Cash Transfers Work? They Can', *Citizen's Income Newsletter*, issue 2, pp. 1-3.

Torry, Malcolm, 2013a, 'Review of Widerquist, Karl and Michael Howard (Eds), Alaska's Permanent Fund Dividend: examining its suitability as a model, 2012, Palgrave Macmillan', *Citizen's Income Newsletter*, issue 2, pp.8-9.

Torry, Malcolm, 2013b, *Money for Everyone, Why we need a citizen's income scheme*, Bristol: Policy Press.

Widerquist, Karl, 2010, 'Viewpoint article: Lessons from the Alaska Dividend', *Citizen's Income Newsletter*, issue 3, pp. 13-15.

Widerquist, Karl, 2011, 'Review Essay: Two memoirs Tell the History of the Alaska Dividend', *Citizen's Income Newsletter*, issue 2, pp.8-11.

Wilkinson, Richard, and Kate Pickett, 2009, *The Spirit Level: Why More Equal Societies Almost Always Do Better*, Allan lane.

Note: All issues of the *Citizen's Income Newsletter* are available to be read or downloaded from the website of the Citizen's Income Trust, www.citizensincome.org.

§ **ATTACHMENTS**:

Jones: 'Reshaping Public Services – Stoke Conference Notes Oct 2013 for sharing (2).docx'
Miller 2011: 'UNIVERSAL CREDIT Miller.doc'
Miller 2013: 'SPA 2013 MILLER REDISTRIBUTION A5.doc'