Citizens Income
newsletter

1998 - Issue 2 Winter

LEAD ARTICLE:

What can we expect from the Working Families Tax Credit (WFTC)?

Over the last few months there has been frenetic activity within Government departments as civil servants thrash out the finer detail of the Working Families Tax Credit (WFTC), to be introduced in just ten months time. From April 2000 employers will be required to make payments in the wage packet. Employers' associations have described this as a logistic nightmare. The Citizen's Income Trust, in its submission to the Social Security Select Committee's Tax and Benefit Inquiry, outlined many of the administrative problems likely to be encountered. We therefore welcomed the announcement of a public hearing of the Committee at the end of October when the Inland Revenue and the Treasury were invited to give evidence about implementation and logistics.

Yet the session had the element of farce about it. Apart from saying that WFTC was on course for implementation on October 29, we gained very little insight into what was actually going to happen. It seemed that most of the decisions on the 'finer detail' were being made behind closed doors. From April 2000 employers will have to find the money for the credit from their own cash flow, unless liquidity is tight, in which case, provided they apply 'in time' to the Inland Revenue, they can receive cash flow funding. As yet there are no figures available to indicate how big the burden for employers is likely to be. No arrangements have yet been made for employers who go under. No details yet of what happens in cases where people have multiple jobs (particularly relevant for the poorest members of our society whom the benefit is intended to help) and no idea how many such cases there are. And there is still no firm decision about how the self-employed will receive the credit.

Those who wish to apply will need to go to their local tax enquiry centres. It will be up to couples to decide who receives the credit. Sadly no provision appears to have been made to ensure that the most vulnerable will have access to a network of advice centres where they can receive proper in-work calculations. For example, the value of passported benefits, particularly free school meals, especially for part time workers, can be a key determinant as to whether or not work pays. There will be help line available (but will it be a freephone number?)

The disability lobby is hoping that the Disabled Families Tax Credit will have a greater take up than the current Disability Working Allowance. If so, it is essential that variability of health is taken into account.

Unfortunately the potential for fraud appears to be substantial. Yet the opportunity to design fraud out of the WFTC appears not to have been fully taken on board.

The impact of the childcare tax credit on the cost of childcare remains to be seen. At present there is no provision for childcare in the home e.g. by au pairs, nannies etc. which is essential for women who work unsociable hours and/or have flexible working patterns (and in many cases covers some of the most low paid professions). The Inland Revenue's estimated cost of the Childcare Tax Credit is £200 million (in 2000/01). An estimate by the Institute for Fiscal Studies put the cost in the region of £4 billion per year, if all eligible families were to spend the full £100 or £150 per week on childcare[1].

Alistair Darling recently admitted that the WFTC will costs taxpayers £1.5 billion more each year over and above the cost of Family Credit[2]. It is rather regrettable that commitment to such a high level of expenditure is being made without having given public assurances about practical difficulties of implementation. We just do not know what to expect.

What we do know is that if a Citizen's Income were to be introduced, we could be sure of an almost 100% take-up. It would help promote a more flexible labour market yet ensure that the most vulnerable would be protected. It would be simple to administer, without the need to put an extra burden on employers.

REPORT OF BASIC INCOME EUROPEAN NETWORKS' (BIEN) 7th CONGRESS (Amsterdam, 10-12 September 1998)

In the last issue of the Newsletter we promised readers a report on the 7th Congress of BIEN. This was a great success, stimulating, convivial and well organised.

The plenary sessions were focused on three themes: 'Full Employment Without Poverty', 'Sustainable Funding of a Basic Income' and 'Basic Income and Social Europe'.

The first guest speaker was Professor Joachim Mitschke, the most prominent academic advocate of *Bürgergeld* (or a negative income tax) in Germany. Social organisations and political parties there often actively discuss Bürgergeld and other (less radical) forms of Kombilohn or combinations of wages and benefits. The last plenary speaker was also from Germany, the internationally highly respected political scientist Fritz Scharpf. Scharpf is a sympathetic critic of an unconditional basic income. Although he believes Mitschke's Bürgergeld to be better in principle, his preference for the immediate future is for across-the-board reductions in social security contributions. This approach he believes to be more realistic than a basic income, both for financial reasons (which he qualified significantly in the light of the discussions he had in Amsterdam) and because of the moral appeal of a work-related notion of solidarity (which he finds more relevant

[1] See "Memorandum submitted by the Institute of Fiscal Studies to the Social Security Committee" in *Tax and Benefits: Implementation of Tax Credits*, HMSO ISBN 010 200 199 5 25 November 1998
[2] see reply by Angela Eagle to Julian Brazier in *Hansard*, 16.11.98 col 592

to the justification of national transfer systems than Paine-like appeals to a fair sharing of a common inheritance).

Between Mitschke and Scharpf, there were many other interesting contributions, including the traditional country surveys. Particularly striking was the upbeat presentation of the lively Irish debate by one of its main protagonists, Father Sean Healy of the Conference of Religious of Ireland (CORI).

In the host country, the Netherlands the situation is rather more ambiguous. On the one hand, compared to earlier peaks in 1985 or 1994, there is very little explicit interest in the discussion of "basisinkomen." On the other, the socialist-liberal coalition is planning, with Trade Union support, a tax reform that would practically amount to introducing a low unconditional basic income: income tax allowances will be abolished and replaced by an individual refundable tax credit granted to all except students at the level of about DFl 300 (150 Euro or 200 US$) per month, without "sollicitatieplicht" (i.e. not restricted to job holders or seekers). Given that Dutch students are all entitled to a non-means-tested grant and that the Netherlands already have a non-contributory and non-means-tested basic pension system, there is little difference in either net cost or expected effects between the pattern that should soon be in place in the Netherlands as a result of the planned reform and a genuine, though very modest, universal and individual basic income at over twice the level of Alaska's dividend.

In addition to the plenary sessions, a rich variety of papers were presented at nine thematic workshops. The organisers are thinking of publishing an edited selection of them as a book (Co-ordinator: Robert J. van der Veen, **vanderveen@pscw.uva.nl**). Providing some technical difficulties can be overcome, all the papers received on disk should become available shortly on BIEN's web site (**http://www.econ.ucl.ac.be/etes/bien/bien.html**).

The Basic Income European Network (BIEN) aims to serve as a link between ***individuals and groups committed to or interested in basic income, and to foster informed discussion on this topic throughout Europe.***
It is co-chaired by Ilona Ostner (University of Göttingen) and Guy Standing ***(International Labour Office). Its secretary is Alexander de Roo (European Parliament, Rue Belliard 97-113, B-1047 Brussels). Its next congress is scheduled to take place in Berlin in the autumn of 2000. Its web site carries recent issues of its quarterly newsletter and a comprehensive annotated bibliography (http://www.econ.ucl.ac.be/etes/bien/bien.html)."***

Fabian Society sets up new Commission on Taxation and Citizenship

Earlier this year the Fabian Society announced the setting up of a new Commission on Taxation and Citizenship, chaired by Lord Plant. The aim of the Commission is to 'stimulate a new public debate about taxation.' Over the next year or so, the Commission will undertake a programme of research to identify a set of principles that ideally should govern a modern tax system. We can look forward to a series of discussion papers throughout 1999 covering a range of issues, including the hypothecation of taxes, local taxation, the fairness of taxation and its role in the redistribution of income and wealth, and the possibility of introducing 'unevadable' taxes such as on energy and land. A final report, together with policy recommendations, is promised by the end of next year.

The Citizen's Income Trust welcomes the Commission's attempts to break out of the current mindset that taxation must inherently be a social 'bad.' We look forward to reviewing the findings of the Commission in future editions of the Newsletter.

POLICY DEVELOPMENTS: UK

Guaranteed Minimum Income for pensioners? Misleading the elderly?

In our last issue of the Newsletter we reported that the former Secretary of State for Social Security, Harriet Harman, had announced the provision of a guaranteed minimum income (GMI) for single pensioners on Income Support of £75.00 per week (£116.60 for couples) from April next year. Our view then, as now, is that it is hard to reconcile the GMI with the objective of reducing the number of people on means-tested benefits. This view has support elsewhere. For example, Paul Lewis writing in the *Daily Telegraph* (July 25) proclaimed that "Brown's promise to pensioners proves flawed." Last month (7 November) he again criticised the Government for not coming clean about the number of pensioners who will in fact be excluded from the rise, estimated to be nearly a million. These pensioners will be excluded, he wrote, not because they have weekly incomes above £75.00 per week, but because they have saved for their retirement (around 600,000) or because they are living in care and residential homes (300,000) or because they are living abroad (800,000). Those with savings of over £8,000 would qualify on income grounds but will be excluded because of the means test. According to Government figures (letter from the Rt. Hon. John Denham to Steve Webb MP), the number of pensioners in this position is set to rise to 600,000 by the year 1999-2000.

The guaranteed minimum income (GMI) is in fact nothing more then an enhanced rate of Income Support. As pointed out in our Newsletter, a single person on Income Support already receives £5.75 per week more than recipients of the basic state pension (a gap of 9%). From April 1999 this gap will increase to £8.68 per week (11.5% more). This is hardly providing encouragement to low income households to save for their retirement!

Before the General Election the Government committed itself to enabling pensioners to share fairly in rising national prosperity. It also committed itself to the basic state pension. From where we stand the GMI seems to do neither. "Sharing" does not equate to means testing. The basic state pension is falling ever further behind means-tested assistance. What is called for is an adequate basic state pension that is truly universal. If the delayed Green Paper on pensions does not address this issue, then the long wait for its appearance will have been in vain.

PRE-BUDGET REPORT SIGNALS THE END OF UNCONDITIONAL CHILD BENEFIT

The central message of the Chancellor's pre-Budget statement to the House of Commons on 3 November 1998 was "seeking to steer a course of stability amid a world of economic turndown." Increased productivity, support for enterprise, making work pay remain central themes of Government policy.

Tucked away on the very last page of the *Pre-Budget Report* is confirmation that Child Benefit will be raised by £2.95 per week for the first child from April 1999. For families in receipt of income-related benefits, the increase will be only £2.85 per week, which remains means-tested.

We are reminded that the Chancellor has said that if Child Benefit were to be raised in future, there would be a case "in principle" for higher rate taxpayers paying tax on it. The Government's commitment to universality, outlined in the Green Paper on Welfare Reform, refers only to those cases where Child Benefit "is already universal." We therefore assume that there will shortly be an announcement that for new parents, this will no longer be the case.

Apparently the Government is currently considering taxing Child Benefit for those paying tax at the higher rate. This is not a new idea. It was put forward by the Commission on Social Justice in 1994 and has some supporters in all political parties. It has to be examined in the context of individual taxation of married men and women, which has been in effect for several years and to which the Government has affirmed its commitment.

A report, *Taxing Child Benefit*, published by the Institute for Fiscal Studies this month, warns that taxing Child Benefit for individual higher rate taxpayers will raise only £70 million, just 0.1% of its annual cost. This is because for the great majority, Child Benefit is paid to the mothers, few of whom are higher rate taxpayers.

The annual cost to the Exchequer of Child Benefit is £6.7 billion, less than 7% of total government expenditure on benefits. It is cheap to administer, with only 2% of the budget being spent on distribution costs. An estimated 98% of those entitled to it actually claim it. Approximately 7 million families receive the benefit for 12.7 million children. Payment is mainly transferred through a post office giro account, or direct to the carer's bank account (predominantly mothers). Child Benefit is one of the most effectively 'targeted' benefits of all. Its universality is its strength and helps to secure some 'stability during economic turndown' for children. It may sound as if it would be 'fairer' to tax it, but all evidence leads to retaining its non-taxable, universal status.

GERMANY

Changes in Government – New Chances for Basic Income in Germany? Report by Roswitha Pioch, University of Leipzig

The voters decided. After sixteen years the era of chancellor Kohl came to an end. Since the Election on 27 September 1998, interest in German politics has increased. The Social Democrats and the Green Party have created a coalition with less upheaval than expected. At the same time interesting changes have taken place in the Opposition. The Socialist Party (PDS) got more than five per cent of votes - the crucial border line for getting the status as a fraction in the German Parliament. Thus we have a governing coalition made up of Social Democrats and the Green Party. The Greens are the Party, which promoted the idea of a Citizen's Income so much in the eighties. Also, there is a PDS in opposition in Parliament. Does this mean that the way is almost clear for a Basic Income?

To be frank though, none of the party programmes suggest the idea of a guaranteed basic income as an unconditional citizen's right. However, this does not necessarily mean that there will be no moves towards it.

Entitlement to social security in Germany is strongly related to prior employment. With dwindling opportunities of employment for all, this principle becomes problematic. The unemployed and people in low paid jobs and/or irregular employment do not earn enough to gain sufficient entitlements to social insurance benefits to cover their living costs. This problem is recognised by the Social Democrats, the Green Party and the PDS. Their parties' programmes share the commitment to a baseline of benefits within the social insurance scheme. However, the problem of being dependent on means tested social assistance will remain for all those who have never managed to satisfy the eligibility criteria for social insurance.

The Social Democratic Party hopes to solve the problem through the introduction of an active labour market policy. They still believe that the idea of full employment is just a matter of finding the right labour market policy. What we can expect from social policy under Social Democratic leadership crucially depends on whether, during their sixteen years of Opposition, they succeeded in reforming their party from 'Old' to 'New' Labour.

In the legislation following German reunification from 1990-94 the Green Party was unable to gain representation in Parliament due to the five per cent barrier. Around this time they gave up on pushing the idea of a Citizen's Income in their Party programme. In their concept of basic security, the Greens took what they believed to be a more realistic approach. They proposed a base line for basic income maintenance for both social insurance and social assistance (similar to the British Income Support) at a level slightly above the existing social assistance level. This was seen as a means of compensating for the cutbacks made under the previous administration. They remain committed to the principle of reciprocity, which they believe captures the prevailing mood of the German public i.e. only those who are seeking work should be entitled to benefits.

The Opposition is unlikely to challenge these views. The PDS, for example, remains conscious of the need to keep in touch with its support in the eastern Länder, where the work ethic remains strong. Their demands are limited to a basic level of social insurance, with a less bureaucratic but still means-tested social assistance.

The prospects for a Citizen's Income could be influenced by the appointment of the new Minister for Health, Andrea Fischer (Green Party), whose responsibilities include social security. She believes that the provision of a baseline level of income security should be kept separate from the existing social insurance scheme. Rather, it should be provided by a new institution that would cover both the employed and non-employed. That the Minister responsible believes in the need to end the distinction between the former and the latter could be regarded as a positive signal of a move towards a Basic Income. The eligibility criteria of the willingness to work, as a condition for entitlement is set to remain. Yet with the setting up of a new institution that will include all citizens, is a very positive development. Yet there is still a long way to go before there is full recognition of the right of all citizens to a guaranteed Basic Income.

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Labour Market, Flexibility and Welfare Reform SEMINAR SERIES REPORTS

Flexibility, Competitiveness and Benefits: at LSE on 17 September

Chaired by Christopher Downs, Southampton Institute

The second in this informative series of seminars attracted an equally interesting audience. This made for an excellent discussion. The theme was flexibility and security. ***Chris Downs*** of Southampton Institute took the chair. In his opening remarks he drew attention to the need to contrast apparent certainty and confidence about the benefits of flexibility and competitiveness with the popular debate about welfare and the sense of "crisis." The emergent policy vacuum had opened up the opportunities for putting Citizen's Income onto the policy agenda.

Ursula Huws, Director of Analytica Social and Economic Research, spoke of what she perceived to be a central contradiction running through EU policy, i.e. the promotion of flexible labour markets (with deregulation) vs. the need to avoid social exclusion. Empirical work suggests that flexible contracts tend to imply exclusion via precariousness, marginality and low pay. Potential remedies might include: extended employee status, more targeted benefits, encouraging private provision, a minimum wage to include hourly piece rates, social insurance credits for precarious employment, the elimination of thresholds (e.g. minimum hours), special insurance/pension schemes for the self-employed, equality of treatment, a universal reduction of working hours, new services to increase labour market choice, the individualisation of benefits and last, but by no means least, the introduction of a universal citizen's income. The overall message was that flexible working has many positive aspects but it needs to be underpinned by some sort of economic security.

Ken Mayhew, Director of the ESRC Research Centre on Skills, Knowledge and Organisational Performance, Oxford, gave an excellent critique of the efficacy of training initiatives. There were many routes to competitiveness and the route taken would determine the amount of income generated and the distribution of that income. In the aftermath of the recession of the early 1990s Britain has enjoyed recovery, sustained economic growth and low levels of inflation. Yet we had also experienced a widening inequality in pay, income and employment opportunities. Whilst it was possible to overstate the incidence of 'atypical' employment, it was important to explore what happened in the case of labour market misfortune. One in four people in the UK live in a household where income is less than 50% of the EU average. The incidence of low pay is extremely high.

The present Government emphasises education as the route to national and personal economic success, with welfare reform strongly linked to education and training. Yet despite many initiatives undertaken over the last 20 years, with the emphasis on certifying training (namely the now defunct NCVQ and the present NVQs), many employers remain 'uninterested' in the end product. A frightening statistic was that until recently 0 or 1 workers completed 40% of all NVQs. Of those completed, the predominant level achieved was level 1 or 2. NVQ1 would not be recognised elsewhere in the EU as a qualification. Statistics showed that whilst some 10-12% more people were now undergoing training, the actual volume of training had not increased. Mr Mayhew spoke of the occupational 'filtering down' effect, with very low social returns to university education. Many of the newly skilled were not being properly used. How could competitiveness be achieved therefore? The strategic choice to be made was between low and high product specification. In Britain a high percentage of businesses had opted for the former with a consequential low demand for skills. This reality needed to be contrasted with the Government's stress on 'education, education, education.'

The implications for the future were that the emphasis on low labour costs would remain, with a higher percentage of workers (more of whom would be skilled) facing a choice of low pay or no pay. This might or might not lead to noticeable economic success but the distributional implications are clear. A Citizen's Income would help the many, who would inevitably feel 'relatively deprived'. Mr Mayhew believed that a partial CI would be counter-productive because of the messiness it would involve. The more other benefits that can be dispensed with the better. The real cost of 'reshuffling' the benefit system at the bottom of the deck had to be considered.

Colin Williams, Lecturer in Geography at the University of Leicester, presented a paper entitled *From Workfare to Fair Work*. Mr Williams argued that the methods adopted to achieve full employment to date had not been successful. Far too many people remained economically excluded. The aim of his proposals was to develop full engagement by all, both in formal and informal activity. This involvement would be underpinned by an income that would satisfy basic needs and desires. There was an urgent need to take action to dismantle existing barriers to self-help. A survey undertaken at Southampton University had studied the extent and character of informal economic activity. Several barriers to self-help had been identified. These included lack of money, a lack of social networks, a lack of skills, fear of being reported to the authorities, the area of residence, and a lack of time (understandable in low income households, less so in no earner ones).

SEMINAR REPORT: Increasing Labour Market Participation, at LSE 12 November 1998

Chaired by Dr Bernard Casey, European Institute, London School of Economics

This was the last in the series of the Citizen's Income Trust's seminars on *Labour Market Flexibility and Welfare Reform.* Once again we enjoyed a high calibre of speakers with a wealth of experience to share.

Guy Standing, Director, Global Labour Market Flexibility Project, International Labour Office, Geneva (and Co-Chairman of the Basic Income European Network) gave a presentation based on his forthcoming book.

He introduced his presentation with a reference to the introduction of a partial Basic Income (*renda minima*) scheme in Brazil. In over 40 Brazilian cities a form of guaranteed income had been introduced for women with young children, with the condition that they must send their children to school. The experience had been most encouraging. Officials reported that it had helped to reduce child labour, had raised the self-esteem and economic activity of mothers, and had managed to provide transfers with minimal administrative cost.

Mr Standing spoke of the modern pre-occupation with the 'duty to labour', yet the principle of reciprocity was only demanded from the poor, not from the wealthy. Features of modern welfare state capitalism included the slowdown of economic growth in all industrialised countries, chronic mass unemployment, pervasive income insecurity and the erosion of universal benefits. Social fragmentation and detachment were common features of modern societies. Reintegration and human security were the great redistributive challenges. His agenda for the future was to promote distributive justice through pursuing equality of basic security. The debate about work vs. labour and occupations vs. jobs needed to be expanded if we were to be in a position to create occupational security for the future. If society were not prepared to guarantee this, then some compensation was needed.

A Citizen's Income could not be regarded as a panacea for solving such issues. Yet there were ethical justifications for it, such as the principles of equal inheritance, equal opportunity, occupational security and social inheritance. A citizenship income surely had a place in a feasible strategy for distributive justice.

Professor Bill Jordan, Reader in Social Studies at Exeter University, began by putting the case for a basic income strategy as the best approach to combining flexibility and security and for increasing labour market participation. Social justice and social inclusion could thereby be achieved more effectively than Welfare to Work plus extended means testing. A major problem that needed to be addressed was the criteria for eligibility: whilst the idea of a Citizen's Income assumed that it would be 'easy' to determine who qualified, within the wider European context it became a very difficult policy dimension. In a global context a basic income provided justification for a universal guaranteed income without the need for a closed system of operation. The issue of migration was a key concern. Organised labour had suffered declining returns within the global context, partly due to the fact that it was less mobile than capital. It also had to compete with a growing incidence of undeclared labour undertaken by illegal immigrants. If citizenship were to become the criterion for entitlement to a basic income, this would be most disadvantageous for those without status. If combined with an even more restrictive immigration criterion, it would be even more unjust. Professor Jordan concluded that the answer would be to have CI/BI regimes everywhere in the world, as embodiments of universal human rights.

Beatrice Hertogs, Confederal Secretary of the European Trade Union Confederation (located in Brussels) gave an inspiring and concise presentation of the trade union perspective. At the European Union level it was difficult to move the debate about labour market participation beyond the nationalist level. Social protection remained closely guarded as a national issue. All discussions about social protection were conducted within the employment framework. A key issue for all governments was a desire to reduce non-wage labour costs, which in turn created difficulties through declining social contribution receipts from employers. There were no guidelines for asking member states to compensate for these losses, which became increasingly difficult whilst governments were unwilling to increase the tax and fiscal burden. The ETUC tried hard to push for a shift in the burden from labour towards capital (so far without success) and would ultimately like to see more co-ordination of European tax policies. There was also considerable debate about the kind of taxes that should be levied, e.g. should environmental taxes be used to fund social security? There were many problems surrounding part-time workers, particularly in the area of pension provision and health care. It was not enough to rely upon derived rights as a solution. Equal treatment was not helpful for women if ultimately they qualified for less benefit than if they had relied upon the rights of a spouse. The Women's Group of the ETUC had argued the case for a basic pension. Ms Hertogs was convinced of the need to have a European interpretation of social protection if harmful competition between member states was to be avoided.

A booklet of conference proceedings will be published shortly. Please contact the Citizen's Income Trust if you would like to order a copy, price £5.00.

BOOK CORNER

Thatcherism, New Labour and the Welfare State, by John Hills This paper examines the extent to which the welfare state policies pursued by the Labour Government in its first fifteen months represent a break with those of its Conservative predecessor and with earlier policies put forward by Labour in opposition. Four linking themes are identified: the desire by Labour to shed its 'tax and spend' image leading to tight budget constraints; the strong focus on the promotion of paid work; measures intended to reduce inequality and relative poverty, but with controversy over benefit levels; and the new dominance of the Treasury in making welfare and social policy. Hills reminds us that some of the policies are a clear reversal of the Conservatives' approach, but in others the Government is continuing an evolution which was already underway, despite the earlier Labour rhetoric about 'thinking the unthinkable' on welfare reform. One notable example is the lack of Government action on strengthening the National Insurance system, despite the strong arguments of Frank Field (former Minister for Welfare Reform) in favour of social insurance based systems. Hills concludes that rather than "thinking the unthinkable", the policies that have emerged, "like the Titanic, but with a lisp" are "all too easily thinkable." This excellent and concise assessment of policy developments is available, free of charge, from the Centre for the Analysis of Social Exclusion (CASE) Office, London School of Economics, Houghton Street, LONDON WC2A 2AE Tel 0171 955 6679 Web site: http://sticerd.lse.ac.uk/case.htm

Beveridge or Brown? Contribution and Redistribution: The Real Social Security Debate by Sheila Lawlor
Dr Sheila Lawlor, Director of Politeia, argues the case for retaining the contributory principle on which Beveridge based social security. She believes that the restoration of the principle is central to social security reform and that Treasury efforts to integrate National Insurance with taxation should be resisted. Part I of the pamphlet provides a concise and useful overview of the history of NI. Part 2 examines Government attempts to reform social security, together with her own proposals for reform. Dr Lawlor clarifies the definitions of three widely used and often misunderstood terms: contributory principle, universalism and targeting. On universalism she writes: "The case for universalism is made on the left in terms of protecting the interests of the poor and avoiding dependency and incentive traps. It is also, they contend, more efficient. Abandoning it makes for greater division and a social security system which, because it is confined to the poor, becomes a welfare state of last resort as the middle classes take their earnings and contributions to the private sector." A good summary of the current debate, the pamphlet is available from Politeia, 22 Charing Cross Road, LONDON WC2H OHR, Tel 0171 240 5070 e-mail politeia@btinternet.com (price £10.00).

Microsimulation and Policy Debate: A Case Study of the Minimum Pension Guarantee in Britain by A.B. Atkinson and H. Sutherland. This excellent paper, published by the Microsimulation Unit in Cambridge, seeks to explore the relationship between microsimulation and policy discussion through a case study. The very topical issue chosen is the current debate over the reform of the state pension system, specifically Professor Atkinson's proposal for a minimum pension guarantee (MPG). The microsimulation model, POLIMOD, is used to examine the implications of the reform, including its costing. Starting from the assumption that a rise in the basic pension is ruled out on political grounds, the MPG is offered as a second-best alternative. The idea is to ensure that total pension income (state, occupational and personal) is brought up to a specified minimum. If this were to be £90 (as in most of their calculations) then a person with a basic NI pension of £62.45 per week plus occupational pension of £15.00 per week would receive an additional £12.55 per week. Whilst a 100% of withdrawal would apply, the MPG would not otherwise be subject to a test of current income or assets. The model presented here is described as an 'interesting intermediate route between an increase in the National Insurance basic pension and the extension of means testing through greater reliance on social assistance. It costs less than an increase in the basic pension and does not involve the intrusive means test of Income Support.' Highly recommended reading for current policy makers, the discussion paper is available from the Microsimulation Unit, Department of Applied Economics, University of Cambridge, Austin Robinson Building, Sidgwick Avenue, Cambridge CB3 9DE Tel 01223 335264, e-mail hs117@econ.cam.ac.

The Arithmetic of Tax and Social Security Reform: A User's Guide to Microsimulation Methods and Analysis by Gerry Redmond, Holly Sutherland and Moira Wilson. This is an invaluable book for all those who use (or interpret the output of) POLIMOD, Cambridge University's Microsimulation Unit's tax and benefit model. The book provides an illustration of the type of analysis an arithmetic model like POLIMOD can perform, and demonstrates the sensitivity of results to some of the key assumptions that can be made in carrying out a microsimulation analysis. It covers the model's construction, modelling assumptions and the model outputs. The study also offers those directly involved in the development of microsimulation models a guide to the types of data and modelling problems often encountered, as well as a record of one specific approach to dealing with them. Published by Cambridge University Press, 1998, ISBN 0 521 63224 2 (hardback), price £35.00 (US$59.95).

'A Basic Income Proposal' by Meghnad Desai: in *The State of the Future*, Social Market Foundation, October 1998 (Review by Hugh Baillie and Judith Diabate)

In this chapter Lord Desai claims to answer two questions: is a Basic Income affordable? If so, should it be universal? The theoretical arguments in favour are not so convincing when one looks at the figures. Desai argues that the current system of social security (i.e. the emphasis on means tested benefits and the current vogue for welfare retrenchment) is based on political ideology rather than economic theory. The past 15 years have seen a 'chronic demand' for the reduction of social security benefits as a share of the PSBR. Despite the enthusiastic adoption of managerial orthodoxy aimed at achieving efficiency it has not been possible to reduce the cost of welfare. The current vogue for the reduction and/or 'targeting' of welfare benefits is discriminatory and has led to an increase in 'social problems.' Furthermore, the steady increase in the welfare budget can be seen as a displacement of other social policies (i.e. the reduction in the public housing stock has led to an increase in the demand for housing benefits; the extension of means-tested benefits has led to a corresponding increase in those taking up sickness benefits). This in turn distorts Treasury figures and makes any projections based on these figures fundamentally flawed.

By challenging the implicit assumptions and ideologies within the current benefits and taxation system, Desai presents a coherent and accessible argument for the introduction of BI. However, in arguing that the current system undermines the two-adult household, Desai is implying that this is a desirable norm and (with the current government policies designed to promote and support two parent families and marriage) appears to be suggesting that alternative household arrangements (i.e. single parent families and same sex relationships) are based on purely economic self-interest rather than a positive choice. Instead of indicting free-market premise human nature and motivation, Desai tacitly supports them.

Desai proposes a Basic Income of £2,600 for all adults of voting age (£3,250 for those over 60). This could be financed by an increase in income tax (to 35%) combined with the abolition of means-tested benefits (i.e. Job Seekers Allowance, State pensions and Income Support). The main thrust of the argument is that the introduction of a Basic Income would not be as expensive as some have argued, if coupled with a fundamental overhaul of tax allowances and reliefs and/or an increase in the income tax rate. Lord Desai concludes that yes, a BI is affordable, should be universal and should be unconditional. Fine words, but given the rather confusing calculations much of the argument for a Basic Income is lost.

New Theory Group Launched with Basic Income Debate.
(Report by E C Stewart)

The London Political Theory Group kicked off its first 'Thursday Session' on November 5th with a discussion of moral theories surrounding the issue of basic income. Presented by Jurgen DeWispelaere, the paper - *Universal Basic Income: Reciprocity and the Right to Non-exclusion*[3] - generated considerable debate among the over one dozen political theorists in attendance.

De Wispelaere convincingly argued that traditional criticisms of universal basic income based on principles of reciprocity - that is compensation in accordance with contribution - are deeply flawed. He feels it is essential that we radically re-evaluate our conventional view of job rights. Where most view jobs as a private right or a personal property, we instead must consider the idea that each member of a society has a right to non-exclusion from the labour market.

Discussant Hans Kribbe, who specializes in conservative theory, offered significant objection to De Wispelaere's assertions. Kribbe said that De Wispelaere's argument does

[3] This is to be published as an Occasional Paper by the Citizen's Income Trust. It will be available early in the New Year.

not hold, claiming that the right to a job is relinquished once one enters the labour market. Other participants discussed how ideas of Basic Income might move beyond theory and into real world policy.

The London Political Theory Group was formed to encourage an inter-collegiate exchange among graduate students from the different colleges and schools in the University of London, while encouraging participation from students attending other universities. Operating on a bi-weekly basis, it aims to provide an environment of critical reflection where theorists can discuss their work with fellow students. For more information, contact **LPTG@lse.ac.uk**.