

Citizen's Income

newsletter

Issue 1

2000

Contents

CI Leader: New voice, new policy, new Britain	Page 1
CI Reports	Page 3
CI Findings	Page 6
CI Partnerships	Page 8
CI Book Reviews	Page 9
CI Extracts	Page 11
CI Diary	Page 13
CI Letters	Page 15
CI Resources	Page 16

CI Leader: New Voice: New Policy, New Britain

Within the UK new opportunities are emerging to encourage and promote the debate on Citizen's Income. The UK Government's programme of constitutional reform is having a fundamental effect on the relationship between citizens and the newly devolved structures of government. The impact of devolution and the consequences of transfer of power, have profound implications for policy formation.

We no longer live in a unitary state, with a single common identity. Representative bodies in Wales, Northern Ireland and Scotland, and growing interest in regional government in England, mean that Britain is now more diverse than ever. We now need much clearer rules for regulating relations between the constituent parts of the Union. Perhaps this is the time for a written constitution for the UK - a written constitution which has enshrined in it economic as well as social rights. There is now an urgent need, if we are to cope successfully with the tensions that will inevitably arise from the existence of powerful bodies in Cardiff, Belfast, Edinburgh and London. This is particularly the case for those working, researching and delivering programmes which focus on the relief of poverty.

The UK needs to be governed in the light of Britain's constitutional revolution. (People have suddenly realised that England has no democratic

structure of its own, and that its affairs are dealt with through a British Parliament in which MPs from outside England sit.) Under the current devolved framework, the Scottish Parliament has more powers than the Welsh Assembly does, and they both have different powers to the Northern Ireland Assembly. This means that there are certain areas where Westminster legislates for England alone, but others where it legislates for combinations of England, Wales, Scotland and Northern Ireland, for example social security.

On the 1 July 1999 a devolved Government for Scotland was inaugurated. On 29 October 1999 the Scottish Finance Minister Jack McConnell, announced funding of £300,000 for the Scottish Civic Forum over a 3-year period. This has been viewed as a sign of commitment to the new politics of participation. It is of course not the only means of involving civic society in the new politics but it is a vital part of the new Scotland. The all-party Consultative Steering Group (CSG) has endorsed the concept of the Civic Forum as one of several means of helping the participation of civic society in the decision-making process. The commitment to supporting the Civic Forum is set out in both the Partnership Agreement and the Programme for Government of the Scottish Parliament.

The Civic Forum will make a contribution to ensure that the Scottish Parliament is accessible, open and responsive and

Citizen's Income Newsletter
ISSN 1464-7345

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A Citizen's Income is an unconditional, non-withdrawable income payable to each individual as a right of citizenship

CI Leader:

should develop procedures which make possible a participatory approach to the development, consideration and scrutiny of policy and legislation. Within this framework mechanisms for encouraging participation include:

- social partnerships;
- consensus conferences;
- citizens' juries; and
- citizens' panels.

All of the above allow Scotland's citizens to review policy options or proposals and scrutinise policy implementation.

Some areas of business remain reserved for discussion at Westminster, for example social security. Devolution cannot be made to work in a purely Scottish, Welsh or Irish vacuum. It also requires changes in UK institutions if the policies and practices are to achieve coherence. Working in partnership is a clear objective which deals with both reserved and unreserved business. All three areas, Child Poverty; Poverty in Old Age and the Knowledge Economy for Action, identified by Gordon Brown, Chancellor of the Exchequer, Westminster for action, fall into this category of a joint action agenda.

Working in partnership is a clear objective

If the devolved governments move to a form of modern government, which means working together to develop services that respond to needs, a new forum for the debate about social security can be created. The priorities are to deliver high quality public services while protecting the interests of the community, and to continue to support new and innovative ways of providing public services. There needs to be a debate about issues that matter to people, and income is one of those issues. Devolution was developed and promoted to remove the perceived democratic deficit and directly engage people in real debate.

Devolution was developed and promoted to remove the perceived democratic deficit

These new political structures present the opportunity for policy formers and advocates to focus on the Britain of the future. They will give policy analysts access to a range of views, approaches and tactics. New debates are emerging and new mechanisms are maturing to deal with the dynamics of change.

It is through this system that discussions about citizenship economic rights take place: it is through such discussions about social income that the arguments for a citizen's income will develop. There are already exciting opportunities for debate: The Citizen's Income Study Centre will be participating in the newly launched thinktank, the Scottish Forum for Modern Government, by presenting the Citizen's Income debate.

Also, we are in the process of setting up our Cross-party Group at the Scottish Parliament, whose focus will be Citizenship Income, Economy and Society (CIES). All of this means rethinking the way Britain as a whole is governed.

The future for the CI debate is exciting

The future for the CI debate is exciting.

**Stuart Duffin,
Director CISC**

Making Pensions work for women

The benefits system for people over retirement age is different from that of younger people. In effect there is already a prototype CI for retired people in the form of the basic state pension, hence implementing a CI for pensioners poses fewer administrative, political and financial problems. By changing the structure and the level of the basic pension we can turn the basic retirement income into a Citizen's Pension.

Mary-Ann Stephenson, director of the Fawcett Society reviews and highlights some of the failings of the current and the emerging state pension provision in the UK, with particular reference to women.

Throughout the UK millions of women spend their old age living just above the poverty line. Because of the current pensions system many of those women face old age dependent on a tiny state pension supplemented by income support and other means-tested benefits.

The Government's Green Paper on Pensions, published in December 1998, detailed proposals to tackle this problem, proposals which were very wide ranging but also very complex. Like the pensions system designed under Beveridge in the 1940s, the proposals outlined in the Green Paper make the assumption that the average work pattern is one of more or less full-time, permanent paid work. For most women, (and increasingly for many men), that simply isn't and never has been the case.

Most women spend a lot of time caring for children and/or older relatives and neighbours. They may do part-time paid work for some of their lifetime, full-time paid work for some of their lifetime, and no paid work (though plenty of unpaid work) for months or years at a time.

The Government's proposals do include provision for people with caring responsibilities through carer's credits as part of the citizenship pension. And the State Second Pension has been designed to provide for the low paid (earning between the Lower Earnings Limit and £9,000). But the proposals don't fully take account of the way people, particularly women, move in and out of paid work and caring and from low to moderate earnings and back again

as their life patterns change. The different provision for different groups (state second pensions, citizenship pensions, and Stakeholder pensions) will make it difficult for the system to keep up with the lives of real people who move between one group and another.

The Government's plans include a number of different elements. The Basic State Pension, which it is proposed will remain prices-related rather than earnings-related, will be topped up by the Minimum Income Guarantee, which is intended to ensure a decent income in retirement. However, the MIG will be means-tested, making it in reality another name for Income Support.

A new State Second Pension (SSP) will be established for the low paid (those earning under £9,000 per year) and those who are unpaid because of disability or caring responsibilities. The SSP has been described as a replacement for SERPS, and will be earnings-related for the first five years. However, after five years SSP will be paid at a flat rate, becoming in effect a second basic state pension.

The SSP will treat people earning between the lower earnings limit for National Insurance contributions and £9,000 per year as though they were earning £9,000. In addition there are proposals for carer's credits for people who are not in paid work because of caring responsibilities. The proposal is that eventually people who have made full contributions (or received credits) will end up with a second state pension and basic state pension combined, which will be sufficient to keep them off the Minimum Income Guarantee.

Carers will be entitled to credits if they are receiving child benefit for a child aged five or under, or are caring for someone in receipt of disability benefits. In order to qualify for benefits equivalent to a £9,000 annual salary, a carer would have to be caring for 35 hours or more a week. However, carers who are also in paid work would only need to work for seventeen and a half hours a week (at the national minimum wage of £3.40 per hour) to earn over the lower earnings limit, which will also bring them a full state second pension equal to those earning

£9,000. Put crudely, the proposals put a cash value on caring of half the national minimum wage.

SSP contributions are not accrued during periods of unemployment. This, combined with increasing numbers of people in higher education or taking early retirement, will make it very difficult for large numbers of people to accrue full credits.

Once SSP becomes flat rate the only earnings-related element of the new provision will be the Stakeholder pensions. The Stakeholder pension is aimed at those who earn over £9,000 per year. Stakeholder pensions are intended to be more flexible than the usual personal pensions, and to attract lower charges. They should also permit individuals to make contributions from unearned income while out of paid work. This would allow better-off couples, for example, to make payments into the woman's Stakeholder pension during any period out of paid work because of her caring responsibilities. After the first five years there will be financial incentives for people with SSPs to move to a Stakeholder pension as part of a move to shift provision from the public to the private sector.

The different types of pension on offer make an already confusing system even more complex. Representatives from the pensions industry at a Fawcett seminar earlier in the year felt that the low charges allowed for Stakeholder pensions would give very little scope for companies to advise on different products, and little incentive to market them. There were also concerns that employers who currently offer occupational pensions may move to Stakeholder pensions, possibly using the opportunity to cut contributions.

The pensions proposals do bring some improvements for women although they do little for current pensioners or those nearing retirement. But they still don't provide pension entitlements for people who do unpaid caring work on the same basis as those in paid work. Providing an independent income for all our pensioners would cost money - but the costs if we don't are even higher, in terms of state benefits, long-term care, and health care, and in terms of the dignity and citizenship rights of every person living in the UK.

Mary-Ann Stephenson
Director
Fawcett Society

**A workshop organised within the framework of the
inter-university research project
"The New Social Question"**

BIEN Conference

held in Brussels (Belgium), 5 November 1999

The morning session, on basic income and negative income tax versus earned income tax credit and wage subsidies was introduced by Guy Standing, director of the programme on socio-economic security, ILO, Geneva. He asked the audience to distinguish between *job* and *occupation*, and challenged the idea of a *right to work* by highlighting the controls and impacts of labour-based strategies. He then put a powerful case for the *right to occupation*. His critique of Tony Blair's *Third Way* offered the workshop a means of applying the principles of a Citizen's Income to the issues of inter- and intra-group inequality.

Participants in this session included Stuart Duffin, director of the Citizen's Income Trust, who briefly analysed the structural changes in the UK tax system now being implemented, which, he said, would help (structurally) to pave the way for greater and more informed approach to the implementation of a Citizen's Income. He called for a reformation in social policy and a change in the rhetoric from *Work pays*, to *work pays but benefit works*.

Bea Cantillon, director of the Centrum voor sociaal beleid, UFSIA, Antwerp, was sceptical about CI, and said that before she could have confidence in it she would need a thorough analysis of the fiscal impact of such reforms.

Bruno Van der Linden, professor of economics at the UCL, Louvain-la-Neuve, developed his critique of Standing's work based on an analysis of incentives and productivity. He felt that the lack of incentives might cause problems in an economy whose welfare system was based on a Citizen's Income.

Back to Full Employment? Employment subsidies versus sabbatical grants

The afternoon session centred on basic income and negative income tax versus sabbatical accounts and career interruption schemes. Claus Offe, professor of political science at Humboldt University, Berlin, said that in modern capitalist market societies and their welfare states it is the labour contract which governs both the share of individuals in the

outcomes of production (viz their income) and their positioning into places within the system of the division of labour (viz their status). Being employed is central both in social and in economic terms. He believed that employment is the principal form in which people obtain a fair share in society as well as the way the society comes into being. Those contributing to discussions after Offe's paper were Ivo Marx, research fellow at the Centrum voor Sociaal Beleid, UFSIA, Antwerp; Pascale Vielle, professor of social security law at the UCL, Louvain-la-Neuve; and Iona Ostner, professor of comparative social policy at the University of Göttingen. They all agreed that contractual labour is historically a comparatively recent type of activity which is contingent upon a *free* agreement between employer and employee; is typically rewarded in monetary wages; is categorized into occupations; takes place in enterprises (at any rate outside the worker's household); and is embedded in the regulatory framework of organizational hierarchies, collective agreements, and statutory rules, none of which promote or provide for equality of opportunity. It was generally agreed that, in normative terms, this peculiar arrangement has been justified on the grounds that it safeguards the individual's autonomy and that it encourages his or her social integration. Sabbatical rights would provide both the time resources and the generalized challenge to perform non-market activities in the family and the community. They would also allow for spillover effects by making available those skills and experiences people have acquired in their working life to concerns and needs that the market fails to address in equitable ways, thus helping to create what has become known as *social capital*.

For further information: Yannick Vanderborght, Chaire Hoover, 3 Place Montesquieu, B-1348 Louvain-la-Neuve, vanderborght@etes.ucl.ac.be

Stuart Duffin
Director, CISC

Diary Dates

A CI presentation to parties interested in the debate in Ireland. A seminar headed by Stuart Duffin (Director CIT) discussing the importance of both theoretical and practical elements in the development of a Citizen's Income. The event will be of particular interest to those wishing to play an active part in the promotion of CI in Ireland. Anyone interested in attending, contact Martin Cavanna, Dept of Sociology and Social Policy, The Queen's University of Belfast, 24 College Green, Belfast BT7 1NN.

Tel: (01232) 335970

Visit our website

www.citizensincome.org

Diary Dates

A Fabian sponsored event on 15.1.2000 and 22.1.2000, at the LSE. Speakers will include John Prescott, Neil Kinnock, Ben Pimlott, Tony Wright, Gordon Marsden; talks and discussions on key Labour figures such as Keir Hardie, Ramsay MacDonald, Harold Wilson and Jim Callaghan; the roles played by the Fabians, the trade unions and the co-operative movement in the creation and development of the party; tracing the influences of Marxism, Methodism, Internationalism and the Third Way; and alternative futures for the Labour Party.

Tickets £20 or £10 unwaged. Contact The Fabian Society 0171 222 2176.

CI Findings

Workfare

Giovanni Aldo Brandini writes: Having written a report on Welfare programmes in the US and the 1996 Clinton reforms, I was invited by St John's College, Cambridge and the European Institute at the LSE to collaborate on a project that looked at the rationale behind welfare. Success in this field is usually expressed by figures showing a fall in the number of benefit claimants, e.g. a fall of 40% in the US between 1996 and 1999 and the creation of 144,600 new jobs and 92,000 places in training or community work in the UK during the same period.

But what of the underlying rationale that these figures hope to justify? Is the philosophy coherent, or is it just an electoral measure designed to placate new public values and to win votes from the middle class? Or does it underpin an attempt to regulate the poor and push wages down?

Workfare in the US and Welfare to Work in the UK have much in common. Workfare's redistribution is conditional on entry into a training scheme, assisted place or community job. The conditions specify precise time limits.

The logic of this conditionality relies on the old distinction between those in need who are deserving and those who are undeserving. This distinction began with Bentham's 1834 New Poor Law. The principle of less eligibility for those in the Poor House compared to those in the labour market was developed to induce the lazy to work. From Hayek onwards the neo-liberals have relied on the market for encouragement, although communitarians have stressed the role of civil society in taking care of those in real need.

The current political debate relies on a concept of citizenship that is based not only on rights but also on responsibilities. The American public is leading the way in supporting the view that a sound social contract relies on human dignity, achieved through economic self-sufficiency. Work brings both self respect and respect from others.

To be capable of forming a valid social contract, the individual must have the character to shoulder responsibility towards both the community and family. The dominant ideology believes that the cycle of dependency which creates an underclass can only be broken through incentives and sanctions; an authoritarian approach. The prescription for good citizenship is not only concerned with money, but also with work, education, marriage, family relations and respect for the law.

Returning to my basic puzzle, the underlying rationale is to move towards a just society. There is no definitive formula for this just society. It is, and will continue to be, based on the changing answers to questions that include: What are the boundaries of citizenship? What is poverty? What is the cause of poverty? What is the role of the family? What is the role of the state? What can influence human behaviour?

Intuitively all the reasons for Workfare fit together, but only as a reaction to the old logic of welfare. To build a new ideology we must return to the very foundations of the ideology and try to harmonise the sometimes conflicting ideologies (neo-liberalism, communitarianism, neo-conservatism, paternalism, even liberalism). In the US a start has been made with the T.A.N.F. system of 1996, which has allowed a certain flexibility in the policies and the inclusion of different methods.

The purpose of my work will be to clarify and disentangle these different rationales.

Giovanni Aldobrandini
St John's College,
Cambridge

CI Findings

Regulating for Employability

Martin Cavanna writes: The thesis will provide a theoretically-informed and empirically-grounded account of the relationship between deepening economic globalisation and contemporary policies to regulate the lives of unemployed people in Britain and the Republic of Ireland. The consequences this regulation holds for the well-being of the unemployed in each jurisdiction is also explored. Attention, also focuses on the growing significance of European integration and the role played by the institutions of the European Union (EU) in influencing policy formation in each jurisdiction. This is based upon an understanding of the EU as a product of, and response to, globalisation.

In the name of global competitiveness, fiscal prudence and the maintenance of work incentives, welfare-to-work orthodoxy seeks to justify the contemporary erosion of benefit levels for unemployed people and the application of ever-more punitive policing methods. A huge body of literature has challenged the injustices and inherent pessimism associated with this logic of no alternative paradigm. This thesis argues the case for the introduction of a universal, unconditional Citizen's Income (CI).

Critics have labelled CI the enemy of full employment and a covert mechanism to park the unskilled long-term unemployed. While CI in isolation is not a panacea for unemployment, I would argue it has the potential to reconcile demands for social justice with the creation and maintenance of full employment. Consequently, to be of real value to unemployed people CI must form the heart of a comprehensive package of reforms which include job creation and [re]training and education programmes. In this context, CI has the potential to facilitate real life-style choices and labour market flexibility while encouraging the progressive re-distribution of wealth and opportunities.

Sceptics rightly point to the global hegemonic grip of new monetarism, of which EMU is an important institutional expression, as the major structural and ideological impediment standing in the way of such a strategy. Every counter-hegemonic project, however, requires a catalyst. I argue in my thesis that CI has the potential to be that catalyst.

**Martin Cavanna, Dept of
Sociology and Social
Policy, Queens University
of Belfast**

Diary Dates

A New Architecture for Welfare

23rd February 2000. The Queen's University of Belfast, 20 College Green, Belfast.

Tel (01232) 335970

CI Partnerships

L'alliance BIEN

Duncan Burbidge writes: In order to widen our perspective and make contact with a comprehensive and growing range of people interested in the CI debate the CISC are negotiating an alliance with BIEN. The first of these initiatives will offer associates of the CIT membership of the Basic Income European Network at a reduced rate. (Details of the costs are given in our revised subscription rates.)

From 2000 onwards, **BIEN news flashes** will be e-mailed at more frequent intervals to anyone who wishes to be on the e-mailing list. In addition, the layout of the printed newsletter will be improved and sent twice a year to BIEN members only. We are discussing our role in the editing, production and distribution of the newsletter, which could mean that CIT and BIEN become joint publishers. "I am keen to work more closely with BIEN," says Stuart Duffin, Director of the CIT and CISC. "In this way we can exert and extend our influence and advocacy of welfare reform." "This is an excellent opportunity for CIT to develop its skill and expertise in dissemination and communication," says Evelyn McEwen, Chair of the Board of Trustees of CIT. Philippe Van Parijs, Secretary of BIEN, welcomes the alliance and looks forward to co-operative working: "It is an opportunity to strengthen the CI debate in the UK, Europe and beyond."

As the alliance develops there will be greater opportunities for comparative work and projects. This will also help in the development and promotion of CI education: the development of a teaching and learning pack for higher education institutions. In addition, it will facilitate political and community debate about the implementation of a CI. This alliance has been established to help move to where politicians, practitioners and the general public can engage in lively and thought-provoking debate on the issues that matter - income and the road to economic stability.

Duncan Burbidge
CISC

A New Basic Income movement in Sweden

Mats Høglund writes: The main political parties in Sweden, the Social democrats and the Moderaterna, are both heavily against any reforms in the direction of Basic Income. But towards the left of the political landscape the idea of an unconditional Basic Income gets more and more support. Accordingly it is within the Green Party and the Left Party that most of its supporters are to be found. In the other parties it (still) seems to be mostly individual outsiders who have declared their support.

To stimulate debate and to promote the idea, a network (or *People's Movement*) has recently been set up in Sweden. The goal of the movement is that Sweden should be the first country to introduce a genuine Basic Income. This may sound very utopian to most people in Sweden, but nevertheless it is a vision that we would like to share with others, and to discuss.

As a first step we organized a BI seminar in Gothenburg on 30-31 October, 1999. It proved a very positive occasion, although we had hoped for more people (we were about 25 altogether). On the Saturday we had four lectures, *The Swedish debate about Basic Income, Rights and Duties, The history of Basic Income* and *A human society*. On the Sunday the discussions continued, ending with a round table discussion on our future roles in the movement.

This seminar brought us together and our guests from abroad, Tony Walter and Eric Cristenssen, were both very inspiring. Our other speakers (Per Jansson, Valle Rune and Ingrid Svensson) were also very good. One of the results was that we were invited to Denmark in November to a meeting on BI. As these issues have been discussed more in our neighbouring countries, we appreciate and value every single contact and I shall be proud to announce when there is something more to say about how these issues are taken forward in Sweden. Meanwhile we would welcome ideas about funding our efforts.

Mats Høglund
Medborgarlön
Gothenburg

CI Book Reviews

Author:

Gorz, André.

Title:

**Reclaiming Work:
Beyond the
Wage-Based
Society**

Published by:

Polity Press, 1999

ISBN 0745621279

Reviewed by

Tapani Lausti

Finnish Institute, London

Tapani Lausti writes: Having earlier opposed the idea of Citizen's Income, Gorz has now become one of its most eloquent supporters. Even if CI cannot be achieved immediately, Gorz thinks its conceptualisation helps us imagine a future society which relies less on paid employment, enabling a more autonomous life-style for citizens. They would be able to participate in collective activities 'outside the power apparatus of capital and the state'.

Gorz emphasises the importance of granting each citizen a sufficient social income. The aim, after all, is to free people 'from the constraints of the labour market'. He writes: 'The basic social income must enable them to refuse work and reject *inhuman* working conditions. And it must be part of a social environment which enables all citizens to decide on an ongoing basis between the use-value of their time and its exchange-value: that is to say between the *utilities* they can acquire by selling their working time and those they can *self-provide* by using that time themselves.'

In answer to the frequent question of where the money will come from, Gorz points out that the whole of society is forced to look at its way of redistributing wealth to cover individual and collective needs. The amounts needed ultimately exceed the amounts distributed by and for production. 'It is the society and the state which are coming apart at the seams.'

As the foundation of the wage-based society erodes, the distribution of means of payment will no longer take the form of a wage but a *social income*: 'This no longer reflects the "value" of the labour done but the needs, desires and aspirations society chooses to meet.' Gorz concludes: 'When fully thought through, the universal grant of a basic income can be seen as equivalent to a pooling of socially produced wealth.' National product becomes collective property 'produced by collective labour in which it is impossible to assess each person's contribution'.

All in all, the concept of CI in Gorz's scheme helps to reveal 'the nonsensical nature of a system which makes unprecedented savings of working time, but turns that time into a disaster for those who save it, because the system can neither share it out, nor share out the produced or producible wealth, nor recognize the intrinsic value of *leisure and time for higher activities*(Marx)'.

Author:

Gorz, André.

Title:

**Reclaiming Work:
Beyond the
Wage-Based
Society**

Published by:

Polity Press, 1999

ISBN 0745621279

Ken Jackson writes: There is always a problem with theory: people don't always live up to its expectations. I well remember the theorists telling me that capitalism was going to collapse beneath the weight of people power. It didn't quite come true, did it?

Or look at monetarism. It was supposed to deliverer a lasting cure for all our economic ills. True, there was no doubt that inflation was running out of control. But monetarism only made matters worse in the end. One third of manufacturing suffered at its hands.

So it puzzles me that people should still try to fit society into a neat little theory. André Gorz has had a go. And he wants to take us to a new world, a world in which there is a sufficient unconditional basic income for all, co-operative economic structures and, centrally, a future beyond the simple wage packet.

This book is billed as offering 'a fundamental reassessment of the future of work from one of Europe's leading social and political thinkers'. Pity, then, that it is not

an easy read. Take the first sentence of this polemic: 'We have to learn to discern the unrealised opportunities which lie dormant in the recesses of the present.' Even allowing for translation from the French original, the author of *Farewell to the Working Class* could have made a bit more effort to entice the reader into his latest work. For those who struggle through the prose style, the book is about embracing 'the Exodus from work-based society' and the need to adopt a far broader definition of work, given today's global unemployment of 600 to 800 million, the predominance of 'insecure' new jobs, and what he calls the 'lost magic of work'.

moving beyond a wage-based society

His blueprint for 'moving beyond a wage-based society' argues for shorter working hours and a sufficient, unconditional social income to free us 'from the constraints of the labour market' (though the author also admits that for years he argued against the latter proposal.) He also supports the establishment of 'co-operative circles' and the 'collective appropriation of the new technologies'.

But working hours are not getting shorter: as most people know, they are getting longer and longer. Britain is developing a long-hours culture. One third of managers and a fifth of professionals work more than 48 hours a week. That's why the TUC has put working hours at the top of its campaigning agenda. It is a trend that is going to be difficult to reverse.

So why Gorz so optimistically highlights the examples of companies that are cutting hours is puzzling. Some companies may, but most do not. Nor will people vote for a basic social income. It sounds fine, but how to pay for it? And how would we tackle the whole question of disincentives to work?

Just look at the way welfare has discouraged some people from working

Just look at the way welfare has discouraged some people from working. By giving people a basic social income, why would people bother to work? On the very real question that society will end up short of labour if there are no incentives to work Gorz lamely admits: 'The only appropriate reply is "We'll have to see to it that this problem does not arise".'

I'm not sure that Gorz's theory would do much good. He would for instance, strip away the new WFTC, which will encourage those who are able to work, and gives them an opportunity hitherto denied. Such a programme is the antithesis to his project.

But the main problem with Gorz's theory is that it simply won't meet ordinary people's ambitions. Like many theories, it doesn't reflect what working people really want. It sounds good, but it would never work in practice.

For starters, people like money. It may seem a strange thing to say, but that doesn't make it any less true. It would be asking a great deal of my members to ask them to move to an economy without wages. I think they would feel it was moving back, not moving on.

That's not to say I would disagree with Gorz's condemnation of a society where we see huge wealth in the hands of a few, while the masses endure increasing job insecurity and, in many cases, poverty. He is right. And it is clearly wrong. It's about how we go about changing it that causes me to disagree.

***Reviewed by:
Sir Ken Jackson, General
Secretary of the AEEU***

Gorz appears to want trade unions to re-evaluate their aims, to reflect the simple ambitions we have. But we live in the world as it is. We've learnt from experience that you can't build castles in the sky. We have to build a better life in the world as we find it.

Stuart Duffin writes: The book contains a revised version of the material

Author:
Atkinson, A B

Title:
**The Economic
Consequences of
Rolling Back the
Welfare State**

Published by:
MIT Press, 1999,
ISBN 0-262-01171-9

Reviewed by
Stuart Duffinn CISC

presented as the Munich Lectures in Economics at the Centre for Economic Studies, University of Munich, 1995.

Many economists have attacked the welfare state by suggesting that transfer programmes are responsible for the fall in economic performance, and the cuts in spending are necessary to enhance growth.

In this series of lectures Atkinson suggests that policy programmes which reduces the impact of the welfare state may have negative side effects as this type of policy is based on an oversimplified view of the economy. He asks whether "Welfare arrangements affect economic incentives", and 'are there ways in which the welfare state exerts a positive influence on the modernization of the economy.' He provides insight into the role and consequences of unemployment insurance and considers the importance of a citizen's income and its impact on models of the labour market. His analysis of the character of the allegations made against the welfare state, will allow readers to reach their own conclusions. The book provides the reader with balanced reasoning about what is the future of the welfare state in the real world economy.

All books reviewed can be purchase through our website:
<http://www.citizensincome.org/reviews/index-shtml>

CI Extracts from the Press

**Out of
control:
Britain's tax
system
needs
massive
reform**

Britain's tax system has spun out of democratic control and become increasingly detached from the principles of good revenue raising. It is increasingly run along lines that suit the convenience of the Treasury, the Inland Revenue and the Customs & Excise, rather than those of taxpayers. These views set out in a paper by the Institute of Chartered Accountants in England and Wales or, at least, the tax faculty thereof.

The authors make two recommendations. First, they suggest that the government adopts a Code for Fiscal Simplicity. All new tax legislation would have to satisfy the test that it does not make tax law more complex or, if it does, provides adequate justification for the change.

Second, they suggest 10 tenets for a better tax system. These guiding principles would ensure that tax law is simple, certain, subject to proper parliamentary scrutiny and so on. But they do not really point the way forward.

Organisations ranging from parliamentary select committees to the Institute for Fiscal Studies have been banging the drum for years without success. It simply isn't in the interests of politicians to tackle the issue of tax simplification. The favoured solution is to take the whole question out of the hands of politicians and turn it over to something like a royal commission, chaired by a suitable non-partisan heavyweight. This should be given the chance to look at the problems free from such inconvenient distractions as elections.

Meanwhile, for those of a mathematical bent, I was tickled by one example of fiscal silliness contained in the FT. It concerns the effective tax rate paid by a married man earning a salary of £40,000 a year and claiming the new child tax credit, which will replace the married couple's allowance (for those aged under 65) from April 2001. The first £4,335 of his income falls within his personal allowance and is not subject to income tax. He does, however, pay Class 1

national insurance contributions of 10 per cent. On the next £1,500 of income, he pays the new 10 per cent starting rate of income tax and national insurance, making an effective rate of 20 per cent. This rises to 33 per cent on the next £20,165 he earns - basic-rate tax of 23 per cent plus national insurance. So far, so good. His effective tax rate is rising in line with earnings. Beyond £26,000, however, the system starts to go haywire. Between £26,000 and £32,335, the effective tax rate paid by our mythical salaryman drops from 33 per cent back to 23 per cent as national insurance contributions drop out of the equation.

It then leaps to an eye-watering 46.66 per cent on anything between £32,335 and £38,560 - higher-rate tax of 40 per cent plus the clawback of the new child's tax credit which, the bean-counters calculate, is like paying an additional 6.66 per cent income tax. It is only on income above £40,000, when the children's tax credit is clawed back fully, that the effective tax rate settles down to 40 per cent. Anyone who thinks this mishmash of effective rates is sane and rational should join the Inland Revenue forthwith.

*by Simon London.
Financial Times;
23-Oct-1999*

Welfare Challenge for Devolution,

A recent report from the National Association of Citizens Advice Bureaux tells of vulnerable people - elderly widows, single parents, asylum seekers - facing heartless bureaucracy, anxious waits, unpaid rent and threats of eviction.

Housing benefit, which goes to half a million people in Scotland, is, by general consent, in desperate need of reform. The Government needs no convincing. The Social Security Secretary, Alistair Darling, has spoken of an 'overwhelming' case for change. Tony Blair is said to take a personal interest in the subject.

But it was Gordon Brown who made a public declaration of the Government's intentions in his March Budget statement. Housing benefit, according to the Chancellor, 'is difficult for local authorities to administer; difficult for claimants to understand; and extremely prone to fraud'. Now that Labour has launched the Working Families Tax Credit - designed to make work pay - housing benefit is the next big welfare challenge.

Since the Chancellor called time on housing benefit back in March, things have gone ominously quiet. A green paper is promised 'later in the year', while ministers trawl through options drawn up by civil servants. Discussions are said to be 'protracted', which often means some form of power struggle - in this case between Gordon Brown's Treasury, which takes a keen interest in welfare reform; Alistair Darling's Department for Social Security, which controls benefits; and John Prescott's Department for Environment, Transport and the Regions, which looks after housing and local government in England.

But what about Scotland? The situation is peculiar. At a cost of £1 billion a year, housing benefit forms the biggest single element of public spending on housing in Scotland, ring-fenced within the block grant. Yet while power over housing and local government is devolved, power over social security is retained.

Since housing benefit is largely administered by councils (60 per cent of Scottish council tenants claim for all or part of their rent), the devolutionary stake in reform is huge. 'Housing benefit reform is unique in the challenges it poses for reconciling devolved and reserved policy,' says Michael Thain, of the Chartered Institute for Housing in Scotland.

That is the polite analysis. A less polite reading is that the executive will have no input at all into housing benefit reform. At a time when the housing minister, Wendy Alexander, is bent on pursuing a programme of transferring council housing

into the hands of non-profit-making housing associations or trusts. Investment in these new bodies will come from banks and building societies. They will want assurances that former council tenants will still have their benefit paid. 'If the Government wants to go ahead with stock transfers, it will want to make sure it does not do anything that could frighten lenders away,' says David Chalmers, deputy chief executive of the Dunfermline Building Society.

'We already lend to between 70 and 80 housing associations and co-ops throughout Scotland, so clearly any proposed change to housing benefit would have an effect on us.' 'We would expect to be part of the debate long before any changes are announced.'

So what kind of reform is the Government considering? Mr Brown gave a steer in his Budget statement, saying he wanted council and housing association rents to bear more relationship to the area and the type of house tenants are living in. At the moment, people who are claiming full housing benefit have no stake or interest in their rent, and no incentive to shop around for a cheaper place to live.

Pressure groups are worried by mention of a 'flat rate element' in their systems of housing support.

"In a high rent area, people could find themselves considerably out of pocket," says Peter O'Kane, of the London Housing Unit. "They could be driven out of the area, leading to social ghettoisation, or stay where they are and end up below the poverty line."

A built-in regional allowance could help cushion the impact. Another possibility is for tenants to pay a percentage of their rent - say 20 per cent, as with the poll tax. For the fictional Mackenzies, that would be £9 a week. But that introduces the danger that if they fell behind with their payments, they could face eviction and homelessness.

Housing organisations in Scotland have been lobbying Wendy Alexander, pressing her to link benefit reform with a fairer system of council rents. But the minister has resisted all temptations to stray into territory reserved for Westminster and the Scottish Secretary, John Reid. Housing benefit, however unglamorous, could prove an early test of Dr Reid's ability to argue Scotland's case at the Cabinet table.

**The Scotsman,
15-Sep-1999**

Diary Dates

Launch:

CI *Online*

CI agenda for 2000

27th January 2000

Institute of Fiscal Studies Seminar Series

1999 - 2000

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Government spending accounts for about forty per cent of national income. For each area of activity a large number of economic questions can be raised. Why should it be the purpose of government to spend on these items? What evidence is there on its effectiveness in achieving the aims of spending? How does public spending interact with private sector provision? Are particular funding arrangements appropriate in this area?

The editors of Fiscal Studies have commissioned a series of survey articles from distinguished academics covering the economic issues in public spending. Each paper will focus on a particular area of government activity. These papers will be published in the journal over the next three years.

To accompany the series, the authors have been invited to present preliminary versions of their papers for discussion at a series of associated seminars.

The first five seminars will take place at 10.00 a.m. on the dates shown below. Each seminar will last for about two hours and will cost £20 +VAT per person.

29 Feb 2000

Broadcasting, Culture & the Arts

Prof Sir Alan Peacock

The David Hume Institute

2 June 2000

Defence

Todd Sandler

James Murdoch Iowa State University
University of Texas

5 Sept 2000

Transport and Infrastructure

Clifford Winston

The Brookings Institution

For further information, contact IFS at
mailbox@ifs.org.uk.

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Stuart Duffin, Director of the Citizen's Income Trust and Study Centre and the Provost of Gresham College will chair the series.

Equal Opportunities, Equal Shares? A Theological Perspective

Dr Mike Northcote

Faculty of Divinity, University of Edinburgh

Monday 6 March 2000

Building an Effective Responsive Economy

Professor Stuart White

Department of Political Science, Massachusetts
Institute of Technology

Monday 13 March 2000

Promoting Engaged Citizenship

Dr Sean Healy

Director of the Justice Office, Conference of the
Justice of Ireland (CORI)

Monday 20 March 2000

Building Democracy: Developing a More Cohesive Society

Professor Bill Jordan,

The School of Postgraduate Medicine and Health
Sciences, University of Exeter

Monday 27 March 2000

All lectures will begin at 1.00pm and will last for 45 minutes with 15 minutes for questions and discussion. The papers will be published as a bound set.

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CI Resources

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As an educational charity, Citizen's Income relies heavily on the support of members. A small fee entitles subscribers to the following benefits:

- a quarterly newsletter
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- position papers on relevant initiatives

In addition, the Citizen's Income Educational Programme exists to provide universities, colleges and businesses with the means to conduct a series of informative seminars, conferences and lectures about Citizen's Income and the issues behind it. The programme may be operated independently or in collaboration with Citizen's Income employees. The programme will be made available online and in hard copy.

Back Issues

Back copies of the Citizen's Income Bulletin (previously BIRG Bulletin) which was the predecessor to the current Newsletter series are available, on request. A complete set of Bulletins and Newsletters going back to 1984 (which would provide an excellent source of reference for both individuals and researchers) costs £30 (48 Euro). Interested parties should please contact the CISC.

CI Online

The website is now up and running at <http://www.citizensincome.org>. It will be complete in time for the launch in the Vera Anstey Room, LSE on 27th January 2000, from 4 - 6pm

CIO is designed to provide a dynamic interface for the exchange of ideas, comments and suggestions. The website gives on-line access to much of the material at CISC, as well as up-to-the-minute information on current findings, forthcoming events, reviews etc. Please do make contact either by registering or commenting on any aspect of the site using the e-mail, links. An online debate on CI, which is funded by the Social Policy Association, will be a key part of this new development.

Users also have the opportunity to buy recommended and reviewed books online from the Amazon website, a link available online. Those buying books through our site will benefit from the savings that Amazon offers, while CIT will also receive up to 15% of the cover price.

Should anyone have any recommendations, comments or dates for the diary, please either use the online submission forms or contact CIT directly.

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