

CITIZEN'S Income

newsletter

Issue 1

2001

Contents

Editorial

Editorial *page 1*

Duncan Burbidge

Introduction: *page 2*

**An attraction for
Gladstonian Liberals**

Samuel Brittan

Rediscovering *page 3*

**republican political
economy**

Stuart White

Fair shares for all *page 13*

Michael S Northcott

Building democracy: *page 18*

**Developing a more
cohesive society**

Bill Jordan

Review: Stumbling *page 27*

towards basic income

Ian Gough

A prudent assessment *page 29*

of human nature

Richard H. Dwyer

This edition of the Citizen's Income Newsletter is a collection of papers on various themes surrounding the CI debate.

The leader has been contributed by Samuel Brittan, who makes the case for continued progress towards a simpler and more universal tax-benefit system.

Stuart White highlights the tension between utilitarian aggregation and the endurance of putative 'civil interests'. The maintenance of those civil interests is contingent on economic independence ('the republican property right') and Dr White develops the common ground between that independence and alternative forms of a Citizen's Income, as part of a wider Republican treatise.

Michael Northcott takes as his starting point the British Medical Association report on *Growing Up in Britain* to focus on the consequences of driving economies by inequality. He questions the dominant orthodoxy from a Christian standpoint, relating the teaching of the gospels to the deficiencies in modern society's wealth distribution.

Bill Jordan examines the forces that divide societies, the policies that can counteract these forces and the institutions necessary to allow social cohesion and the promotion of widespread democratic participation.

The breadth of approach represented throughout this collection is a reflection of the appeal of a Citizen's Income. Each paper makes its own valuable contribution to the debate in which we are all engaged.

Duncan Burbidge
Editor

Citizen's Income Newsletter
ISSN 1464-7345

CI Online
www.citizensincome.org

Citizen's Income Trust

Citizen's Income Study Centre

LSE, St Philips Building, Shetfield
Street, LONDON WC2A 2EX

Tel: +44 (0) 207 955 7453

Fax: +44 (0) 207 955 7534

E-mail: citizens-income@lse.ac.uk

Director: Stuart Duffin

Editor: Duncan Burbidge

Copy Editor: Duncan Burbidge

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

Introduction

Samuel Brittan

Financial Times

An attraction for
Gladstonian liberals.

Basic Income, and its near cousin negative income tax, have been under discussion for several decades. But the time may now be approaching when it becomes at least a candidate for the political agenda. One attraction of such measures is that they can attract supporters from across the conventional political spectrum. Most of the contributors to this issue arrive at basic income from some form of egalitarian or communitarian commitment. But it should be just as attractive to those classical or Gladstonian liberals who are happy with private property and unearned income, but worry that too few of us have it. I first started writing about the subject in 1973. The original attraction was that it could promote a form of capitalism which did not depend on the puritan work ethic. A further attraction was that I did believe that policies and institutions which priced workers out of jobs were the main cause of structural unemployment. But I was worried that there could be a good many workers whose market clearing pay was below the level that they would receive on the dole – let alone a more satisfactory minimum. Low pay is surely better than no pay, but only provided that those in low paid jobs receive top-up payments to lift them out of poverty. Indeed one of the severest criticisms of the “European social model” is that it exhibits a preference for fairly generous dole payments and early pensions rather than payments for the working poor. This will cost it dearly when the much discussed rise in the proportion of old people takes effect, and more and more beneficiaries will have to be financed from a smaller and smaller active population.

A third reason has been a desire to move away from the absurdity of the same households both paying tax and receiving benefit. A single payment to or from the state would be an obvious simplification. But tidiness is not an end in itself. Any such consolidation would have to be justified on the basis of higher take-up by those whom it is designed to benefit.

Gordon Brown deserves a lot of credit for introducing the top-up known as the Working Families tax credit and applying a similar approach to child and pensioner support. Yet there is danger of piling complexity on complexity. The Conservatives’ social security spokesman David Willetts has legitimately pointed, in a paper for Politeia, to eight different tax credits and allied measures introduced or planned by the present government, some of which are to replace each other! There might be about 20 people in the country who understand it all.

There are alternative ways out of this morass. One could try to go “back to Beveridge”. Benefits would be received as of right on a status basis (eg by those who are unemployed or elderly) and we would just have to face the tax and transfer burden involved. This is implicit in the Willetts approach.

An alternative route to simplification, and one which promotes both redistribution and personal freedom, would be gradually to remove the Gordon Brown conditions, above all the stress on proof of paid employment. Meanwhile, out of the existing plans, there is likely to emerge an integrated child tax credit which would taper off with income. It would not be too revolutionary a step to remove the taper. If childless adults were then brought into the net we would have a basic income, whether given that name or not. The staging post might be a Participation Income in which voluntary service or communal work would count on all fours with paid employment. Eventually we might hope to drop even this condition so that every household or person received the equivalent of the personal allowance as an outright cash sum, to be offset against tax liability, if any.

Meanwhile we should above all try to avoid a civil war between supporters of a continuing basic income paid over a lifetime and advocates of a capital lump sum for young people advocated as a “stakeholder” distribution. We need to move gradually forward on whatever front we can.

The recent Treasury windfall from the sale of mobile telephone licences was a missed opportunity. But there are likely to be other such windfalls in future; and using them for a modest citizens’ stake would be more imaginative than simply repaying national debt, even though it would be far from a costless option.

Rediscovering Republican Political Economy

Stuart White

Jesus College
Oxford¹

'Let their country therefore be a common mother to all the citizens; let the advantages which they enjoy there make them cherish it; let the government allow them a share in public administration sufficient to make them feel that they are in their home country, and let the laws, in their eyes, be nothing less than the guarantee of liberty for all.'

– Jean-Jacques Rousseau, 'Political Economy', 1755.

1. Introduction: interrogating the question

The question I have been asked to speak on is that of how to build a 'responsive' and 'effective' economy. I must confess to some uncertainty as to my ability to answer this question for you. For I am not, by profession, an economist, and therefore feel ill-equipped to approach the question as a professional economist would and as you might perhaps expect. I am a political theorist. I study the values that frame political debate and how these values might be embodied in alternative institutional arrangements. I study the traditions of thought that have emerged historically in an attempt to understand these values and the institutional means of their realization. From this standpoint, the question I have been posed seems to beg a set of deeper questions. Of course we all want a responsive and effective economy. But responsive to what demands? Effective towards what ends?

Historically, these questions have the focus of considerable debate, perhaps most especially at times of rapid economic change. In 18th century Europe, for example, philosophers and social critics agonized over the merits of the new commercial society that was growing up about them and did so, moreover, with a degree of open-mindedness that we may find hard to recapture today.² To be sure, a dynamic commercial society might maximize the level, or rate of growth, of commodity wealth. But is this necessarily a good thing? At what price might this growth in commodity wealth come? What values ought the economic system be designed to respond to, to be effective in promoting? Could the new commercial society be harnessed to these ends? If so, how?

One of the more noteworthy contributions to this 18th century debate was an article on 'Political Economy' that Jean-Jacques Rousseau contributed to the 1755 edition of Denis Diderot's *Encyclopedie*.³ Rousseau was writing at a time when the discipline of 'Political Economy' was still undeveloped. The normative premises of the discipline – that is to say, the view of the proper ends of the economy implicit in the discipline – were not yet fixed (and, for many practitioners, forgotten), but still an urgent matter of controversy and debate. What I want to do today is to engage with Rousseau's text and to try draw out of it some ideas which I think might be useful as we think anew about the ends of economic organization and how we might achieve them. Drawing selectively (but I hope, honestly) on Rousseau, I want to try to set out and explore a distinctive conception of political economy: what I shall call *republican political economy*. I think that our contemporary discussion of economic and social policy can be enhanced by attending to this neglected republican perspective.

2. A political economy of the common good

What end (or ends) ought the economy be responsive to and be effective in promoting? One indisputable answer is: the common good. But what is the common good? How do we, how ought we to, conceptualize it?

One familiar view interprets the notion in aggregative terms: to advance the common good means maximizing the amount of satisfaction or utility, or the amount of commodity or money wealth across members of the society (the precise maxim need not concern us here). Of course, holding all else equal, no one would dispute the intrinsic desirability of more of these things over less. All of us are probably utilitarians in this relatively weak sense. At the same time, I suspect that comparatively few of us are unconditional utilitarians. Few of us, I suspect, would, on due reflection, insist on producing more utility or wealth in the aggregate regardless of how this affects the distribution of utility or commodity wealth. Nevertheless, contemporary political discourse over the economy and economic policy is, I think, dominated by a utilitarian, aggregative conception of the common good. When politicians, including politicians of the 'centre left', tell us that 'Wealth has to be created before it can be distributed', they mean to express more than a banal truism. Very often, they mean to advance, and win our assent, for a controversial

value judgement: that the maximization of commodity wealth properly has precedence over increased equity in its distribution. This is the mind-set of 'commodity utilitarianism' which seems to dominate so much contemporary political debate.

It cannot be emphasized too strongly, however, that utilitarianism is only one, and probably not the most compelling, way of understanding what it means to promote the common good. In his article, 'Political Economy', Rousseau describes his conception of the common good using the concept of the *general will*. Economic policy must, he says, be crafted to respect the 'maxims of the general will'. The government 'must follow the general will in everything.'⁴ What Rousseau means by the general will can be explained, very roughly, as follows. As members of a given political community we all have certain legitimate expectations as to what membership of this community will bring for us as individuals. We all have basic interests which motivate our membership of political society and it is accordingly the proper function of the community to protect and advance these interests. These interests, our *core civil interests* as I shall call them, include our interests in life, in liberty, and in 'property', that is to say in having reasonable access to the resources necessary for the maintenance of life and effective liberty. The laws of our community satisfy a general will when, and only when, these laws are such that each member of the political community can plausibly affirm them as protecting his/her core civil interests in life, liberty and property. It is because each associate can will the laws as properly respectful of his/her core civil interests that the will underpinning the laws is putatively general – it is a will that all citizens could reasonably be expected to share without their having to deny the importance of their own core civil interests, without undignified self-abnegation.⁵

Commitment to the common good, on this view, is not to be equated with utility or commodity wealth maximization. Rather, respect for the common good sets a limitation on how far the community may engage in the maximization of these things. It may be that by adopting one set of rules of economic cooperation rather than another we could create an economy which produces greater aggregate commodity wealth or utility. If, however, these same laws leave some citizens without secure access to the minimum of resources they need for life and effective liberty (a notion I shall return to below), then these laws cannot be said to serve the common good; for they increase aggregate commodity wealth or utility only by sacrificing the most basic good, that is to say, the core civil interests, of some members of the community. But if protection of these interests is, as I have said, a legitimate expectation of membership in a political community, then the wilful frustration of these interests on the part of a minority implies that members of this minority are not being treated as full members of the community. They are being treated as expendable inferiors. This is contrary to the basic ends of political association for, as Rousseau says: '...does not the body of the nation make an undertaking to provide for the conservation of the least of its members with as much care as for all the others? And is the welfare of one citizen any lesser part of the common cause than the welfare of the whole state?'⁶

So, yes, our economic system must be responsive to, and effective at promoting, the common good. But the common good must be understood in the manner of Rousseau: in distributive terms, as affirming the inviolability of each citizen's core civil interests. This is the first and fundamental principle of republican political economy.

3. Freedom as the central element of the common good

To apply this principle we need to know more about the interests that define the common good. I have spoken of core civil interests in life, liberty and property. Liberty here is central. But what, more exactly, *is* liberty? For Rousseau, liberty is, in its negative aspect, *independence*; and, in its positive aspect, *self-direction*. One enjoys independence when one is not under the direction of another, or under the open-ended threat of direction by another: '...the worst thing that can happen to one in the relations between man and man,' Rousseau tells us, 'is to find oneself at the mercy of another.'⁷ Self-direction, by contrast, consists in forming a will of your own and then acting in conformity with this will; it presupposes a degree of self-possession insofar as those who are too open to the influence of others will be unable to form a will of their own, or to act consistently upon it.⁸ Independence is a necessary condition for self-direction; self-direction, the positive use of independence. Rousseau regards liberty, understood as independence and self-direction, as having a primary, non-negotiable value to us. In part, this is for prudential reasons: 'each alone is the judge of how best to look after himself...'⁹; each is intolerably vulnerable to abuse when he is subject to the direction of another.¹⁰ But, in addition, liberty is essential to our ethical personality, the personality we manifest by making and following our own

judgements as to the good and the just. We compromise this personality, and so compromise our humanity according to Rousseau, when we allow another to substitute his/her will for ours: '[t]o renounce our freedom is to renounce our character as men, the rights, and even the duties, of humanity.'¹¹

The common good at the heart of republican political economy is, centrally, liberty in the above sense. To serve the common good, the laws must therefore adequately protect each citizen's interests in independence and self-direction. Only if the laws achieve this task will all citizens, as individuals who care about their own freedom, be able to give their assent to these laws. And such universal assent – that is to say, the emergence of a real general will – is itself important to our freedom. For if the laws are able to win the assent of each and every citizen then, in obeying them, each and every citizen may be said to be obeying the dictates of his own will. Obedience to authority is, in these circumstances, not subordination to an alien, external will, and so a curtailment of one's freedom, but an exercise of one's power of self-direction, and thus, an expression of one's freedom.¹²

But if liberty consists in independence and self-direction, what sort of laws are necessary to protect it? What are the conditions of effective freedom that the laws must guarantee? Rousseau is clear that freedom has an economic basis. Poverty jeopardizes independence and self-direction. In a state of material desperation, a poor man (we should add, woman) will be forced to enter into arrangements that compromise his/her independence. Rich employers, in buying the labour services of the poor, may well buy the right to dominate their lives. So freedom, understood as independence and self-direction, requires for its maintenance a material or economic independence. And so, if an economic system is to be responsive to, and effective in promoting, the common good, then it must, first and foremost, be responsive to this basic interest in economic independence. In Rousseau's own words: '...no citizen should be rich enough to buy another, and *none so poor that he has to sell himself*'.¹³ Now this interest in economic independence, as one aspect of our core civil interest in liberty, in turn suggests a very particular understanding of the right to private property. This *republican property right*, as I shall call it, is not a right to private property of the laissez-faire kind – the right to acquire (almost) unlimited amounts of property through voluntary, unregulated exchange with others. It is, rather, a right to private property as a claim-right of citizenship: a right of reasonable access, held by each individual against the community at large, to that decent minimum of property (income and wealth) which, in the circumstances of the time and place, is necessary to maintain economic independence. People may be free to acquire income and wealth in excess of this minimum; but only in ways, and to an extent, that is consistent with universal access to said minimum – beyond this, 'property is theft'.

At the policy level, this republican property right might be instituted in a number of ways. I cannot review them all here. But turning to present-day policy discussions, there is, of course, a clear affinity between this republican property right, as I have called it, and the proposal for a Citizen's Income (CI): a periodic income grant paid to all citizens as individuals without any test of means or of willingness to work. One of the more attractive features of a CI is precisely the independence that it would confer on its holders, protecting them against market and perhaps domestic pressures that might otherwise compromise their freedom. However, I am not sure that CI is strictly the only, or even the best, policy instrument which could be used to implement the republican property right. Also pertinent here, for example, are present-day proposals for what we may term Citizen's Capital (CC). CC proposals envisage each citizen receiving a capital sum on maturity that he/she would then be free to draw upon as he/she chooses over the course of his/her working life (and, beyond that, for retirement). In some variants of the proposal, the CC grant is given to all citizens at a specified age as a simple cash lump-sum. In this vein, for example, Bruce Ackerman and Anne Alstott have recently argued that all US citizens should receive on maturity a grant of some \$80,000 (financed from a combination of inheritance and wealth taxes).¹⁴ In other variants of the proposal, the CC is given as a set of credits which can in turn be used to help finance specific kinds of activity, such as education, training, active job search, or the establishment of a new business. In this vein, for example, David Nissan and Julian Le Grand have recently argued that all British citizens should be endowed on maturity with a grant of some £10,000 which would go into an individual Accumulation of Capital and Education account (financed from a revamped inheritance tax).¹⁵ Each 'ACE' account 'would be handled by a set of trustees, whose purpose would be to approve the spending plans of individuals before releasing any

capital.¹⁶ Nissan and Le Grand mention education, training, business start-up costs, and housing down-payments as possible approved uses for the grant. The conditionality of these latter CC proposals might be defended on the grounds that requiring citizens to make use of their share of the national patrimony in certain ways, e.g., to finance the development of marketable skills, contributes more effectively to the underlying end of economic independence. To use a phrase that comes directly from Rousseau, the conditions on the use of the individual's CC can perhaps be justified as a way of forcing the individual to be(come) free.¹⁷

Proponents of CI might well argue that the conditional variants of the CC proposal are objectionably paternalistic. However, in pressing this objection they should realize that CI itself can be criticised as paternalistic relative to the alternative of an unconditional lump-sum CC grant. A worry with the unconditional lump-sum variant of CC is that recipients might become what Bruce Ackerman and Anne Alstott call 'stakeblowers', blowing their entire grant, and with it their future economic independence, on a few wild nights of gambling and carousing in (say) Atlantic City. To prevent people alienating their future economic independence in this way we can instead pay them a periodic CI. Of course, I might blow this month's CI cheque irresponsibly. But next month brings a new cheque and a fresh opportunity to change my ways. It is harder (though, depending on the nature of the credit market, perhaps not impossible) to alienate permanently my economic independence. But if CI is plausibly defended on paternalistic grounds against unconditional CC, why can we not also defend a conditional form of CC against CI on the same grounds?¹⁸ As far as Rousseau himself is concerned, I am not sure he would have been all that enthusiastic about the CI proposal. His reference point, and to some extent his ideal, was the artisan who enjoys and maintains economic independence through self-directed work.¹⁹ I think he would have seen the non-work made possible by a substantial CI as likely to result in a sort of moral laxness that, in turn, would undermine the individual's genuine independence of mind and spirit. The job of the state is to assure us the tools we need to get and do honourable work, but not to take the responsibility of work from us. The duty of the state, Rousseau insists, 'does not consist in filling up the granaries of private citizens and dispensing their owners from work, but in ensuring that prosperity is always sufficiently accessible that, in order to acquire it, work is always necessary, and never superfluous'.²⁰

Whatever Rousseau would have thought, however, we do not necessarily have to choose between CI and CC. As we think about how we might secure universal economic independence in contemporary circumstances we should, I think, explore the possibility of incorporating a modest CI into a CC program. If we can get a sufficiently generous CC system up and running, then we might allow some portion of the relevant grants to be drawn as income supplements (subject, perhaps, to ceilings on how much could be drawn down in this way per month or per year). Under the rubric of CC we would then have, in effect, a modest time-limited CI. Individuals would not be entitled to draw a substantial CI indefinitely; but those eligible for the CC would have a modest CI entitlement in the background which, prudently managed, they could trigger to assist them in moments of crisis or transition. And this could crucially increase their economic independence in these moments of difficulty. (I envisage this time-limited CI functioning, note, as a complement to a more conventional, work-tested system of income support, not as an alternative to it.)²¹ Many issues remain to be considered, of course, e.g., that of how we might moderate the intergenerational inequalities associated with the establishment of a CC program; but I hope to have said enough to stimulate interest in the possibility of an integrated CC-CI program as one possible way in which we might better secure the republican property right in contemporary circumstances.

4. Republican finance, civic virtue and patriotism

Let us recap. A republican political economy is focused on the common good. It understands the common good to refer centrally to the common and inviolable interest each member of the community has in liberty (independence and self-direction). It understands that the protection of this interest in turn has important implications for the structure of property rights. Specifically, the right to property must be understood as referring centrally to various citizen entitlements which form a reliable basis for each person's economic independence. But how are these entitlements, a CI, CC, and so forth, to be financed? 'Where's the money to come from?'

In his 'Political Economy' article, citing the example of Rome, Rousseau suggests that the state draw a portion of its funds from a 'public demesne': from the rents accruing on publicly-owned lands.²² Republican public finance looks, then, to public asset ownership as one important source of revenue: common assets to provide the funds for protecting the common liberty. Interestingly, this old republican idea has resurfaced in recent attempts to rethink the political economy of the 'centre left'. Gerald Holtham has argued, for example, that rather than taking over ownership and management of particular firms or industries (old-style nationalization), the state should instead gradually acquire a portfolio of shares across the economy (with management of these funds delegated to a third party). Over time, the value of this 'Community Fund' would rise with the appreciation in share values, eventually providing the state with a significant source of revenue independent of taxation.²³ Community Fund ideas can, of course, be explicitly linked back to CI or CC programs.²⁴ However, it must be acknowledged that the immediate pay-off from the establishment of a Community Fund is likely to be rather small – indeed, is likely to be negative in the very short-run in which tax revenues, instead of being used to finance public services and benefits, are being used to get the Fund started. Holtham envisages using proceeds from reformed inheritance and capital gains taxes to establish over a ten year period a Community Fund of £50bn. If the rate of return on the Fund is 6%, and the Fund is left to grow at 3% per annum, the Fund would then offer the rather modest sum of £1.5bn for public spending in its first year of operation (ten years from inception). Of course, in the very long-run, such a Fund would accumulate and offer a much larger annual sum for spending purposes. In this way, it could transform the strategic possibilities open to republican-minded governments in a couple of generations time. And this, in my view, is why a Community Fund is probably worth establishing – not because it is likely to do much to redress problems of limited economic independence here and now (indeed, as said, it may even detract from this objective in the very short-term), but because it may make it easier for republican governments to address these problems in years to come. It indicates one way in which we might begin now to craft a more genuinely republican economic constitution for the long-term.

In the medium-term, however, and probably even in the long-term, public asset ownership cannot substitute for taxation. Thus, if we are to make the economy serve the end of the common liberty then we must be willing to bear the taxation (and other burdens)²⁵ necessary to secure this end. But can we be confident that our fellow citizens – indeed, that we ourselves – will be willing to pay the necessary taxes? Even if an individual accepts that a specific policy best promotes the common liberty, his 'personal interest,' as Rousseau says, 'can speak to him quite differently from the common interest: his mode of existence, absolute and independent, can make him regard what he owes to the common cause as a gratuitous contribution, the loss of which will be less onerous to others than its payment is for him...'²⁶ I might readily agree that the common liberty is best secured if citizens in general pay taxes according to a certain schedule and yet wish not to pay the relevant taxes myself. According to one influential, and quite plausible, line of analysis, this has become a prevalent mind-set amongst British voters, and one that sets very serious constraints on the adoption of more redistributive policies that, from the republican standpoint, would secure the common freedom. My sense is that to a considerable extent the modern 'centre-left' takes this mind-set as a given, and sees politics as a struggle to tacticize (I will not say strategize) around it. From a republican perspective, however, while this may be understandable in the short-term, it is inadequate for the long-term. Over a longer time frame, the mind-set must itself be challenged.

The ability to subordinate self-interest to the common good – or, more accurately, to pursue one's own interest through, rather than against, the common good – is the essence of what republican political theorists term *civic virtue*.²⁷ Civic virtue, in this sense, is the truly distinguishing feature of the person Rousseau terms 'Citizen': a citizen is not merely the occupier of a certain legal status, but a special kind of moral agent. But citizens, as moral agents of this special kind, cannot be taken for granted. They have to be made. 'It is not enough to say to the citizens: 'Be good.' They must be taught...'²⁸ Hence in his article, 'Political Economy', Rousseau puts great stress on the importance of civic education: an education that inculcates an appropriate spirit of *patriotism*: 'a vigorous and pleasurable feeling which joins the power of self-love to virtue in all its beauty, giving it energy without disfiguring it, and so creating the most heroic of all passions.'²⁹ A patriot, in the republican sense, is not a national chauvinist, but someone who cares enough about

his/her fellow citizens to support and protect the laws, to pay the taxes, that are necessary for the common liberty.³⁰ So if republican political economy is to have any relevance in our own setting, we must find a way to strengthen this very specific form of patriotism. In part, of course, this is a matter of what goes on in our schools, and Rousseau was eager to get children started on a program of civic education at the earliest possible age: '...since we participate from birth in the rights of citizens, it is at the instant of our birth that the exercise of our duties should begin.'³¹ But life in the polis ought itself to constitute a form of ongoing civic education. So how can we, starting in Britain today, better frame our polis so as to nurture our depleted stock of patriotism? What kind of institutions might we establish or harness for the task of promoting civic virtue? I cannot answer this question fully here, and that is only in part due to constraints of space. But I will briefly note three ideas that have already gathered some attention in contemporary policy debates and which I think may have some relevance in addressing this task.

- (1) *Citizens' service.* One such idea is the proposal to introduce some form of non-military national service – a 'Citizens' Service' scheme that would offer school-leavers the opportunity to engage in a range of socially beneficial work programs (e.g., in social care, security, environment). In the US, Mickey Kaus advocates a compulsory national service program of this kind on the grounds that it would help to break down class (and race) barriers and foster a greater sense of common citizenship – a sense that we are not merely individuals whirling about in competition with each other, but sharers in, and joint contributors to, a common national project.³² Interestingly a number of advocates of CI, including Ronald Dore and Philippe Van Parijs, have recently floated similar ideas.³³ A voluntary Citizens' Service scheme was also suggested in the final report of the 1994 Commission on Social Justice.³⁴
- (2) *A written constitution, incorporating a statement of the community's commitment to economic justice.* A written constitution arguably has a key role to play in cultivating the required sentiments of republican patriotism. Ideally, a written constitution represents a provisional codification of the more fundamental 'maxims of the general will'. Having such a constitution, and framing policy debate in terms of it, can help keep alive to our minds these maxims and help continually to renew our commitment to them. Such a constitution ought to include, in addition to an enumeration of basic civil and political rights, a statement of how the community understands economic justice and a corresponding statement of basic objectives in economic and social policy. The point is not so much to create a long and detailed list of litigable welfare rights, but, as said, to help ensure that future debates in these areas are framed in a way that encourages participants to be more attentive to the economic conditions of the common liberty. The aim is to create a climate in which politicians would have to defend their actions in these terms.
- (3) *Deepening democracy.* There is growing interest at present in new forms of democratic participation in the social services and local government such as deliberative opinion polls and citizens' juries, e.g, to help with resource allocation decisions within the National Health Service.³⁵ Use of juries and similar institutions in these contexts may improve decision-making in the relevant policy areas (though this is obviously something that can only be confirmed on the basis of appropriate empirical research). But it is possible that participation in such institutions may also offer a way to build capacities for republican citizenship by increasing citizens' knowledge across policy areas and their awareness of the circumstances of other citizens, and, given a written constitution along the lines suggested above, by increasing their familiarity with the application of basic constitutional values in the resolution of policy issues.³⁶ Deepening democracy in this way, through an extension of the jury system, is undoubtedly expensive (as the jury system is, of course, in criminal trials). But, if new democratic institutions can contribute over the long-term to the development of stronger patriotic sentiment, it may prove to be a false economy to set them aside in view of their immediate cost.

The key point is that, from a republican perspective, economic policy is necessarily intertwined with questions of political design. The political life of the community must be structured in a way that supports the civic virtue that is in turn necessary for just economic life. Whatever the merits of the specific proposals just mentioned, this question of political design is one that a republican approach to the economy must confront.

**5. Conclusion:
renewing the
republican vision**

A republican political economy, as I have explained, takes the common good, understood as referring fundamentally to each citizen's inviolable right to liberty, as the immediate focus of its concern. This distinguishes it from the perspective I have called commodity utilitarianism which takes as its primary concern the maximization of the rate of growth of commodity wealth. In adopting a republican perspective are we, then, necessarily abandoning the concerns of commodity utilitarianism? Or, to put the question in another, clearer way: Is republican freedom something we have to buy at the expense of economic growth?

Rousseau, it must be said, would probably have accepted that republican freedom must be purchased at the price of economic growth.³⁷ He would have questioned why we place so much value on economic growth in the first place. Why do so many of us feel the need for a steady annual increase in the real volume of the goods and services we are able to consume? Rousseau might well regard the desire for such growth as indicative of how we have failed to understand the ultimate ground of our independence, and thus freedom. A person of stable and relatively modest wants should be able to satisfy them without becoming too much embroiled in the scramble for work and custom. He is thereby able to achieve the kind of self-possession which alone can make us finally free from a 'slavish' dependency on the arbitrary, ever shifting whims of others. We can then live from, and for, our own natures, instead of living for the good opinion of others. Materialism, in the Rousseauian view, is born of, and works to reproduce, a lack of this self-possession. Lacking a sufficient sense of his own intrinsic worth, the individual seeks to establish his worth in the acclaim of others by distinguishing himself as materially better-off than others. But the individual is then no longer his own man. He becomes, as said, the anxious servant of others who alone can provide him with the means of distinction he craves. He who seeks precedence is, in this psychological sense, always a 'slave'.³⁸

There is, I think, a very old and genuine wisdom in this critique of materialism. However, one can accept the need to put the value of economic growth in its proper place without denying that it has some, potentially considerable, value. Rightly channelled and regulated, economic growth can and does surely add to our common freedom, or, more exactly perhaps, to the value of this freedom. It was perhaps because they sensed this that later republican thinkers, such as Thomas Paine, tried to move beyond the Rousseauian stand-off between liberal commercialism and republican political economy. They sought, as it were, a 'Third Way': a commercial republicanism. As commercial republicans, they defended the principles and basic practice of republican political economy not as an alternative to commercial dynamism, but as a means of managing, and even promoting, commercial dynamism for the benefit of all. To call this, as some commentators have done, a 'bourgeois republicanism', is, however, misleading. For the operative vision of at least some of the commercial republicans, including Paine, was not that of a society divided into bourgeois and proletarian, but of a commercial society in which a system of republican property rights would work to lessen and prevent the emergence of such a division, of a dynamic economy made up of independent citizen-farmers and/or citizen-artisans.³⁹

In the course of the 19th and 20th centuries, this vision of a technologically dynamic artisan republic gradually receded, though elements of this ideal found their way into socialist thinking, and, indeed, into the critique of socialism in its more centralizing, statist forms.⁴⁰ But I think that today, precisely because of the demise of socialism, in addition to the self-evident limitations of free-market liberalism, the republican conception of political economy merits renewed appreciation on its own terms. If there is a genuine 'Third Way' to be discovered, then I suggest that this is what it is. Without (necessarily) impugning the advantages of economic growth, the republican conception of political economy reminds us, as the socialist tradition also reminded us at its best, that economic growth, indeed the economy itself, is ultimately there to serve higher, and truly ultimate, values: the common good of liberty and, not least, the dignity and mutual respect that come from service to this common good. What I hope to have done today is to have given you, courtesy of Rousseau, a clear sketch of the political philosophy underpinning the republican vision, and some preliminary ideas as to what we might do at the policy level to begin to connect the vision with reality.

1 This paper is the revised text of a public lecture on the subject, 'Building an effective and responsive economy', presented on March 13, 2000 at Gresham College, London, as part of a series of public lectures on the theme of Citizenship, Economy and Society organized under the joint auspices of the Citizen's Income Study Centre and Gresham College. I would like to thank Chris Bertram, Jurgen DeWispelaere, Stuart Duffin, Diana Gardner, Cecile Fabre, Karma Nabulsi, Marc Stears, and the audience at the lecture at Gresham College, for helpful conversation and comments on the original text. A version of this paper is also forthcoming in a volume based on this lecture series, published at the initiative of the Citizens' Income Study Centre, edited by Stuart Duffin, and provisionally entitled *Citizenship, Economy and Society*.

2 For essays reviewing various aspects of the 18th century debate, see Istvan Hont and Michael Ignatieff, eds., *Wealth and Virtue: The Shaping of Political Economy in the Scottish Enlightenment* (Cambridge, Cambridge University Press, 1983), especially chapter 1; J. G. A. Pocock, *Virtue, Commerce and History* (Cambridge, Cambridge University Press, 1985); and Michael Ignatieff, *The Needs of Strangers* (London, Chatto and Windus, 1984), specifically chapter 4, 'The Market and the Republic: Smith and Rousseau'; and Helena Rosenblatt, *Rousseau and Geneva* (Cambridge, Cambridge University Press, 1997), especially chapter 2.

3 The article is more usually referred to as the *Discourse on Political Economy*. The translation I have used for purposes of this paper is by Christopher Betts and can be found in Betts, ed., *The Social Contract* (Oxford, Oxford University Press, 1994), pp.1-41. Although Rousseau did not publish his major work of political philosophy, *The Social Contract*, until 1762, he was at work on early drafts of this book at the same time as the 'Political Economy' article, and produced his *Discourse on Inequality* just a year earlier than the 'Political Economy' article was published. Where I think it helpful, then, I shall also draw selectively on these two other works as the discussion proceeds. While Rousseau's thinking evolves over the course of these works, I think that there is sufficient continuity to justify the specific use I here make of them in constructing an account of Rousseau's political economy. Two discussions of Rousseau's political philosophy to which I am especially indebted are: Joshua Cohen, 'Autonomy and Authority: Rousseau on Democracy', Department of Political Science, Massachusetts Institute of Technology, November 1996; and Karma Nabulsi, 'Hope and Heroic Action: Rousseau, Paoli, Kosciuszko, and the Republican Tradition of War', in Nabulsi, *Traditions of War* (Oxford, Oxford University Press, 1999), pp.177-240.

4 The general will is 'the first principle of the public economy and the fundamental rule of government'. Rousseau, 'Political Economy', p.9.

5 I would not claim that this is an exhaustive account of Rousseau's concept of the 'general will', but I do think it captures what is central to this concept, and this interpretation of the concept is readily supported by the text of *The Social Contract*. When I speak of 'core civil interests' it is these interests, I think, that constitute what Rousseau calls the 'common element remaining from the different desires' of each individual political associate; and Rousseau tells us that 'the general will is concerned only with [this] common interest' (*Social Contract*, Book 2, chapter 3 [2.3], p.66). And again: '...the factor which makes the will general is...the common interest that unites [the associates]' (*Social Contract*, 2.4, p.69). That life and physical security is, on Rousseau's view, one of the core civil interests of the associates is clear from *Social Contract*, 1.6 (p.54), where he connects the motivation to enter political society to a universal concern with 'self-preservation'. That liberty is another such interest is clear from *Social Contract*, 1.6 (pp.54-55), 1.8 (p.59), and 2.11 (pp.86-87) where Rousseau says that 'if we seek to define precisely the greatest good of all' we shall find that resolves itself into two 'main objectives...liberty and equality', where equality is valuable because 'liberty cannot subsist without it.' That property is another core civil interest is clear from *Social Contract* 1.8 (p.59); and that the right to property is properly limited by a universal interest in subsistence is clear from 1.9 (pp.60-62), and by a universal interest in liberty, from 2.11 (especially p.87). Although in 'Political Economy' Rousseau perhaps puts more emphasis on patriotism as a sentiment underpinning rule by the general will, his account of what this will centrally aims at is very similar to that presented in *The Social Contract*. The 'general will,' Rousseau says, '...tends always to the conservation and well-being of the whole and of each part of it' ('Political Economy', p.7); the basic motivation for uniting in civil society, and proper goal of the laws which must embody the general will, 'is to guarantee each member's property, life and liberty by putting them under the protection of all' (p.10), to prevent 'their property, their lives or their freedom [being] at the mercy of powerful men' (p.18), to be a 'guarantee of liberty for all' (p.20), and to respect 'property' as 'the most sacred of citizens' rights' (p.25) and 'the foundation of the social compact' (p.32).

6 Rousseau, 'Political Economy', p.19.

7 Rousseau, *A Discourse on Inequality*, Maurice Cranston, ed. (Harmondsworth, Penguin, 1984), p.125. That liberty is constrained not only by actual interference with an agent's actions, but also by the open-ended threat of such interference, is an important insight. For informative conceptual and historical analyses on this point, see Philip Pettit, *Republicanism: A Theory of Freedom and Government* (Oxford, Oxford University Press, 1997), and Quentin Skinner, *Liberty Before Liberalism* (Cambridge, Cambridge University Press, 1998).

8 When the will that forms the basis of self-direction is itself a general will, i.e., a will oriented to the good of all, self-direction takes the special form which Rousseau terms 'moral liberty'. With the attainment of this moral liberty, 'the voice of duty succeeds to physical impulse and right to appetite', and man becomes 'truly the master of himself; for to be driven by our appetites alone is slavery, while to obey a law that we have imposed on ourselves is freedom.' See Rousseau, *Social Contract*, 1.8, p.59.

9 Rousseau, *Social Contract*, 1.2, p.46.

10 Even if subordination to another brings a kind of order and peace, it is generally inadvisable, on Rousseau's view, to submit to this other given the risks involved: 'Prisoners live peacefully in their dungeons; is that enough for them to live comfortably there?' See Rousseau, *Social Contract*, 1.4, p.49.

11 Rousseau, *Social Contract*, 1.4, p.50.

¹² See Rousseau, *Social Contract*, 1.6, pp.54-56. Putting the point another way, universal subjection to social authority is perfectly consistent with universal freedom, understood as self-direction, if individuals' self-direction takes the specific form of 'moral liberty' described in note 8. For further discussion, see F. M. Barnard, *Self-Direction and Political Legitimacy: Rousseau and Herder* (Oxford, Oxford University Press, 1988), pp.23-40.

¹³ Rousseau, *Social Contract*, 2.6, p.87 (italics added).

¹⁴ See Bruce Ackerman and Anne Alstott, *The Stakeholder Society* (New Haven, Yale University Press, 1999). Ackerman and Alstott's 'stakeholder' grants are in fact only quasi-unconditional. Access to the grants is restricted in the case of those who have not completed a High School-level education and/or those who have a criminal record.

¹⁵ David Nissan and Julian Le Grand, *A Capital Idea: Start-Up Grants for Young People* (London, Fabian Society, 2000). Nissan and Le Grand propose to give each individual the right to £50,000 by gratuitous transfers from others, with all wealth transfers (inheritances, gifts and bequests) beyond this being subject to tax. They estimate that a £10,000 capital grant could be financed at an average tax rate on wealth transfers of 25%. For other variants on the conditional CC proposal, see Gavin Kelly and Rachel Lissauer, *Ownership for All* (London, Institute for Public Policy Research, 2000, advocating the introduction of universal 'baby bonds' of £1,000); Michael White, *Against Unemployment* (London, Policy Studies Institute, 1991), pp.215-221 (advocates a system of lifetime credits, with value linked to average earnings, to subsidize 'the need to do something in relation to the labour market', e.g., job search, training, and business start-ups); and Robert Haveman, *Starting Even: An Equal Opportunity Program to Combat the Nation's New Poverty* (New York, Simon and Schuster, 1988), pp.168-171 (advocates a 'universal capital account for youths', of some \$20,000 in 1980s prices, to be used for 'approved purchases of education and medical care services'). As Nissan and Le Grand point out, the proposal can in fact be traced back at least as far as Thomas Paine's *Agrarian Justice*, published in 1795.

¹⁶ Nissan and Le Grand, *Capital Idea*, pp.12-13.

¹⁷ What Rousseau meant in this famous quotation is less alarming than it might appear. Rousseau argues that the institutions that secure our independence can be maintained only at some cost and he is concerned that all beneficiaries bear a fair share of this cost. It is, he argues, legitimate to force potential free-riders to make their contribution. In doing this we only force them to contribute to maintaining the institutions that secure their freedom and it is in this sense that we may and should 'force' citizens 'to be free'. See Rousseau, *Social Contract*, 1.7, p.58.

¹⁸ Philosophical defences of CI sometimes appeal to the idea that citizens allegedly have rights to equal shares of certain external resources (e.g., natural resources, 'job assets') which can be conveniently cashed out as rights to equal shares of the market value of these resources. See, in particular, Philippe Van Parijs, *Real Freedom for All: What (if Anything) Can Justify Capitalism?* (Oxford, Oxford University Press, 1995). Arguments of this kind then have to explain, however, why the rights are specifically cashed out in CI form rather than as a lump-sum CC. On the face of it, and abstracting from problems of justice between age cohorts in the transition to a CC scheme, a CC would be more equitable since a simple uniform CI will allow those who live longer an arbitrarily larger amount of life-time resources. I find it hard to see what considerations could possibly justify CI over CC in this context except paternalistic ones. For a very clear discussion of the issue, which acknowledges that the case for CI over CC rests on a 'mildly paternalistic concern', see Van Parijs, *Real Freedom*, pp.45-48.

¹⁹ Rousseau's life began and ended in an artisanal context. The son of a watchmaker, Rousseau grew up in Saint-Gervais, the artisan district of Geneva. He ran away from an early apprenticeship to an engraver and, although he enjoyed success both as a composer and, of course, as a writer, in his later years he chose to ply the humble trade of a copier of music.

²⁰ Rousseau, 'Political Economy', p.25.

²¹ I am suggesting a system of citizen entitlements that has at least three tiers: a first tier of conventional work-tested income support; a second tier of CI, drawable only for a limited duration over the course of a working life; and a third tier of conditional CC, linked to education, training, job search expenses, etc. For administrative purposes, the CI and conditional CC would be incorporated into a single Nissan-Le Grand-style ACE account.

²² 'Whoever has examined the matter in sufficient depth can scarcely fail to take the same view as Bodin, who regards a public demesne [domaine publique] as the most upright and reliable method of providing for the needs of the state; and it is worth noticing that in the distribution of land made by Romulus, his main concern was to devote one third to this purpose.' Rousseau, 'Political Economy', pp.27-28.

²³ See Gerald Holtham, 'Ownership and Social Democracy', in Andrew Gamble and Tony Wright, eds., *The New Social Democracy* (Oxford, Blackwells, 1999), pp.53-68.

²⁴ The economist James Meade long advocated the establishment of a Community Fund as a means for financing a CI (or 'Social Dividend') as one element of his model of an egalitarian 'partnership economy'. See, in particular, James Meade, *Agathotopia: The Economics of Partnership* (Aberdeen, University of Aberdeen, 1989).

²⁵ Rousseau explicitly cautions against too readily identifying our obligations to maintain the common liberty with mere payment of taxes. See especially *Social Contract*, 3.15, p.126.

²⁶ Rousseau, *Social Contract*, 1.7, p.58.

²⁷ In Rousseau's terms, someone has civic virtue when he is able and willing to *form*, *vote* and *obey* a general will. That is: he is able and willing to frame key policy questions in terms of what would best serve the fundamental good of all; to vote for what he regards as serving this good, rather than for policies he regards as promoting the good of some at the expense of the core civil interests of others; and to obey

the relevant laws, rather than seeking to evade them for personal advantage. For a more detailed analysis, to which I am indebted, see Cohen, 'Rousseau on Democracy'.

28 Rousseau, 'Political Economy', p.16.

29 Rousseau, 'Political Economy', p.17.

30 For a lively analysis and defence of the republican sentiment of patriotism, as distinct from the sentiment of nationalism, see Maurizio Viroli, *For Love of Country* (Oxford, Oxford University Press, 1995).

31 Rousseau, 'Political Economy', p.23. He continues: 'If children are brought up in common on terms of complete equality, if they are imbued with the laws of the state and the maxims of the general will, and instructed to respect them above everything...we cannot doubt that they will learn in this way to cherish each other like brothers...'

32 See Mickey Kaus, *The End of Equality* (New York, Basic Books, 1992).

33 See Ronald Dore, *Taking Japan Seriously: A Confucian Perspective on Leading Economic Issues* (Stanford: CA, Stanford University Press, 1987), p.223, and Van Parijs, *Real Freedom*, p.231.

34 For the details of the proposed scheme, see James McCormick, *Citizens' Service* (London, Institute for Public Policy Research, 1994). McCormick proposes a voluntary 3 month Citizens' Service Program, offering some 250,000 opportunities to participate in a given year, and paying each participant an allowance of £50 per week (plus travel and food expenses). This would cost about £0.4bn per year. The cost rises if participants receive post-service credits, but the program is estimated to pay for itself in part through savings in welfare spending and crime reduction.

35 See Stella Davies, Susan Elizabeth, Bec Hanley, Bill New and Bob Sang, *Ordinary Wisdom: Reflections on an Experiment in Citizenship and Health* (London, The King's Fund, 1998).

36 For a much more developed and detailed discussion of the possible justice-promoting effects of such deliberation and of the prospects for creating new spheres for deliberative and directly democratic decision-making in advanced capitalist societies, see Joshua Cohen and Charles Sabel, 'Directly-Deliberative Polyarchy', *European Law Journal* 3, 1997, pp.313-342.

37 Rousseau was not averse to economic growth as such – indeed, he thought that a certain kind of economic growth was a natural and desirable effect of living under well-ordered, free institutions (see *Social Contract*, 3.9). But the growth he envisaged was essentially extensive, an expansion in the population of citizen-farmer households living at a given, moderately comfortable level, and not the progressive growth in per capita living standards that liberal commercialists such as Adam Smith welcomed as the natural and desirable result of the expansion of commerce and the attendant development of the 'division of labour'.

38 This theme is prominent in Rousseau's analysis of the deficiencies of modern society presented in his *Discourse on Inequality* (see especially Part Two, pp.136-137) and in Rousseau's account in *The Confessions* and *Reveries of the Solitary Walker* of his own attempts to achieve self-possession in the midst of a corrupt society.

39 See, in particular, Thomas Paine, 'Agrarian Justice', in Michael Foot and Isaac Kramnick, eds., *The Thomas Paine Reader* (Harmondsworth, Penguin, 1987 [1795]), pp.471-489. For helpful discussion of this work, see John Keane, *Tom Paine: A Political Life* (London, Bloomsbury, 1995), pp.426-427.

40 Particularly noteworthy here is the cluster of 'social republican' positions developed by various radical thinkers and activists in 19th century Britain and France as an alternative both to laissez-faire liberalism and 'Communism'. Social republican platforms, such as the Chartist platform of 1851, combined demands for political democratization with demands for greater economic independence and equality of opportunity for producers within a reformed private ownership, market economy. Specific commitments included land reform/nationalization, low-interest 'national credit', and other measures to encourage cooperative retail and production. One can perhaps also discern a residue of the artisan republican ideal in those (largely subaltern) currents within 20th century socialism, such as Guild Socialism, which stressed the value of the independence of the producer (as opposed to the subordination of all producers in the interests of central planning).

Fair Shares for All?

Michael S Northcott

Faculty of Divinity
University of
Edinburgh

In a British Medical Association report published in July 1999, *Growing Up in Britain*, a team of researchers and doctors draw attention to the increasing inequalities in health which are blighting the life chances of more than one in three of children born in Britain. They note a general decline in the health of children born in Britain, and an increasing health gap between rich and poor children. The authors of the report note that one in three children live in poverty in contemporary Britain and point out that the life chances for poor children are much reduced: 'In social class five, poorer children are four times more likely to die in accidents than in class one. They are smaller at birth, shorter and have markedly poorer diet.' Thus according to one study cited in the report that for mothers 'living in bed-and-breakfast accommodation in Hackney, London, 25 percent of their new-borns had a birth weight below 2500g, compared with 10 percent among babies of local area residents, and 7.2 percent in England.' And the diet of families living on welfare, or in very low income jobs, has decreased significantly in quality in the last twenty-five years. In particular the intake of fresh food and vegetables is much reduced in poorer communities, one of the causes of the rising incidence of anaemia in British children generally, but especially among the children of the poor. The authors of the BMA report argue that the principal cause of the declining health chances of the poor are economic, and in particular cuts in welfare provision, and a failure of government to chart the links between such cuts and declining child welfare.

Cuts in welfare payments, and increasingly poor diet, can actually be measured in the declining birth weights of children in the poorer areas of Britain in the last twenty years which are now on a par with those in Albania. And low birth weights are strongly linked with childhood mortality with the consequence that average childhood mortality rates are worse in Britain than in some less developed countries. As Consultant Paediatrician James Appleyard, one of the report's authors, says

we should ask why we are now below countries like Slovenia in infant mortality and why the gap has widened between the health of rich children and poor over the last 20 years? Children in the lowest social class are smaller at birth and grow up shorter in height. We are programming our children at an early age for a lifetime of problems.

The answer to Appleyard's questions, as the authors of the report are well aware, lies in a shift in economic policy in Britain and in North America in the late 1970s which is still reflected in the social and economic goals and policies of the Clinton and Blair governments more than two decades later. In the last quarter century, through government deregulation of the labour market, through a gradual shift from progressive to regressive taxation, and through the removal of links between state pensions, social security benefits and overall earnings growth, Britain and the United States of America have become among the most unequal societies in the world, as a perusal of United Nations comparative development indices confirms. And this inequality continues to grow under New Labour according to government statistics on wealth distribution released in April 2000.

Inequality has been promoted by governments in both Britain and North America from the late 1970s because economists in these countries have come to identify inequality as the best means to achieve higher economic growth and lower unemployment. The theory is that institutional restraints on inequality – redistributive taxes, trade unions, universal social security benefits – act as restraints on the dynamism of capitalism, and in particular on entrepreneurial risk-takers, and on large global corporations which are said to locate their operations where taxation and regulation costs are lowest. High rewards, and high penalties are also equated with high productivity – winners are said to work harder when they get to 'take all' and the also-rans will try harder when threatened with performance targets or destitution.

Destitution is no idle threat in the new transatlantic economies. Homelessness has reached record levels in the USA and the UK while prison populations – themselves mostly recruited from the unemployed and the destitute – are also at record highs in both countries, though the UK has some way to catch up on the USA where 0.8 per cent of the population – nearly two million people – are in jail.

Although the new radical Conservatism which embraced and sustained social division as a means for social and economic engineering was apparently overthrown by the election of the Blair government, in reality many of the goals and policies of radical Conservatism have become key shibboleths in the values and policies of Tony Blair and Gordon Brown, the two most powerful individuals in the new government.

Labour market flexibility is one of the most frequently used phrases with which the New Labour leader has described his aspiration for the shape of working life in 'New Britain'. Tony Blair, like Margaret Thatcher and Bill Clinton, tends to blame 'globalisation' as the cause of growing inequality, and as the principal reason why individuals must embrace a deregulated flexible labour market. However according to the American economist Barry Bluestone in a paper entitled 'The Inequality Express' in the American journal *Prospect* (1995) labour market deregulation is a crucial cause of this inequality. Government deregulation and privatisation of telecommunications, energy, water, rail and countless other sectors has enabled privatised utilities and private monopolies to erode the better working conditions and wages which unions in these sectors had struggled for over many generations. The shift from more regulated manufacturing industry to service industries which was hastened by government policy in Britain in the 1980s, and continues unabated until today thanks to an over-valued pound and high interest rates, has also enabled a reduction in the influence of workers relative to management as services such as restaurants, retailing, hotel, travel, insurance and banking are much less unionised than manufacturing industry. Wage differentials are also much higher in the service sector than in manufacturing, as witness the low rates of pay afforded to staff in call centres of the big banks and insurance companies compared to the extraordinary salaries and bonuses of financial executives. Labour market flexibility in reality means more temporary contracts, more part-time working, lower rates of pay for low skilled jobs, and more individuals combining two or even three poorly paid jobs to support themselves and their families, a pattern which is now very common among the non-college educated in the USA, and one which is growing in the UK. When Blair commends labour market flexibility he is not commending it for the new class of what Robert Reich calls 'symbolic analysts' – public relations executives, senior research scientists, designers, legal and financial advisors and corporate executives, media people. The rewards for those with the highest levels of education and who stand at the top of the pyramid of the new knowledge economy are greater even than those of top industrialists in the nineteenth century. But equally the levels of pay for those at the bottom are now lower relatively than they have been for more than fifty years.

Of course there are those economists and analysts who argue that the shakeout in manufacturing, the privatisation and deregulation of utilities and the shift to services are all an inevitable feature of the new information age and the rapid pace of technological change. Labour market flexibility, and the associated growth of inequality it is argued go with this new phase of capitalism. However countries such as France, Norway, Italy, Singapore and Australia were subject to the same processes of global economic competition as Britain and the USA in the last quarter century without suffering the same increase in inequality. Refusing the new laissez-faire capitalism of Britain and the USA, these countries continued to sustain an institutional framework that included stronger trade unions, national wage bargaining, more generous social welfare programmes, and industrial, trade and taxation policies that were designed to restrain inequality. Far from evidencing an inevitability about the *telos* of the current phase of global capitalism, the variant wealth distribution patterns which different countries have achieved in the last quarter century indicate that the institutional and social framework within which capitalism operates continue to be crucial to its outcomes.

The problem with the Thatcher/Regan and Blair/Clinton approach is that it makes capitalism itself look to be the fundamental enemy of a more just and humane society. It is precisely the increasing tendency of unrestrained capitalism to promote inequality, and its attendant social problems – unequal health outcomes, increased homelessness, growing crime rates – which was one of the major motivators among those who gathered in the City of London on May 1st 2000 to protest against capitalism. For the protestors capitalism is bad for people and it is bad for the planet because it is out of control, beyond the reach of democracies whose leaders are in hock to big business, and have lost the will to impose social goals on capitalist outcomes designed to restrain its more unequal and environmentally destructive outcomes.

This lack of democratic control of key elements in the publicly constructed economy is evidenced in another key reform of the Blair-Brown partnership, which is the independence of the Bank of England granted by Gordon Brown in his first year of office as Chancellor of the Exchequer. Claiming that this move took the politics out of money management, in reality of course it has conferred significant powers over the management of money on big business and representatives of its financiers in the City of London at the expense of workers and voters. This shift in political interest in money management from a concern for the common good to the promotion of the welfare of the City can be seen in the management of the economy since the Bank's acquired independence. Interest rates and the pound have both been sustained at levels which admirably suit the profits of the large banks and of the speculators and traders who inhabit the City and its environs, while these same levels have continued the demise of manufacturing industry, the last bastions of unionised and hence *regulated* labour, in the Midlands and North Britain. In some features of his budgetary management, Brown has appeared to commit himself to reducing inequality by limited redistributive measures such as an increase in child benefit above the rate of inflation. However others of his putatively redistributive measures have done little to reverse the continuing disequalisation of incomes, and of health and educational outcomes, across the now tragically divided polity of Britain. Thus the new National Minimum Wage is set at such a low level that it will make little impact on child poverty or the other indicators of low income Britain, identified by the Blair government under the economically sanitised rhetoric of 'social exclusion'. Brown like Blair has bought the transatlantic economic orthodoxy that restraints on wealth *accumulation* are also a restraint on wealth *creation* and that such restraints are impossible to sustain in a global economy in which transnational corporations increasingly hold the reigns of power.

As one might expect in a government so committed to message management, other ministers in Blair's government also support the new orthodoxy on inequality. In an edition of *Analysis*, broadcast on Radio 4 on March 6th 2000, David Lipsey, the economist and Labour peer, argued that the salaries of top businessmen cannot be restrained in Britain because of the impact of the global economy. In the same vein Patricia Hewitt, Minister at the Department of Trade and Industry, argued that 'it is nonsense to think that you can equalise life chances by taking away the material advantages of the rich and then signing a cheque to the poor'. As Alissa Goodman of the Institute for Fiscal Studies argued on the same programme the unconcern of the Blair government with income inequality is directly connected with its promotion of more flexible labour markets, for 'flexible' means in effect more unequal levels of pay and conditions.

If we want to see where these New Labour policies are headed, we could do worse than observe the more advanced outcomes of this same project in the contemporary USA, which is now the most unequal society in the world. Educational attainment is identified as the single most significant indicator of wealth and health outcomes in the USA. Bluestone's research shows that in the 1960s the ratio of salaries as between high school drop-outs and the college educated stood at just over 2 to 1 but by the end of the 1980s it had risen to almost 4 to 1. Since only 15 per cent of people complete a college educated degree in the USA, this means that the number of winners in the new flexible labour market and the associated 'knowledge economy' are vastly fewer than the number of losers.

For those like myself who work in education this indication that education is now the principal determinant and measure of inequality is rather depressing, though not at all surprising. For just as untrammelled competition in free markets have been promoted in economic policy at the expense of the shared project of collective welfare in the last twenty-five years so the values of winner-takes-all competition have come to infect other parts of the body politic, including education. Schools and universities are now regularly subjected to competitive testing and set one against another in performance league tables. Students and teachers are constantly battered with new testing and accountability procedures with the upshot that education in Britain and North America is increasingly viewed as a skills-transfer business for its consumers, and as a knowledge investment business for researchers where funding goes to those Departments and project teams whose research is most closely tied to the projects of the new knowledge economy – biotechnology, informatics, computing. Degrees which appear to confer skills which are not immediately recognisable in market terms – and especially humanities degrees – are increasingly undervalued and under-funded in large research-heavy universities. The message that education is essentially about entry into a competitive race for income and employment has had deleterious consequences on the whole educational process and

**Bill Jordan,
Phil Agulnik,
Duncan Burbidge
and Stuart Duffin**

*Citizen's Income
Study centre,
LSE, 2000.*

Stumbling Towards Basic Income: The Prospects for Tax-benefit Integration

This book marks a big step forward in the ongoing debate about Basic Income in Britain. Some of us, sympathetic to the idea of a need-based benefit for all citizens and concerned at this government's continued drive towards more means-testing, have yet shied away from the Basic Income solution. Why? One reason is that BI advocates propose a one-size-fits-all solution to the question of how to secure human well-being across all developed countries, indeed the whole world. They draw a direct arrow from ultimate values to a specific policy instrument. This is bad theory as well as bad politics. Just as markets are institutionally embedded, so are social policies. Even if basic income solutions are accepted on normative grounds, something that can be contested from a progressive viewpoint, the reform strategy will need to reflect different forms of capitalism, levels of development, political systems and welfare regimes (Gough 2000: ch.9).

Bill Jordan and his colleagues now recognise this. They contend that New Labour is creating a window of opportunity for reforms which may 'stumble towards' basic income. The reasons are, first, the government's move towards tax-benefit integration as part of its Welfare to Work agenda, and second, the contradictions between its wish to extend opportunities for all and its top-down 'Benthamite regulation'.

The Working Families Tax Credit (WFTC) is a Treasury-inspired tax credit, yet one which may be paid through a giro rather than the pay packet. The Chancellor is committed to extending this to low-earning households without children to create a general Employment Tax Credit (ETC). These schemes have the merit that they reduce the unemployment trap for low earners in post-industrial societies like Britain but the demerit that they worsen their poverty trap. Why not, then, abolish individual tax allowance and instead construct a Labour Market Participation Income (LMPI) by paying a benefit equivalent to Income Support to all workers but tapering it at about 41%? This would overcome the double trap problem, but new contradictions would arise, such as subsidising paid care work while not paying benefits to unpaid carers. Pressure might then build for a Social and Economic Participation Income (SEPI), paying similar benefits to all carers, students, and self-employed working 8 hours a week or more, plus existing claimants (but not housewives or early retirees), to be partially financed by abolishing remaining tax and NI allowances. But at this stage, there would be tricky issues involved in defining and policing 'participation', so the case for an unconditional Universal Basic Income (UBI) payable to all citizens would become more appealing and its marginal cost more manageable.

The welfare to work agenda of the Blair government thus opens up the road towards a radical rationalisation of fiscal and public welfare. (In Gorz's old language it is a 'revolutionary reform'). There is a political and technical inevitability to the reform process which may, given the right conditions, arguments and strategies, carry us from WFTC, though ETC, LMPI and SEPI to UBI! This is a sophisticated and novel argument for a transitional basic income starting from where we are today. Does it stand up?

The report is careful to set out its underlying assumptions. It assumes (crucially) that IS benefits will continue to be linked only to prices whereas tax allowances will move in line with incomes, thus ensuring that the two will converge. And it assumes 'revenue buoyancy' for the next few years. These assumptions are helpful to the transformative scenario. Yet they mean that the relative value of the basic income actually established will decline year by year, and may well be insufficient at the start. Given the extent of poverty in Britain, this is a damaging feature.

The authors use the POLIMOD microsimulation model to estimate the costs and distributive outcomes of each stage of the process. The net costs for childless low earners are estimated as follows:

Resurrection, and the promise of salvation from death. This pattern of dying and rising, of seeds being fertilised by fallen leaves, of dead trees providing fertile domains for new species and new trees in their turn, is so fundamental to the natural world, and to the economy of salvation. It is a pattern which is also central to the functioning of a healthy society. Where a small number store up vast wealth while many have too little to achieve long life and bear healthy children, then the body politic is diseased and every member of this body suffers. In Britain today the very rich find ever more sophisticated ways of insulating themselves from this dis-ease, and some are even migrating to the kind of gated communities that the super-rich have adopted in parts of the USA, and in many Third World cities.

The Second World War was a tragic and terrible reminder to the people of Britain of the threat of death, and of the dangers of tyranny by the few over the many. And the rituals of war time life – air-raid shelters, rationing, military service, dance halls, communal singing – were reminders of the common life which makes us members one of another. In Christian history the Cross of Christ, and public ritual participation in the death of Christ at the Eucharist, in the public enactments of the events of Christ's life at Christmas, Easter and other holy days, were constant reminders of the solidarity of all – king and pauper alike – in the divine origin and destiny of human life. In modern secular Britain as the memory of the War has declined, and as public participation in Christian ritual has all but disappeared, there are too few occasions in which we are reminded that we 'belong to one another'.

As the real standard of living of the poor in Britain continues to decline, as the gap between rich and poor grows ever wider, and as one third of British children continue to be born into this new poverty in the midst of great wealth, it is hard to predict that Britain will be a nation more at ease with itself in years to come. Religious revival, a return to God rather than wealth as the source of ultimate meaning and value, seem also an unlikely prospect. Will it take a war or some global catastrophe before the current trend of transatlantic capitalism towards ever greater inequality is reversed?

There are some straws in the wind, some signs of hope. Protests against world debt and poverty, and against the institutions of global capitalism such as those organised around the world by Jubilee 2000 in 1999, and by various more anarchic groups in Seattle, Washington DC and most recently in London in 2000, though often represented by politicians and the media as the actions of a tiny and misguided minority, are attracting more and more supporters. At local level many communities are organising forms of banking, credit, exchange and livelihood which bypass the global economic machine, from credit unions and food cooperatives to organic farmers' box schemes and Local Exchange Trading Schemes. In the City of London itself, ethical investment is attracting growing interest from investors and pension fund holders. New Labour may yet turn out to be more redistributive in its economic policies than it yet appears, even if only from pressure from its traditional supporters without whom it cannot hope to retain a majority in the House of Commons. Certainly the Working Families Tax Credit is a worthy idea though it would surely be far simpler and more cost-effective to lift the low paid out of income tax altogether.

In a recent report the Organisation for Economic Cooperation and Development suggested that excess income inequality may actually be bad for economic growth because it reduces consumer demand for goods and services. Must we wait though for more of our economists finally to see the error of their ways? If so we may wait a very long time. The ancient wisdom of the gift, and of the virtue of keeping gifts and wealth in motion, is not confined to the Christian religion. All ancient peoples have a sense for the dangers of hoarding and the virtues of exchange, of sharing and generosity. We need to restore our memories of our own shared past, and the pasts of other ancient peoples who have come to dwell amongst us, for in these memories we may find resources for hope, and a vision of life together which may enable a return to a more balanced, a fairer way of living in contemporary Britain.

Building Democracy: Developing a more cohesive society

Prof. Bill Jordan

Universities of
Exeter, Huddersfield
and North London

The topic of social cohesion has become important in UK and European public policy for three sets of reasons. First, democratic politics can only flourish in a society which is in some sense a community (Hobhouse, 1922) – where citizens have something important in common that overrides their differences. In their various ways Northern Ireland, the former Yugoslavia and the Caucasus all illustrate this. Second, fundamental inequalities (of resources and of opportunities) generate wasteful conflicts and social problems, such as crime and other resistance activities by poor people, and even affect a society's average health and longevity. But third, the redistribute politics that make greater equality and social harmony possible in turn depend on a culture of sympathy, co-operation and mutual identification that has to be created, and certainly can't any longer be taken for granted. I want to focus today on welfare state services (health, education, social care and income maintenance) as factors in the building of social cohesion, and hence in establishing the conditions for democratic politics.

In the post-war 'Golden Age' of welfare states, it was generally agreed in the UK and Europe, if not in the USA, that collective state provision for health and welfare was an important condition for stable democracy. In the UK, the Beveridge Report and the 1945 Labour government both appealed directly to our wartime shared experience of suffering and threat, to national unity in adversity. For the UK the war was an experience of successful pulling together that allowed collective institutions to be established in a highly individualistic political culture, where citizenship was (and is) about competence in holding one's own in competition with others. In Europe the reasons were slightly different. Democracy had not survived the class conflicts of the inter-war period. Both fascism and communism were totalitarian systems in which the state created social cohesion by suppressing opposition forces. Welfare states were therefore constructed as bulwarks for a democratic resolution of class antagonisms, as much through the co-operation of employers and workers over full-employment policies as for their redistribute effects (Rimlinger, 1973). So, continental democracy and collective institutions are about harmonising class interests more than establishing viable forms of individual equality between individual citizens.

In what I have to say today, I shall refer to these differences in political traditions and institutions, but mainly concentrate on the UK. I want to try to sketch answers to three questions:

- 1) What forces tend to divide and fragment societies, and cause the social conflicts that undermine democratic politics?
- 2) How can policies on social welfare promote social cohesion, and hence build the conditions for democratic politics?
- 3) What structures and practices in social services promote democratic politics?

Social Polarisation and the Economics of Groups

To start at the most general level of analysis, why we need politics at all, how we justify political authority (at the level of any social unit, from the UN to a small local association), it boils down to reconciling individual and collective interests, and the interests of one group with another. Thomas Hobbes was right to say that power was necessary to prevent a war of all against all (Hobbes, 1651, ch.13), but over-pessimistic about the possibility of government by consent. Political authority is necessary because of conflicting interests; democratic politics is possible because of common interests (Ryan, 1983). Prosperity, culture and security are only feasible in conditions of relative social harmony, where citizens can trust each other and observe rules of respect for personal and property rights, as civil wars constantly demonstrate.

However, all known forms of co-operation rely to some extent on exclusive membership of an association, union, community or nation. The essence of membership is belonging to a group who share certain resources, and work together to produce certain advantages or benefits that are shared between members. But the same resources, advantages and benefits are not available to non-members, who do not co-operate, contribute and share. Most groups (including nation states) control membership, and refuse to admit outsiders.

either because they would cause congestion, or because they could not make the necessary contributions (pay their dues), or because they would not keep the rules, or live up to the standards, of the group (Jordan, 1996, ch.2).

From an economic point of view, this exclusiveness makes good sense. By restraining competition between members, organised interests can do better than isolated individuals. This works for both firms and workers. If enterprises can form a cartel to restrict output and fix prices, they can command more profits than individual producers competing with each other under market conditions. If workers can form a union and control working practices, they can earn higher wages than individual employees competing in a labour market. But the authority of the cartel or union in making rules for members and excluding non-members must overrule the temptation for individual companies and workers to gain short-term advantages from undercutting or overproducing. So collective power is necessary, to secure the advantages of group cohesion and restraint (Olson, 1965; 1982, ch.1).

From a political perspective, the economics and the psychology of groups is both an opportunity and a constraint. National political leaders aim to mobilise citizens to co-operate and share for the sake of national prosperity and progress; they also draw on repertoires of national cultural identity, and use the threat of aggression or competition from other countries, to try to create a sense of unity and belonging. But this is always undermined by the constituent organisations and groups in any society (or transnationally, as in the case of religious faiths) which also mobilise members for competition with each other, and so tend to fragment any such national unity and cohesion. Democratic politics treads a fine balance between these forces, since governments tend to try to achieve security and cohesion, while oppositions look to break down dominant coalitions of interest, and rebuild them in new combinations.

Post-war welfare states tried to establish long-term collective 'settlements' of economic conflicts (between capital and labour, rich and poor, north and south, town and country), through social insurance schemes, health services, public education systems and so on. The goal was to tie all the potentially conflicting and competing groups in society into such structures of common interest, so as to defuse traditional antagonisms, and remove the option for individuals and groups to pursue their own interests in narrowly-defined ways. In the UK, these collective institutions were carefully balanced with opportunities for individual initiative (private health options, private education, occupational pensions, etc.), with the state as the guardian of the common interest. In Continental European welfare states, employer and trade union federations played a big part in administering health and social insurance systems, so co-operation became part of the practice of the welfare state.

Obviously, I don't have the time to go into all the factors to do with the growth of transnational production, trade and communications (collected up under the term 'globalisation') which have made these rules harder to enforce, and hence eroded the effectiveness and coverage of these systems. There can't be much argument about the growth of exchanges of all kinds across borders, or the potential mobility of capital. Even skilled labour now has far greater possibility of moving from one country to another. What is often disputed is the extent to which mobility has actually increased, or whether governments are more responding to the threat of a flight of capital, or a brain-drain. It seems pretty clear that all this has reduced the capacities of national governments to raise revenues by taxing company profits, or the wealth of individuals (Genschell, 1999). Taxes on earnings do vary considerably, but the biggest variation of all is in taxes raised in the form of social insurance and health care contributions. In the UK, these have been kept very low by international standards; in many Continental European countries they are more than twice as high, making it expensive to employ labour, especially in low-skill services (Scharpf, 1999). I will return to this theme in the second part of my lecture.

For the purposes of this section, the main relevance of globalisation for social policy is this: as collective systems have weakened, so the options for individuals and groups to exit from them, and form narrower mutualities has increased; and the risk of being excluded from them, and losing protection and membership has grown also. This has been far more marked in the UK, where Margaret Thatcher embraced global market forces, and encouraged them to blow away the old restrictions of state provision, than in Continental Europe. In Germany, for instance, the Social Insurance system is still very strong. This both means that unemployed people get much more generous benefits, and that there are very

strong interest groups who resist changes to make the labour market more flexible, and introduce anything like our tax credit scheme. This means that Germany's unemployment rates are high, and its growth in part-time jobs is very limited.

What I want to draw your attention to is how social polarisation in the UK since the early 1980s is not just about the emergence of mass unemployment and family poverty. It is an absolutely pervasive feature of our society. As incomes have become more unequal, so people with more resources have tended to move to more desirable residential areas; so you have residential polarisation, with clusters of people with similar incomes living together in small homogenous districts. Council housing, which used to be the preferred tenure of skilled workers, has now become the last resort for homeless families, single parents and the poor; so we have concentrations of people who are very disadvantaged, with inevitable cultural adaptations to this. And it is not only the case that better-off individuals have opted out of state education, health and social care, and met their needs through a variety of private, commercial agencies. Even within the public services, the devolution of budgets to the local level has given particular schools, GP practices, hospitals and care units an interest in attracting low-cost pupils, patients or service users, or ones that attract high resources, and excluding high-cost or low resource ones. In other words, these agencies have come to have many of the interests and exclusive practices of clubs (in the economic sense), that they select membership according to the criteria of including an optimum mixture of contributors and beneficiaries, and make decisions according to the interests of existing members, not the community as a whole (Mueller, 1989; Starrett, 1988).

The position which faced the New Labour government when it took office in 1997 was how it could counter the damaging effects of social polarisation and social division. It was obvious from Tony Blair's rhetoric as opposition leader that he wanted to promote social inclusion, and the sense of responsibility towards the community. He constantly spoke of the need to repair the harms of excessive individualism, and the injustices of exclusion. In the next section, I shall try to evaluate the New Labour government's policies on these issues so far.

New Labour and Social Cohesion

The government's policies for social cohesion are quite extensive, but I shall concentrate on three of them. The first is to improve the quality and reliability of the education system (DfEE, 1998), the health service and the personal social services (DoH, 1998). The second is the expansion of employment, increased labour-market participation, especially by previously workless households (DSS, 1998). As I shall argue, a great deal of this consists in expanding employment in the social services, especially social care, where the scope for jobs growth is now greatest. The third is redistribution of income towards low earners through tax credits, in order to 'make work pay', and especially to improve incentives for claimants to come off benefits and move into this kind of low-paid service work (HM Treasury, 1999).

I shall deal with the first of these quite briefly, because it is a theme to which I shall return in the final part of my lecture. It is the part that the government is now having most difficulty in sustaining, with plenty of evidence of problems in its efforts to revamp 'failing schools', little sign of the progress promised in achieving health care targets, and continued difficulties over financing social care. For example, a recent opinion poll found that two thirds of those surveyed thought New Labour had not improved the NHS, over half wanted to get private health insurance, but over half were willing to pay more tax to get better state health care (*Sunday Telegraph*, 19.3.2000). This should have been the area of policy in which Labour was strongest, and it was certainly the one where the electorate was most dissatisfied with the Major government's performance. Yet somehow things have not worked out as planned – why not?

What people in these services themselves say, of course, is that the government hasn't been willing to recognise how short of resources they are, because of its determination to stay within self-imposed spending restrictions. But I want to argue that at least as important reason is that social polarisation has produced intransigent education, health, and social care problems, and that present structures of provision in these fields tend to reinforce rather than to rectify the consequences of polarisation. Because it is now easier than before for better-off and mainstream citizens to act strategically to get the best out of these public services, disadvantaged people of all kinds get the worst, so those in most need are least likely to get what they need. This is costly, both in terms of creating other

problems which are expensive to remedy, and in damaging the performance of the public services overall. In other words, these services are suffering from the consequences of polarisation, they are contributing to further divergence of life chances, and there is a kind of vicious circle in which the government is trapped, that prevents its policies from having the effects it seeks. I'll return to that whole topic in the final part.

So now let's turn to the second set of policies, for expanding employment, through the New Deals, the Employment Zones, and all the other parts of that programme. This has been one of the greatest successes of government policy; even before tax credits were introduced, unemployment had fallen very substantially, and overall employment levels were at record levels. But let's look for a moment at the possible limits of these policies, and the downside of what certainly been a popular set of measures.

It is now widely recognised that by far the greatest scope for expanding employment lies in low-paid, non-standard contract jobs in 'social reproduction services' – not just education, health and social care, but also retailing, leisure and miscellaneous private-sector personal services. This is because industrial employment is constrained by global competition, and First World producers most constantly improve technology and productivity to compete with newly industrialising countries on costs; and even financial and business services are now open to international competition, because of electronic communications systems (Scharpf, 1999). But governments which seek to expand social reproduction employment must make hard choices of a feasible two out of three factors – what Iversen and Wren (1998) call the 'trilemma of service employment'. The three factors are equality of earnings, budgetary restraint, and jobs expansion. Germany, for instance, has opted for relative equality of earnings plus budget restraint, sacrificing employment expansion, hence its high unemployment. Sweden has (until recently) gone for equality plus employment expansion – high public-sector employment at good wages – sacrificing budget restraint. And the UK (like the USA) has gone for employment expansion and budget restraint, sacrificing equality.

The fact is that the growth of low-paid part-time work in 'social reproduction services' does not offset social polarisation, once again it reinforces it in many ways. The government claims that 'work is the most reliable route out of poverty', and the path to social inclusion, and hence ultimately to social cohesion. This would be so, if all the bits and pieces of jobs that are being created were all the first steps on the ladder that will lead new entrants to the labour market eventually into good, secure, decently-paid, full-time employment. But that does not seem to be the case. In fact, the same reason why these jobs continue to become more available – that they are labour-intensive, and not susceptible to productivity improvements (Gershuny, 1983) – explains why they are not likely to become better paid. Although demand continues to rise, mainly because of the ageing population, there is a plentiful supply of workers able to do these tasks, and the organisation of such work in the UK gives little prospect of upgrading the jobs in this sector.

This brings me to the final group of policies – those for redistributing income through tax credits to just such low-paid workers. Here again there can be no doubt of New Labour's radical commitment and determination to improve incentives and offer opportunities for leaving benefit to all categories of claimants, including lone parents. The Working Families Tax Credit is quite a generous form of assistance to those working 16 hours or more a week, and provides a considerable boost to the incomes of those with children taking part-time work at the minimum wage. The Chancellor has now announced the intention of extending the principle of tax credits to childless households, creating an employment credit scheme for all people of working age. This is an important innovation, using the tax system as a way of targeting assistance on low earners, in an attempt to reduce the number of households and individuals trapped on benefits.

In fact, this seems to be the key to the whole Third Way strategy for social cohesion. The situation on income redistribution inherited by New Labour was a stalemate. Under Margaret Thatcher, poor people's relative situation, both in the labour market and over benefits, had deteriorated. Lacking opportunities and incentives for employment, they compensated themselves by doing undeclared work for cash, and other informal (often criminal) economic activities (Jordan *et al*, 1992; Evason and Woods, 1995; Rowlingson *et al*, 1997). They justified this as compensating themselves for the injustices of Conservative policies. Poor people's resistance practices became part of the culture of deprived

districts (Jordan, 1995). Conversely, mainstream citizens were willing to pay more in taxes for the sake of greater equality, social inclusion and cohesion; but only if these went to the working poor, not the unemployed. In effect, taxpayers were refusing to pay while the poor compensated themselves illegally, and the poor would not take employment till incentives were better. The Blair government's New Contract for Welfare cuts through this knot by promising mainstream citizens that benefits for claimants outside the labour market will be held down to the rate of price inflation, while redistribution through tax credits will improve incentives and expand employment.

It seems obvious that this will tend to strengthen social cohesion, because greater participation will mean that poor people no longer rely on unorthodox or illegal practices to get by, and instead fulfil their side of the New Contract by contributing to the nation's prosperity and work effort. However, I would draw your attention to three features of tax credits that are easily overlooked:

- a) Although, they considerably improve incentives to take formal employment for those on benefits, they do not give good incentives to work full-time or increase one's hourly earnings. The trouble is that tax credits, in alleviating the unemployment trap, actually widen the poverty trap. There are strong incentives for workers to work 16 hours or 30 hours (where the tax credit 'bonus' is paid), because the net gain from working longer is so low. For instance, a couple with two children, receiving council tax benefit and housing benefit, may get as little as £20.00 a week more by working 40 hours as 16 hours on the minimum wage. Employers, too, have strong incentives to offer jobs part-time at 16 or 30 hours, rather than full-time, to maximise subsidy on their wages.
- b) There is a new group of earners, nearer to the middle of the wage range, who qualify for tax credits, who were not eligible for in-work benefits before. They were often working long hours before this change, but now they too have incentives to reduce their hours, to work less. Econometricians have estimated that, although more people will enter the labour market as a result of WFTC, overall labour supply hours will decline (Blundell *et al.*, 1999); the same applies to the ETC for households without children. Furthermore, these people will no longer have incentives to save either, since savings are taken into account in the calculation of tax credits (Jordan, Agulnik, Burbidge and Duffin, 2000).
- c) Tax credits encourage claimants of benefits to 'formalise' work that they were previously doing informally. For instance, it would pay a group of lone parents to set up arrangements under which they look after each others' children, and do each others' housework, to qualify for tax credits, instead of doing their own on an unpaid basis. It is likely that – over time – a great deal of 'social reproduction work' will be turned into employment which hitherto has been done informally. Even if this is efficient from an economic point of view (which is doubtful), it will result in injustices if some people cannot organise themselves in these ways. It will especially disadvantage isolated carers, looking after disabled or handicapped relatives. In fact, the development of tax credits as the most generous form of income support, tied to formal employment, will gradually disadvantage unpaid caring, volunteering and all forms of political and community activism, by putting a premium on formal employment. As the part of income redistribution paid out of tax credits rises, the injustice of these omissions will become more obvious, and will continually destabilise the New Contract for Welfare (Jordan, Agulnik, Burbidge and Duffin, 2000, ch.2).

In summary, then, New Labour's main instrument for building social cohesion has several problems, both as a means of securing economic efficiency, and as a way of overcoming social exclusions and conflicts. I doubt whether it will have the effect of bridging social divisions and narrowing inequalities in the way the government hopes. Instead, it may consolidate two new categories of citizens – those who are trapped in employment at wages that require permanent subsidisation, and hence remain long-term tied to the poverty line (the working poor, as in the USA); and those who are trapped outside the labour market, either, because they are classified as unfit for any work, or because they are doing unpaid caring, volunteering, or political/cultural work in their communities. I will return to this right at the end of my lecture.

**Democratising
Social Services**

Let me now return to the theme that I flagged up in the first part of the last section – the limitations of the reforms of the education, health, and social care services instituted by New Labour, as a way of strengthening social cohesion, and building a more democratic politics. What I said there was not meant to imply that these services do not have the potential to be the focus for common interests and democratisation. Rather I was arguing that the forces of inequality, social polarisation and social division have become so strong – for the kinds of reasons I argued in the first section – that is very difficult for these services to overcome them. Instead, they are largely dealing with their consequences, and often in ways that actually reinforce these, rather than offsetting them.

The approach to reform in all these fields, as in everything else, so far adopted by New Labour has hitherto been a top-down one, based on an instrumental, rational view of public policy. The method has been to set short- and medium-term targets, and to reorganise the management of the services (Clarke *et al.*, 1994), under the guidance and regulation of various kinds of supervisory boards and inspection agencies. The government's model for the welfare state aims at changing the culture of both service users and staff, to emphasise achievement and change, rather than the mass provision of benefits and services to passive recipients (DSS, 1998, p.23). The approach is also individualistic, in that it seeks to motivate and activate individual citizens, through the advice and persuasion of counsellors and advisers, as in the New Deal. For example, the notion of 'lifelong learning' (DfEE, 1998) aims at establishing a 'learning culture' for everyone, aimed at improving 'employability'.

There are signs that the government is beginning to recognise the limitations of this approach to implementing its goals. Both the top-down, managerialist method of inducing change, and the individualist way of sustaining it, are flawed. Hence a shift towards a more collective and bottom-up approach is called for, and that implies strengthening democratic participation and service-user involvement in these spheres. It seems to me to be the counterpart to a growing awareness that New Labour's policies of devolution and regionalisation – the Modernising Britain agenda (DETR, 1998) – was too much about a new layer of government to control and enforce standards on wayward local authorities, and not enough about rebuilding democratic politics. So I see evidence of the beginnings of an interest in participation and involvement at the local level, and in community activism as a force for social cohesion and inclusion (up to now confined mainly to crime prevention and 'community safety').

I have time to give only one controversial example. In education, the government's attempts to counter the effects of polarisation of achievements and life chances of the most and least advantaged pupils in state schools were focused on improving the performance of the least successful schools and local education authorities. In particular, the idea of taking over 'failing schools' under the Freshstart programme, putting in 'Superheads' to 'turn them around', owed everything to the top-down managerialist approach. Now of course that strategy is in trouble, with three Superheads resigning in a short space of time, and questions about how much these methods, can do to overcome the adverse effects of poverty and family disruption in deprived areas.

The new idea of City Academies now proposed as an alternative or supplement to those policies, is of course not new – it is an adaptation of Conservative proposals in the mid-1990s, and of the principles which the Conservatives under William Hague are suggesting should be adopted on a far wider scale. The idea of schools organised by partnerships of parents with business, voluntary and religious organisations, excluding local education authorities, and directly accountable to central government, of giving incentive payments to teachers (and perhaps even to children?), as a replacement for failing schools, suggests that the government now sees a need for local bottom-up solutions to these problems.

In the USA, where 'charter schools' have been the new idea in education in the 1990s, they have a far wider remit to be licensed by the state to provide public education. Initiatives that reflect the best in American civic culture – the 'can do' attitude of citizens in the face of market and state failure – have involved parents and educationalists in a bewildering variety of new schools, with little in common except the energy and determination of their non-profit pioneers (BBC Radio 4 Today, 15.3.2000). Their growth and success has little to do with innovations in educational methods, and much to do with a combination of

parental involvement and professional responsiveness to a demand for basic skills, an orderly and safe environment, and enthusiasm for at least one subject of study and activity. In other words, charter schools combine the democratisation of education management with a sharing of professional power, and a kind of local accountability to parents that has been lacking in public education.

It seems very unlikely that New Labour will go all the way with the radical parts of this agenda, or allow the movement to become as widespread as it has become in the USA. But it does seem clear that the government is moved by the bottom-up, empowerment and democratisation elements in the movement, rather than by the privatisation elements, that attract the Conservatives. There are, of course, parallels to be found in child care and social care, and perhaps in health also.

I have just three points (again) to make about all this. The first is that social cohesion may be more effectively sought directly, through democratic participation in organisations that are relevant to people's quality of lives, and their children's life chances, than indirectly, through providing services dispensed by bureaucrats and professionals who are supposed to include, motivate, or assist them. In other words, instead of hoping that social services will lead to social harmony and thus legitimate representative democracy, a more promising approach may be to give people better opportunities to act together collectively, make decisions, and take responsibility for their own services. But democratisation of this kind is a great tension with managerialism and top-down surveillance, so this is something that the government will be forced to reconcile in the longer term, if it wants to use these methods more widely.

Second, this agenda draws heavily on the voluntary participation of parents, as citizens and activists, and the voluntary sector, including churches, with their characteristic reliance on volunteers and unpaid labour. But, as we have seen, the government's approach to income maintenance and redistribution penalises voluntary work and activism, by giving strong fiscal advantages to paid employment. It promotes a 'full employment' rather than a 'full engagement' society. If this new emphasis on direct democracy is to prosper, it means looking for a tax-benefit system that is more neutral between paid and unpaid work, formal and informal activities. In my view, the informal approach to social and economic regeneration, and to social care, has many advantages, especially in poor districts (Holman, 1981; 1988; 1997; Jordan, 2000). Third World countries are already demonstrating this, as the most marginal and impoverished communities take what are supposed to be public services into their own hands. For instance, in cities like Karachi, poor people are constructing their own water supplies and sewers – at a cost of 25 per cent of the contracting price – and in South Africa poor people are undertaking water conservation projects at an even smaller proportion of the costs of formal contracts (BBC Radio 4 Today, 17.3.2000).

Finally, all this is important but it cannot overcome the divisive effects of social polarisation without many other measures. Unless there are other shifts in resources and opportunities, people in a polarised society will be participating in their own deprivation and exclusion when they do such work. But it may be a necessary (though not a sufficient) condition for building democracy that people experience their collective power, and learn to act together to improve their quality of life.

Conclusions

What I've tried to do is show that the tendencies towards fragmentation and the formation of smaller, relatively homogeneous collectives set in motion by Margaret Thatcher's programme are difficult to counter within the reformed institutional structures that she created. The present government have tried to establish a new basis of redistribution, and for strengthening cohesion through the public education, health and social care services. The difficulties they have experienced seem to me to be traceable to the fundamental dynamic towards polarisation and division that is built into our economic and social system.

Our democracy is suffering from many of the symptoms that beset the other most successful democratic polity of the twentieth century, the USA. Turn-out in elections is low by international standards, and falling, especially in local and European polls. The poor are the least likely to participate, or to see collective decisions as relevant to their lives. Cynicism about politics, and the sense of exclusion from the mainstream, breed resistance strategies that are costly to society, and which (though individually rational), actually

determinate the collective situation of their group in society. British civil society is, like the USA's, diverse and healthy in many ways, but poor people are unlikely to belong to any formal association, or to share in mainstream cultural organisations. Mainstream citizens pay a heavy price for all this, in terms of fear of crime, high insurance premiums, and a stressful social environment. It also contributes to unattractive aspects of our political culture, such as xenophobia, demonstrated in the current moral panic about asylum seekers, which is in many ways more extreme than the neo-Nazi rantings of Jörg Haider in Austria.

In my view, the two main directions that social policy has taken under New Labour – tax credits with the New Deals, and top-down managerial reform of the NHS, education system and social care, are each in danger of being cul-de-sacs. I favour the approach to income redistribution which I'm sure both Stuart Duffin and Sean Healy recommended to you, an unconditional Basic Income or Citizen's Income, because it would be far more neutral between paid and unpaid work, and fairer between formal and informal activities, men and women. I also favour the approach to many other social issues that involves parents, carers, patients and service users in collective action to address their common issues and problems – the experience of democratic participation in pursuit of shared interests. I think these two approaches, taken together, are more promising than the ones being pursued by the government. But I think that to work, to create a genuinely more cohesive and democratic society, they will have to be more radically implemented than most of us would, at present, contemplate as feasible.

References

- Blundell, R., Duncan, A., McCrae, G. and Meghir, C. (1999) *The Labour-Market Impact of working Families Tax Credit*, London: Institute for Fiscal Studies
- DfEE (1998) *The Learning Age: A Renaissance for New Britain*, London: Stationery Office.
- DETR (1998) *Modernising Britain*, London: Stationery Office.
- DoH (1998) *Modernising Social Services*, (Cm 4169), London: Stationery Office.
- DSS(1998) *A New Contract for Welfare* (Cm 3805), London: Stationery Office.
- Evason, E. and Woods, R. (1995) 'Poverty, Deregulation of Labour Markets and Benefit Fraud', *Social Policy and Administration*, 29 (1), pp.40-54.
- Gershuny, J. (1983) *Social Innovation and the Division of Labour*, Oxford: Oxford University Press.
- Genschell, P. (1999) 'Tax Competition in Welfare States', Cologne: Max-Planck Institute for the Study of Societies.
- H.M.Treasury (1999) 'Chancellor Announces Further Measures to Increase Opportunity and Support Families', Press Release, 9th November.
- Hobbes, T. (1651) *Leviathan*, (ed. M.Oakeshott, 1966), Oxford: Blackwell.
- Hobhouse, L.T. (1922) *The Elements of Social Justice*, London: Allen and Unwin.
- Holman, B. (1981) *Kids at the Door*, Oxford: Blackwell.
- Holman, B. (1988) *Putting Families First*, Basingstoke: Macmillan.
- Holman, B. (1997) *Faith in the Poor*, London: Lion Books.
- Iversen, T. and Wren, A. (1998) 'Finality, Employment and Budgetary Restraint: The Trilemma of the Service Economy', *World Politics*, 50, pp.507-46.
- Jordan, B. James, S., Kay, H. and Redley, M. (1992) *Trapped in Poverty?: Labour-Market Decisions in Low-Income Households*, London: Routledge.
- Jordan, B. (1996) *A Theory of Poverty and Social Exclusion*, Cambridge: Polity.
- Jordan, B. (1998) *The New Politics of Welfare*, London: Sage.
- Jordan, B. (2000) *Social Work and the Third Way: Tough Love as Social Policy*. London: Sage
- Jordan, B. Agulnik, P. Burbidge, D and Duffin S. (2000) *Stumbling Towards a Basic Income: The Prospects for Tax-Benefit Integration*, London: Citizens Income Trust.
- Mueller, D.C. (1989) *Public Choice 2*, Cambridge: Cambridge University Press.
- Olson, M. (1965) *The Logic of Collective Action: Public Goods and the Theory of Groups*. Cambridge: Harvard University Press.
- Olson, M. (1982) *The Rise and Decline of Nations: Growth, Stagflation and Social Rigidities*. New Haven: Yale University Press.
- Rimlinger, G.V. (1973) *The Emergence of Welfare States in Europe and the USA*. Cambridge: Harvard University Press.
- Rowlingson, K. Wiley, C. and Newburn, T. (1997) *Social Security: Fraud*. London: Policy Studies Institute.
- Ryan, A. (1983) 'Mill and Rousseau: Utility and Rights' in G. Duncan (ed.) *Democratic Theory and Practice*, Cambridge: Cambridge University Press.
- Scharpf, F.W. (1999) 'The Viability of Advanced Welfare States in the International Economy: Vulnerabilities and Options', Working Paper 9/99. Cologne: Max-Planck Institute for the Study of Societies.
- Starrett, D. (1988) *Foundations of Public Economies*. Cambridge: Cambridge University Press.

**Bill Jordan,
Phil Agulnik,
Duncan Burbidge
and Stuart Duffin**

*Citizen's Income
Study centre,
LSE, 2000.*

Stumbling Towards Basic Income: The Prospects for Tax-benefit Integration

This book marks a big step forward in the ongoing debate about Basic Income in Britain. Some of us, sympathetic to the idea of a need-based benefit for all citizens and concerned at this government's continued drive towards more means-testing, have yet shied away from the Basic Income solution. Why? One reason is that BI advocates propose a one-size-suits-all solution to the question of how to secure human well-being across all developed countries, indeed the whole world. They draw a direct arrow from ultimate values to a specific policy instrument. This is bad theory as well as bad politics. Just as markets are institutionally embedded, so are social policies. Even if basic income solutions are accepted on normative grounds, something that can be contested from a progressive viewpoint, the reform strategy will need to reflect different forms of capitalism, levels of development, political systems and welfare regimes (Gough 2000: ch.9).

Bill Jordan and his colleagues now recognise this. They contend that New Labour is creating a window of opportunity for reforms which may 'stumble towards' basic income. The reasons are, first, the government's move towards tax-benefit integration as part of its Welfare to Work agenda, and second, the contradictions between its wish to extend opportunities for all and its top-down 'Benthamite regulation'.

The Working Families Tax Credit (WFTC) is a Treasury-inspired tax credit, yet one which may be paid through a giro rather than the pay packet. The Chancellor is committed to extending this to low-earning households without children to create a general Employment Tax Credit (ETC). These schemes have the merit that they reduce the unemployment trap for low earners in post-industrial societies like Britain but the demerit that they worsen their poverty trap. Why not, then, abolish individual tax allowance and instead construct a Labour Market Participation Income (LMPI) by paying a benefit equivalent to Income Support to all workers but tapering it at about 41%? This would overcome the double trap problem, but new contradictions would arise, such as subsidising paid care work while not paying benefits to unpaid carers. Pressure might then build for a Social and Economic Participation Income (SEPI), paying similar benefits to all carers, students, and self-employed working 8 hours a week or more, plus existing claimants (but not housewives or early retirees), to be partially financed by abolishing remaining tax and NI allowances. But at this stage, there would be tricky issues involved in defining and policing 'participation', so the case for an unconditional Universal Basic Income (UBI) payable to all citizens would become more appealing and its marginal cost more manageable.

The welfare to work agenda of the Blair government thus opens up the road towards a radical rationalisation of fiscal and public welfare. (In Gorz's old language it is a 'revolutionary reform'). There is a political and technical inevitability to the reform process which may, given the right conditions, arguments and strategies, carry us from WFTC, though ETC, LMPI and SEPI to UBI! This is a sophisticated and novel argument for a transitional basic income starting from where we are today. Does it stand up?

The report is careful to set out its underlying assumptions. It assumes (crucially) that IS benefits will continue to be linked only to prices whereas tax allowances will move in line with incomes, thus ensuring that the two will converge. And it assumes 'revenue buoyancy' for the next few years. These assumptions are helpful to the transformative scenario. Yet they mean that the relative value of the basic income actually established will decline year by year, and may well be insufficient at the start. Given the extent of poverty in Britain, this is a damaging feature.

The authors use the POLIMOD microsimulation model to estimate the costs and distributive outcomes of each stage of the process. The net costs for childless low earners are estimated as follows:

ETC	+£10.3b
LMPI	+£7.3b
SEPI	+£10.7b
UBI	+£4.6b
TOTAL	+£32.9b

To this must be added the net costs of raising Child Benefit and extending the WFTC to those working 8 hours a week or more, estimated at £5.5b, and of instituting a Citizenship Pension for all retirement and disability pensioners – £8.2b. The total net cost would therefore be in the neighbourhood of £45-50b. The report considers briefly how to pay for all this (abolishing SERPS, raising the basic tax rate to 39%, abolishing all other tax allowances) but says little more.

Are the very high costs worth paying? Clearly, each step on the way to UBI must offer convincing moral and strategic advantages to justify such a resource commitment. The authors offer three firm arguments. First, the existing New Labour policies encourage commoditised services and discourage unpaid services, yet the costs of sustaining the former will rise remorselessly year by year due to the 'Engels Law' (they mean Baumol's Law). It would be more effective to make the tax-benefit system neutral between paid and unpaid work. Second, the implementation of New Labour's welfare reform programme is top-down and intrusive, even when the agents are nice 'personal advisors', thus contradicting the goal of equality of opportunity. Lastly, Basic Income is, in Goodin's words, the 'least presumptuous' social protection system, making fewest assumptions about people's livelihoods and values. It is thus most suited to today's fragmented labour markets and plural lifestyles. It will increasingly work with the grain of public opinion.

For those of us attracted to Atkinson's idea of 'participation income', they offer a sobering analysis. Assessing who is 'participating' would involve more intrusion and administrative effort, and the potential opposition of early retirees (who would move from an unconditional to a conditional income) could be explosive. This is one of the first attempts to think through what a participation income would look like and it is not encouraging. However, I would like to see this investigation taken further. Why not keep the 16 hour a week limit and pay the SEPI only to those caring, studying and volunteering for more than that?

Like many proponents of BI, the authors say little about the rest of the welfare state. The assumption seems to be that the business of the state is to redistribute cash benefits and thereafter respect people's preferences, or fancies. It has no business 'nannying' people, for example by encouraging them to provide pensions for their retirement (hence the idea of scrapping SERPS). The authors may want to retain our tax-funded NHS, but in a year when the government has committed £8b extra to improve it the case for spending another £50b to introduce BI should at least be set in context. It is arguable that efficiency, justice, equity and well-being are better served by providing a citizen's right to good health care than an unconditional basic income for all – especially when all this can guarantee is a level of benefit declining year by year in relative value.

Nonetheless, by probing the long-term implications of New Labour's welfare reform, this book is pushing BI from the fringe to political centre-stage. A real debate on its merits as a social strategy can now begin.

Ian Gough

University of Bath

Ian Gough is author of Global Capital, Human Needs and Social Policies: Selected Essays 1994-99

(Basingstoke: Palgrave); Chapter 9: 'Basic Income; Real Freedom for All?'.

**Prof. Richard
Holloway**

**Gresham College,
London**

Professor of Divinity

A Prudent Assessment of Human Nature

In his book, *The Good Society*, Kenneth Galbraith writes these words: *There is the inescapable fact that the modern market economy accords wealth and distributes income in a highly unequal, socially adverse and also functionally damaging fashion.* Galbraith knows better than most how good the market economy is at generating wealth, but he is concerned at the way those who benefit from the system refuse to address the damaging effects it has on the most vulnerable members of society. Most unprejudiced thinkers today would acknowledge the failures as well as the successes of the global market economy. Few people today argue for the complete abolition of the capitalist system. Increasingly, however, they are calling for a candid acknowledgement of its failures. 'We created the thing', they say, 'so why can't we learn to modify or correct it?' And we have started to do this in certain areas. We have learnt about the cost to the planet of unregulated industrial activity, so we no longer tolerate businesses that pollute our rivers and destroy the quality of the air we breathe. So far, however, we are uncertain about how to respond to the effects of the global market economy on the human environment. We could make a start by acknowledging that the system that has made most people in this country more prosperous has plunged a significant proportion of our fellow citizens into poverty and despair.

One of the undisputed facts of the history of human industry is that change in the methods of production always has a disproportionate impact upon the most vulnerable in society. History, like nature, seems to be indifferent to the pain it causes the weak. The industrial revolution chewed up and spat out generations of the poor, before we learned how to protect them from its worst depredations. The paradox of our time is that it is the death of heavy industry that is now devastating the poor. Much of this is the consequence of global economic changes, coupled with the closure of pits and defence industries. Heavy industry has been replaced by the knowledge economy, and we are only now trying to catch up with its consequential impact upon the poor and ill-educated. This shattering of the structures that once gave the poor significance and purpose has created a breeding ground for despair and alienation. Whenever I refer to these facts in certain circles someone inevitably points out that no one in Britain is starving today, because absolute poverty has been eradicated. That may be true, but minority poverty has a cruelty that is all its own. When most people were poor, there was a camaraderie and cultural cohesion in belonging to the working class that gave them a strength and pride that transcended the structures that excluded them. But in a society where most people are prosperous, and the poor are a minority whose culture has disintegrated, the pain and anger they feel is heightened.

It is the mark of a humane society to acknowledge this pain and try to tackle the factors that produce it. Because the British Government has acknowledged that the endurance of poverty in a prosperous society is a scandal, we are currently embarked upon an ambitious programme to tackle the human tragedy created by the revolutions of our time. We have acknowledged that the system that benefits most of us has had the effect of excluding many of our fellow citizens, so we are working to correct that tragic imbalance by policies and projects designed to counteract the effects upon the poor of the revolutions of our time. However, something seems to be missing from the Government's analysis, though it probably has more to do with electoral prudence than with pure callousness. What is missing is any notion that an important element in a successful strategy for social inclusion must contain a significant element of redistribution of national resources. The beauty of the citizens' income approach to these matters is that it is based on a prudent assessment of human nature as well as a strong impulse towards social justice. It may be that it is now an idea whose time has come.

We welcome readers' views on CI and related topics.

To submit your comments please write to the Editor of the Newsletter at the CISC

LSE, St Philips Building, Sheffield Street, London WC2A 2EX.