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Editorial

There's not much that isn't global now: companies, the internet, capital movement, and culture are all global to a large extent And where things are not global they are continental: tariff-free trade is developing as a continental phenomenon; people from one EU country can now in principle be employed in any other; and currencies are increasingly continental.

But tax and benefits are stuck in a nation-state time-warp. Although there *are* arguments for retaining nation-state responsibility for tax and benefits (such as a chancellor's ability to use tax levels as fiscal instruments), the increasing mobility of labour and goods, and existing EU controls over VAT, suggest that tax and benefits should no longer be national concerns, but that the proper level of subsidiarity is the continental.

An obvious first step towards a European tax and benefits policy is a European Citizen's Income, which could easily function alongside continuing national provision. Comment on this issue would be most welcome.

(The last few months have seen a plethora of important articles, reports and books, and we make no apology for the large number of book reviews in this edition of the newsletter).

Main articles

THE IRISH SITUATION

by Anne Miller

Many individuals and groups have been trying to promote the idea of Basic Income in their communities, but the country that is furthest ahead in this ambition in Europe is the Republic of Ireland, with the publication of 'Basic Income, A Green Paper' by the Department of the Taoiseach (the Irish prime minister), in October 2002.

This enlightened state of affairs is due in large measure to the sustained efforts of two very dedicated workers, Seán Healy and Brigid Reynolds. For more than twenty years, Healy and Reynolds have worked for the Conference of Religious of Ireland (CORI – pronounced 'COR-EYE', not 'Corry'), as co-directors of CORI's Justice Office in Dublin.

In addition to their other duties, Healy and Reynolds together have written or edited on average one small book every year for the Justice Commission, and they have amassed an impressive joint publications list. Their initial work in the 1980s, always in the socio-economic arena, covered many topics including 'work and unemployment', 'education' and 'health and healthcare'. In the late 1980s, they edited two books on 'poverty and family income policy' and 'poverty and taxation policy', and, since then, they have produced a whole series of books and papers in which Basic Income has been the central theme. A list of the key publications in this progression is given in the bibliography below.

In an inspiring talk to the delegates at the Basic Income European Network in Amsterdam in 1998, Seán Healy described his 'road map' for persuading the Irish people to change their perceptions. He said that a) one must show people what is wrong with their present society and policies; b) one must give them a vision of how their society could be, and c), one must show how to move from a) to b), filling in the details at each stage. Throughout his talk, and implicit in all their joint writings, was an emphasis on the values of compassion and justice that underlie their vision.

In an interview with Healy and Reynolds last Autumn, they shared with me some clues to the success of their campaign.

In addition to being clear as to the underlying **values** which inform their work, Healy and Reynolds also have a **thorough grounding in the technical side** of Basic Income, which, in spite of the simplicity of the basic idea, has ramifying effects on different aspects of the economy, depending on the other economic instruments with which it is combined.

They said that having a **specific scheme** to recommend, and with which to illustrate their ideas, was very important, although the actual figures changed over time as the economy grew. They have **involved many people** in different aspects of their program, and were gratified at the number who, when invited to be involved, were happy to give of their time and expertise willingly, contributing papers and carrying out analysis for them, or giving in other ways, thus demonstrating an enthusiasm for the concept. Professional economists have provided the technical analysis, always using **official government figures**, either published and in the public domain, or accessing other data from government departments where necessary. This was important to avoid any criticism of their analysis based on the accuracy of their figures.

Throughout the development of the work, Healy and Reynolds have **responded to the current preoccupations** of their society, whether it has been poverty, unemployment, widening inequality of income and wealth, social exclusion, or worries about pensions, in each case demonstrating how a basic income could help the situation.

Other groups of BI enthusiasts can take a leaf out of the Irish book, and adopt many of these ideas when educating their public and disseminating ideas, but there is one advantage that Healy and Reynolds have in Eire which we in the UK cannot emulate. The Irish Republic is a **small country** with a population of less than four million people, and it is far more feasible for two people such as Seán and Brigid to make an appointment to meet the Taoiseach or their Chancellor of the Exchequer, than for us to meet to discuss our ideas with Tony Blair or Gordon Brown..

In the rest of this article, I briefly trace the progress of the Irish basic income debate through their key publications.

In 'The Future of Work: A Challenge to Society', chapter 2 of their 1990 publication, Healy and Reynolds examine the possible causes of unemployment, and while acknowledging that standard economic and political theories contribute to our understanding of these causes, and that technological change has changed the nature of employment, they favour the viewpoint that society is changing drastically and that we are moving into a new historical era, in which there will not be full employment in conventional terms, that is, secure full-time highly-paid jobs for all those who want them. They look at possible policy responses to unemployment, and they recognise that something very different is required, rather than more of the current solutions. They note the ambivalent attitudes to work in our society, which is perceived both as privilege and as punishment, and look at the four functions of human work. They identify some changes in society's values that will be necessary to accommodate the coming new era. Needless to say, one of those called for is the acceptance of the concept of a basic income.

'Work, Jobs and Income: Towards a New Paradigm', chapter 2 in their 1993 publication, develops the theme of the changing nature of work and society into a wider context.

Reynolds' and Healy's 1994 publication, *Towards An Adequate Income for All,* is their first one dedicated entirely to basic income. It "continues the format of its predecessors. It analyses the present situation, identifies underlying values, articulates options for the future and closely analyses what can concretely be done now" (p.7). Chapter One, by Donal de Buitleir (a member of the Government's Expert Working Group on the Integration of the Tax and Social Welfare Systems and the Secretary of the Commission on Taxation established by the Irish Government during the 1980s), is entitled 'Tax and Social Welfare: The Case for Change'. Chapter Two by Healy and Reynolds is entitled 'Arguing for an Adequate Income Guarantee'. Chapter three is by three members of The Economic and Social Research Institute (ESRI), who evaluate Basic Income Options, based on the results of a study that they carried out in 1994. Finally, Seán Ward, an independent economist and public sector analyst, outlines what is possible in terms of introducing a partial BI scheme for Ireland, recommending the following rates:-

Age	£ per week (Irish punts)
80 +	75.70
65-79	71.00
21-64	50.00
0-20	20.00.

This would be accompanied by a single tax rate of 50% on all personal income (other than the BI of course). Ward then proceeds to compare the net income for various household configurations. The level of basic income is that of a partial BI, rather than a full one, and Ward recognises the need for a residual Supplementary Welfare system or Social Solidarity Fund to help those on low incomes who would be worse off under the BI scheme.

The 1995 book, *An Adequate Income Guarantee for All: Desirability, Viability and Impact*, expands on the themes from the 1994 book. The first chapter, by Healy and Reynolds, compares four different proposals on Basic Income, and assesses them for their ability to fulfil eight guiding principles that any income maintenance programme should fulfil. The recommended rates have changed slightly to:

Age	£ per week (Irish punts)
80 +	77.00
65-79	72.80
21-64	54.00
0-20	20.00

The second chapter, entitled 'The Costings of a Basic Income Scheme', prepared by Francis O'Toole, another independent economist, examines the financial feasibility of the proposed basic income scheme described by Seán Ward (1994) (p.6), using data from official sources. Chapter 3, 'Basic Income and the Irish Worker', by Charles Clark and Catherine Kavanagh, economists, look at some labour market effects. At the end of the book, representatives of the six political parties represented in Ireland's parliament comment on the proposals and the results of the analyses with a range of enthusiasm, from endorsement to cautious reservation.

The 1996 book, *Progress, Values and Public Policy,* is a set of four papers presented to a conference of the same name. This book questions the concepts of progress and prosperity, given that current indicators can be misleading, eg. fast increasing GDP can be accompanied by widespread and persistent poverty; it proposes alternative economic indicators and indices based on explicit core values. It looks at the role of Taxation Policy and Social Welfare Policy in contributing to progress and poverty. The book is prefaced by a message of encouragement to the conference from Mary Robinson, the then President of Ireland.

In 1996, CORI Justice Commission became one of the organisations which is now recognised as part of the newly created fourth partner (representing the voluntary and community sector) added to the partnership with employers, trade unions and farmers organisations with whom the Government has negotiated to develop three year national plans. CORI was successful in getting agreement from the other social partners to include a section on Basic Income in the programme called Partnership 2000 (covering 1997-2000). The section reads as follows:-

> "Further independent appraisal of the concept of introducing a Basic income for all citizens will be undertaken, taking into account the work of the Economic and Social Research Institute, CORI and the Expert Group on the Integration of Tax and Social Welfare and international research. A broadly based steering group will oversee the study."

CORI was part of the working group that was set up. The group's studies were completed and its results were published by the Government. These studies found that a Basic Income system would have a substantial impact on the distribution of income in Ireland, compared with the present tax and welfare system, and these impacts would be achieved without any resources additional to those available to the 'conventional options'.

In the build up to the 1997 Irish general election, CORI canvassed all political parties to include a commitment on Basic Income within their election manifestos. The incoming Government made a commitment to introduce a Green paper on Basic Income within two years. This was important as it ensured that work on Basic Income would be considered within the official policy-making process of Government, and the results would be made public.

In 1997, CORI published *Pathways to a Basic Income,* and *Pathways to a Basic Income: A Summary* by Charles Clark and John Healy, two economists commissioned by CORI. The "primary objective of the study was to devise a pathway through which a basic income system could be introduced with the minimum amount of disruption and without causing unnecessary hardship to anyone" (p.9).

The recommended rates are now:-

Age	£ per week (Irish punts)
80 +	82
65-79	77
21-64	60
20	45
19	35
18	25
0-17	21

During the course of the study, the happy discovery was made, and confirmed by the Irish Revenue Commissioners, that the CORI Basic Income proposal could be financed by a flat rate tax of 44%. Two modified schemes, based on a full basic income providing £70 per week for adults aged 21-64, were also considered.

They concluded that the introduction of a full BI system "would have positive effects on efficiency (the labour market issue) and on equity (the income distribution issue). A viable pathway for introducing such a basic income system over a three year period was identified and outlined" (p.11).

At about the same time, Healy and Reynolds prepared an A4 format booklet called *Surfing the Income Net,* introducing the idea of Basic Income in clear and simple question-and-answer terms, with cheerful cartoon illustrations.

The 1998 CORI publication *Social Policy in Ireland: Principles, Practice and Problems* contains a short paper by Seán Ward called Basic Income, which brings developments in Ireland up to date in 1998.

CORI's Socio-Economic Review of 2001, *Prosperity and Exclusion: Towards A New Social Contract,* published in 2000, broadens the picture. The first part is about some of the main social problems in Ireland (and most Western countries), including poverty, unemployment, increasing inequality of income distribution, and social exclusion. Part 2 outlines their policy proposals in a range of key policy areas, such as work, accommodation, healthcare, education, culture, sustainability and the environment, with basic income as a core instrument for the change towards a just society.

Then, in October 2002, came the jewel in the crown. The Taoiseach's Office produced their long awaited Green Paper on Basic Income. CORI arranged a press conference for the launch and several people from distant lands congregated for the event, including from Geneva, the UK and the USA. A presentation was given by Deaglan O' Briain of the Department of the Taoiseach, and Seán Healy responded on behalf of CORI. The content of the Green Paper draws heavily on the work on BI already carried out by or for CORI, and this is acknowledged in its bibliography. The recommended rates are now expressed in euros per week. "The Government's target is to achieve a rate of 150 euros per week (in 2002 terms) for the lowest rates of social welfare to be met by 2007" (p.5). That sum, 150 euros, is roughly equal to £100, depending on the exact exchange rate.

The press conference for the Green Paper was also the occasion for the launch of a new book by Professor Charles Clark, who has been the main economist collaborating with CORI on the basic income analysis. *The basic income guarantee, ensuring progress and prosperity in the 21st century* is an economics book, the meat of which examines "how a Basic Income system … will affect the competitiveness of the Irish economy, the labour market and the distribution of income and levels of poverty".

It expands on his earlier work, and updates his data to 2001. What I find so refreshing in this economics book is that the values are made explicit and are compassionate and just. With so many mainline economics books one is fighting every step of the way to breathe humanity into them. This book has been written carefully so that even non-economists will be able to follow it. The BI rates recommended for the fiscal year 2001/2002.are as follows:-

Age	euros per week
80+	142
65-79	135.86
18-64	109.20
0 – 17	43.17

and the single tax rate to finance the system was calculated to be 47.14%

This then is the current state of the debate in Ireland. A Green paper is normally followed by a discussion, which, in turn, is followed by a White Paper outlining what the Government proposes to do, which then forms the basis for a bill, which goes before Parliament. We await the next stages with interest.

Acknowledgement

This article results from interviews with Seán Healy and Brigid Reynolds, and from correspondence with them (from

which I have quoted extensively), and from the copies of the papers and books which they so kindly sent me. Their contribution is gratefully acknowledged. Any errors or misunderstandings contained herein are entirely mine.

For further information about CORI, contact their website, www.cori.ie/justice, or write to them at the Justice Office, Conference of Religious of Ireland (CORI), Tabor House, Milltown Park, Dublin 6, Ireland.

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LIBERAL DEMOCRAT PENSION POLICY

by Philip Vince

Professor Steven Webb MP, the Liberal Democrat spokesman on Work and Pensions, published in November 2002 a statement, *Priorities for Pensions*, reiterating and updating the Party's policies in the General Election campaign of 2001. The main feature is to increase the State retirement pension for single pensioners aged 65 to 74 by £5 per week, for those aged 75 to 79 by £10 per week and for those over 80 by £15 per week. Couples would qualify according to the age of the elder for increases of £8, £18 and £28 per week respectively.

This is intended to help older pensioners, who are more likely to be in poverty. However, anyone entitled to the Minimum Income Guarantee under Income Support who already claims it will be no better off, except in a few special cases where other income added to State pension is currently slightly below Guarantee level. The main beneficiaries will be those, estimated at about one third, who could claim the Minimum Income Guarantee but do not do so because of pride, ignorance or frustration with the bureaucracy of applying. The other beneficiaries will be richer pensioners who do not qualify for Income Support at all.

These increases are not enough to eliminate the need for means testing. It is proposed that they should be paid for by not implementing the Pension Credit to be introduced in October 2003, on the grounds that this extends means testing, and again only about two thirds of those entitled would claim it. This long overdue reform is essential because it abolishes the offsetting of an absurdly high notional income on capital over £6000 and effectively taxes pensioners' income from other pensions and savings at only 60% instead of 100%. The Liberal Democrat Treasury team concede that the Pension Credit could not be abolished after people had begun to receive it, so the Party's policy on the State pension will have to be completely rethought. A pensions policy group is being formed now to prepare an outline policy on the whole subject of pensions for consultation from September 2003 and final adoption in September 2004.

Steven Webb has also denounced the alleged injustice to married women who exercised their option in 1978 to continue National Insurance contributions at a reduced rate which did not entitle them to pensions in their own right and now of course find that they have none. The problem was not that these women were misled about their pension expectations but that their reduced contributions were for other benefits such as in unemployment or sickness whose contributory basis has since been largely eroded. However, the policy arising from this indignation is the reasonable one that all such women still below pension age should be told how much pension they can expect and be allowed to pay additional contributions in arrear.

The other main policy is to abolish all new entitlements to the State second pension and thereby scrap the whole bureaucracy of contracting out. Existing entitlements to SERPS and to the State second pension would be honoured and the extra benefits for low earners, carers and disabled people would be transferred to the basic State pension. Instead there would be a mandatory employer contribution to a second pension (occupational, stakeholder or personal) for everyone with earnings above a low threshold, with additional contributions by employees and the State.

The other proposals look likely to be accepted soon by all parties. They are to simplify the winding up of pension schemes so that more of the fund goes to members and less in fees, to require the same consultation of employees about changes in pension arrangements as in pay and other conditions, to scrap the requirement to buy an annuity by the age of 75 and to allow people drawing a pension from an employer to continue to work for that employer and not just only for others.

News

On the 6th April **tax credits** underwent some changes. The Child Tax Credit will replace the Children's Tax Credit, and will be paid direct to the main carer for those who fulfil entitlement conditions, unlike the Children's Tax Credit which was paid through the PAYE tax system. At the same time, the Working Tax Credit replaced the Working Families Tax Credit: the difference being that the Working Tax Credit is paid to families without children as well as to families with them, whereas the Working Families Tax Credit was only paid to families with children. One consequence of the new Child Credit will be that from later this year or early next year allowances for children will no longer be paid through Income Support, income-based Jobseekers' Allowance, Minimum Income Guarantee, and some other benefits. Also later this year the Pension Credit will replace the Minimum Income Guarantee for pensioners, thus enabling pensioners to benefit to some extent from small amounts of savings, occupational pension or private pension. In most cases, the new tax credits will be paid into bank accounts (including the new Post Office card account). Information on these changes is available at www.inlandrevenue.gov.uk/taxcredits.

Other changes: On the 28th October 2002, Child Benefit became the first benefit which it is possible to claim online; and on the 1st April 2003, responsibility for Child Benefit passed to the Inland Revenue.

The **Centre for Economic Performance**, at the London School of Economics, has received the Queen's Anniversary Prize for Higher and Further Education in recognition of "excellence in the application of economic theory and rigorous empirical analysis to issues of unemployment, productivity, education and international trade." Particularly important pieces of research at the Centre during the past ten years have shown that a not too large National Minimum Wage would not reduce employment, and that reducing long-term unemployment does not increase inflation in the same way that some policies aimed at reducing short-term unemployment might do. Recent research has shown that the number of vacancies and the number of people unemployed are not necessarily inversely proportional: indeed, they tend to be proportional, rather suggesting that helping people into employment (for instance, by enabling older people to remain in employment) reduces unemployment and the number of vacancies, which helps to reduce inflation (because high vacancy levels contribute to inflation). Other recent research has shown that the labour market is not a classical market, that it exhibits many of the characteristics of 'monopsony' (i.e., a market in which there is only one purchaser), which suggests that there is scope for regulation (national minimum wage, working hours limits, etc.). Further details on the Centre's research can be found at www.centrepiece-magazine.com, and at www.lse.ac.uk.

There are two new reports on **pensions**. In November the Liberal Democrats published *Priorities for Pensions*, which argues for an enhanced basic state pension, the abolition of the second state pension, and the establishment of an Independent Pensions Authority. Also in November Help the Aged published *A future we can trust: Pensions or pin money?* which argues for a basic state pension at the level of the Minimum Income Guarantee, and also suggests an independent pensions authority to patrol the relationships between individual provision, state provision, and employer provision.

The first recommendation of a new report on debt by **Church Action on Poverty** is for "a flexible benefits system which will enable people to shift easily from benefits to work without risk of going further into debt." For further details, see Church Action on Poverty's website at www.church-poverty.org.uk, or write to: Church Action on Poverty, Central Buildings, Oldham Street, Manchester, M1 1JT.

Contributions to debate: on the website

We have received two interesting contributions to debate for which unfortunately there wasn't space in this edition of the newsletter. Here we have included brief summaries. To read the entire contributions go to the Citizen's Income Trust's website at www.citizensincome.org and click on the links to the contributions on the home page.

Where are the Citizen's Income Emperor's clothes?

The contribution from Tim Flynn emerges from the many-faceted debate on a Citizen's Income within the Green Party. The scheme in question is a full Citizen's Income of £500 per month, which of course isn't the only Citizen's Income Scheme on offer, but it raises some important issues: Is a CI affordable ? Would a CI be regarded by the World Trade Organisation as the kind of subsidisation of wages which calls in question the UK's membership of the WTO ? Would a CI, by increasing people's purchasing power, cause inflation?

Can we argue for a human right to a Citizen's Income?

José Luis Rey Pérez, from Spain, studies the connection between a Citizen's Income and primary needs, and the connection between a Citizen's Income and 'radical' needs (i.e. those needs we experience consequent upon choices we make about the lives we intend to lead), and concludes that, while a Citizen's Income is not itself a human right, it is a good, and perhaps the best, guarantee of the right to subsistence and of the right to choose and develop different lifestyles.

Reviews

Peter G. Rosner, *The Economics of Social Policy*, Edward Elgar, 2003, xv + 356 pp., hb, 1 84064 496 6, £69.95.

This is going to be a most useful book, mainly because its aim is realistic. It explores the ways in which (mainstream) economic theory relates to social policy generally and to policy on health, pensions, the labour market, families, children and gender in particular; but it also recognises that national and individual decisions in the welfare field (e.g., whether a nation should pay for health care through general taxation or through insurance schemes, or whether an individual should buy an annuity) are made on the basis of a wide variety of factors which economic theory does not necessarily explain.

Chapter 1 contains an overview of social policy, and chooses to limit the field to health care, pensions, help for the unemployed, policies related to the family, and poverty. The author recognises that this diversity means that no unified theory is possible, and so he sets out a variety of presuppositions (for instance, that, on the whole, people make rational choices), and then in chapters 1 and 2 he offers a good, accessible summary of what would normally be taught as 'welfare economics': economic theory which might be applied to social policy. Chapter 3 looks in the other direction by asking first about the nature of social policy, and then how economic theory might apply to it. This two-directional approach provides a good basis for the detailed chapters on particular areas of social policy.

The author recognises that there are gaps: for instance, that the book is about developed countries, not poor ones: because, as he correctly argues, the problems faced are so different. He also recognises that amongst developed countries most of his material relates to Europe and the USA. He apologises for this. He doesn't need to: to include the USA and as many European countries as he does gives him plenty of diversity in terms of types of welfare state. But what *is* interesting is the location of 'poverty', and here two paragraphs from the preface are worth quoting:

> "I am sure that in any survey about the foremost purpose of social policy, fighting poverty will be mentioned most frequently. Any attempt to curtail social policy programmes will be challenged by warning of the danger of increasing poverty, whereas extensions of programmes are argued by pointing at existing poverty. Nevertheless poverty is *not* at the heart of existing social policy

> programmes, particularly in Europe. The biggest programmes – measured by the amount of spending – apply to large segments of the population, if not the whole population: health provisions, pension systems, family allowances. Of course, all these systems are important for reducing poverty, but the rationale for their existence cannot be reduced to that aspect, not even in the USA, in Australia or in New Zealand, where European style social security programmes are of less importance.
>
> I choose to present the material along the lines of the demarcation of the programmes – health services, pension systems, dealing with unemployment, supporting families. Fighting poverty as a separate programme is left for the last chapter, because in most countries poverty is reduced decisively by the aforementioned programmes, although they comprise (nearly) the whole population. Programmes which are aimed specifically at relieving poverty are nearly everywhere of small scale" (pp. xivf).

This suggests that yet another final chapter is needed on the connections between health provision, pensions, etc. and the required alleviation of poverty, but there isn't one. Such a chapter would have revealed the importance of educational provision (missing from the author's definition of social policy), and it would have caused important connections to be drawn between policy on means-tested benefits, pensions, and unemployment benefit. It might also have led to consideration of the kind of policy which might address poverty *across* the boundaries set up in the book. Neither 'basic income' nor 'citizen's income' appears in the index, though they should have done, for there is a single line on p.319 which recognises that "some want to replace [means-tested benefits] with a basic income."

The book is as it is because it has grown out of the author's teaching experience. It is sensible, informed, well-argued, and clear, and there is a good balance between theory and the results of empirical research. It will prove to be a useful tool on undergraduate courses, and beyond, for it has good up-to-date bibliographies (though I couldn't find any reference to A. B. Atkinson's *Public Economics: The Basic Income and Flat Tax Proposal*: a book highly relevant to at least two of the chapters). For both teachers and students this will prove to be a valuable text-book; and for politicians, commentators, and others, it will be a helpful resource, showing how useful economic theory can be when social policy is discussed, and also what its proper limits are. But unfortunately it will only become a really useful book if a paperback edition is published at a rather lower price.

Ruud J.A. Muffels, Panos Tsakloglou and David G. Mayes (eds.), *Social Exclusion in European Welfare States*, Edward Elgar, 2002, xxii + 366 pp., hb., 1 8464 803 1, £65

A book of papers by a variety of different authors is sometimes simply that: the filling of a gap in the market with a book of disparate contributions, with little to co-ordinate them except for their relationship with the title of the book. This is not the case here. This substantial collection of papers has resulted from the authors' co-operation on the EU-funded project entitled 'Social Exclusion and Social Protection: The Future Role of the EU' (EXSPRO). The project's researchers have sought connections between economic performance, labour market performance, and social inclusion/exclusion, and the book "explores the role and performance of welfare states and employment regimes in preventing and combating income poverty, relative deprivation and social exclusion and promoting labour market and social integration" (p.xviii).

In order to explore to what extent the EU can contribute to social protection at the same time as respecting subsidiarity, the authors (not all of whom are directly involved in the EXSPRO project) examine concepts and values, processes and policies.

Part I is on 'labour market integration in European employment regimes', and it tackles macroeconomic factors which contribute to social exclusion, employment regimes, and the flexibilisation of labour markets. Part II is on 'social exclusion in European welfare states', and there are papers on identifying high-risk groups, the nature of social exclusion, the measurement of poverty, and the ways in which different welfare regimes affect levels and types of social exclusion. Part III draws lessons for European social policy, mainly in relation to employment regimes and such labour market policies as the USA's experiment with workfare, which, in the view of Waltraud Schelkle, "does not provide templates for reforms to combat social exclusion in Europe but [which] entails important lessons nonetheless" (p.307).

The careful research represented by chapters 3 to 9 leads the researchers to summarise their findings in a table, thus:

	Generous benefits ('much security')	Low benefits ('little security')
Loose regulation ('much flexibility')	Social-democratic Scandinavian regime	Liberal Anglo-Saxon regime.
Tight regulation ('little flexibility')	Corporatist Continental European regime	Traditionalist Southern European regime

These results have obvious implications for national policy-making.

The concluding chapter concentrates on ways of encouraging people into the labour market. It notes that welfare regimes with less developed social security systems and strong employment protection regulations (and thus low turnover) are particularly bad at reducing unemployment, leading to the recommendation that "reinforcing the incentive structure of the system is still important in its own right as a means of fostering economic growth and employment creation" (p.328). But 'incentive structure' can mean a variety of things, and what has been discussed just before this quotation is Denmark's "activation and workfare strategy" (p.328). What is largely absent from the discussion, and from the collection as a whole, is detailed discussion of how particular benefits systems affect labour market incentives. This is not surprising, as social security systems are an entirely national issue. But the concluding chapter recognises that this is a problem, with the implication that a little more EU involvement in an issue which impacts on the mobility of labour throughout the economic community might not be a bad thing.

What would be valuable from this research project or its successor would be discussion of precisely which social security benefit types would provide the necessary labour market incentives and would otherwise reduce social exclusion, and whether a European approach to the issue might not be overdue.

Some final food for thought from near the end of chapter 9: "Egalitarian regimes perform a better job in preventing poverty and deprivation, but at the cost – although not much – of economic efficiency in terms of attaining high levels of economic welfare ….. [and] the fact that countries whose policies are more balanced in terms of prioritising social as well as economic goals prove to be more successful in tackling social misfortune than others is clearly a conclusion supported by the findings" (pp.229, 231).

Charles Bazlinton, *The Free Lunch*, Orchard Four Books, 2002, viii + 169 pp., pb., 0 9544105 0 5, £9.99.

The author employs the term 'free lunch' to describe any "gift of nature which existed before human society began" (p.4) – for instance, the oil which gives to Alaskans their social dividend, and land value gains due to location or discounted council house sales. He explores peoples' expectations of free lunches (e.g., from the lottery) – and, of course, the inequitable distribution of free lunches (as in the 'lottery principle', the societal process by which the poor create free lunches for the rich). Following a chapter on the 'fairness' developed amongst early Israelites, through such rules as the cancellation of debt every fiftieth year, Bazlinton introduces the 'Citizen's Royalty': a Citizen's Income modelled on Alaska's. The usual arguments are rehearsed (and particularly the alleviation of the unemployment trap and the opportunity for families to plan employment and childcare more flexibly). A land value tax is suggested as a funding mechanism, and C.H. Douglas's ideas on social credit (central bank control of money creation and the diversion of profit from money creation to fund the Citizen's Royalty) are also discussed. Further chapters follow on land value and its taxation (a particular interest of the author, who is a surveyor), and then material on business cycles and stakeholders, citizenship, and much else.

Many of the ideas will be familiar to readers of this newsletter. What's missing are detailed plans so that we can see how we can get from A to B, from here to there. It is possible to see that such plans might be constructed for the Citizen's Royalty or for the land value tax. It is less easy to see how such a plan could be constructed for Douglas's social credit.

But in the meantime, this book will be of interest to anyone who wants a lively skate through some ideas.

Christina Behrendt, *At the Margins of the Welfare State: Social assistance and the alleviation of poverty in Germany, Sweden and the United Kingdom*, Ashgate, 2002, xiv + 244 pp., hb., 0 7546 1996 6, £42.50.

This book tackles a fundamental issue facing welfare states in developed countries: Why, when so much is spent on poverty alleviation, is poverty still so prevalent? – and it tackles the question by examining minimum income schemes. As the author says, "these schemes are explicitly designed for the purpose of alleviating poverty and are ultimately responsible for guaranteeing an adequate standard of living" (p.2). The author is correct to suggest that other aspects of welfare states have been at the centre of academic attention – mainly the overall design of tax and benefit regimes, and social insurance systems. Her focus is means-tested safety nets in Germany, Sweden and the UK, and the book is packed with information and commentary. For any student specialising in this particular aspect of welfare states, this book is now the place to start. It will also be helpful to a wider category of students in terms of its discussion of methods for studying social policy and its impact.

The results suggest that in none of the countries considered has the safety net proved effective. One chapter asks whether this might be due to problems with the data or with the definitions of poverty, but most of the book asks about the design of the systems and the ways in which other social realities might affect outcomes. "Three possible causes may explain the ineffectiveness of minimum income schemes in the alleviation of poverty: some groups of the population may not be entitled to receive benefits from these schemes; benefits may not be generous enough to push households over the poverty line; or benefits are not fully taken up by the eligible population" (p.11). Thus means-tested schemes are tested for eligibility, adequacy and take-up. In none of the three countries considered is eligibility strictly universal; in the United Kingdom benefit levels are not adequate; and take-up is poor, especially in Germany and Sweden – and here the design of the schemes is the problem, and particularly the intrusiveness of means-testing. Behrendt recommends that in Sweden, with high benefit levels but few disregards, benefit levels should be lower and disregards higher in order to encourage take-up. In the UK, she recommends higher benefit levels. In Germany, she recommends the abolition of extended-family liability, and a reduction in administrative discretion. A particularly important recommendation is that systems should be designed so as to facilitate entry into and exit from the system, and this requires disregards for earned income.

The book certainly fills a gap, and it is a thorough and accessible study of a little-researched field, and should be in every social policy library. (It's a pity it's not cheaper. A paperback edition would enable students of income maintenance policy to own their own copies so that they could refer to them as necessary).

What is needed now is another book, and I hope that the author will provide it. The book under consideration is correctly entitled 'At the Margins of the Welfare State'. That is: minimum income (means-tested) schemes are after-thoughts needed to patch up what's not working. But these after-thoughts affect the ways in which policy is made about social insurance and universal benefits, and social insurance schemes and universal benefits affect the ways in which minimum income schemes are designed and operate. So what we need now is a volume which studies the relationships between social insurance, universal benefits (such as Child Benefit) and means-tested systems, the ways in which they impact on each other, and the ways in which the relationships between them affect labour market participation. To study minimum income schemes on their own gives a useful picture but only half a picture. Also, study of different systems together would bring the UK's tax credits into view. Behrendt doesn't deal with these, presumably having decided that they are not a means-tested benefit; but they are, of course, and they pose many of the problems faced by other means-tested benefits and also additional problems, such as the difficulties of employer administration and the complexities faced by people with rapidly-changing employment status.

To tackle the different parts of the system together would lead Behrendt to consider reform on a wider canvas. By choosing to tackle means-tested benefits on their own she is automatically led into discussing reforms to means-tested benefits. To discuss the system as a whole would lead her to suggest reforms relating to the balance between the means-tested, universal and social insurance elements of a system. Such a project would not be simple, because it would be far from easy to create an orderly and accessible conceptual structure within which to marshal the relevant data and to discuss it; but it would result in a book well worth reading. We commend the project to author and publisher.

David Darton, Donald Hirsch and Jason Strelitz, *Tackling disadvantage: a 20-year enterprise: A working paper for the Joseph Rowntree Foundation's Centenary Conference, December 2004*, Joseph Rowntree Foundation, 2003, 48 pp., pb., 1 85935 091 7, £11.95.

This report has been written in preparation for the Joseph Rowntree Foundation's centenary in 2004. Using the normal poverty-line of 60% of median income, it finds that over the past twenty years poverty has nearly doubled, so that now 14% of the population are in poverty (with a slight fall recently). The report suggests that we should aim to tackle this problem within the next twenty years, concentrating on income poverty, as that is a major determinant of disadvantage.

The report studies the causes of poverty (such as a rise in the number of no-earner households, and a fall in the number of one-earner households); who is most affected is then discussed (with families with children having replaced pensioners as the largest group of people in poverty); and the extent to which income would need to be redistributed is calculated: £25bn out of a possible GDP growth of £500bn over the next 20 years. The bottom quintile could see an annual growth of 7% if other quintiles see only modest rises of 2.5% per annum.

A strategy is then outlined to: (1) "increase the capacity of poorer households and communities to gain from the market economy," (p.16), and (2) "ensure an adequate floor income that relates to what as a society we believe are the necessities of contemporary living" (p.16), etc..

The second part of the report makes proposals in the fields of education, geographic differences in the labour market, housing, long-term care, and, of course, income poverty, and especially the poverty of families with children and the poverty of particularly vulnerable groups such as people with disabilities. The report commends the Government for implementing the Child Tax Credit, the New Deal for Lone Parents, and tax credits for childcare. But the authors note that progress will now slow down, as those who have been most helped by existing policies are mainly those near to the poverty threshold, i.e., low-income working families. It is those in the deepest poverty who will be the most difficult to lift above the poverty line. The report is right to say that external factors might make it difficult to sustain progress, and that "courage and determination will be needed" – but the logic of the argument suggests that new policies will be needed, not just the existing ones. Particular proposals are to ensure that the overall income of non-working families with children should rise relative to median incomes and that the causes of lack of take-up of Income Support and tax credits should be addressed.

In response: The first of these two proposals would deepen the poverty and unemployment traps and would make it more difficult for families with children to earn their way out of poverty; and the complexity of claiming Income Support and tax credits is *bound* to discourage take-up.

A most sensible recommendation is that government and employers should provide choice to parents so that they can balance employment with the needs of their children; but it is the tax and benefits system which is the major cause of the rise in no-earner and two-earner families and the fall in the number of one-earner families, not employers, and the report makes no policy recommendations which would tackle this problem.

In relation to the growing numbers in vulnerable groups who are below the poverty line, the report recognises that reliance on means-tested benefits has increased. The authors correctly note that income guarantees "work better if they are a back-up to other measures" (p.32), otherwise incentives to earn or save are reduced. In addition, take-up rates are low for minimum income guarantees because of continuing stigma, so income is in practice not guaranteed for large numbers of pensioners and families with children. "38% of those entitled are estimated not to claim Working Families Tax Credit and between 22 per cent and 36 per cent do not take up the Minimum Income Guarantee. This contrasts with near-universal take-up of non-means tested benefits such as Child Benefit and the State Retirement Pension" (p.33). Quite so.

The report recommends that the introduction of a second state pension should be speeded up, that the main state pension should rise with earnings, and that tax credits for people with disabilities should not be withdrawn if they are in short-term or poorly-paid employment.

The report's policy recommendations, when taken together (and the concluding section suggests that they *should* be taken together), would indeed help to reduce the numbers of people with incomes below 60% of median income, and Government and others will find the report useful.

But what the authors have not done is to ask whether policy *change*, rather than policy adaptation and enhancement, might not be the better way forward. In particular, a small and growing Citizen's Income would meet many of the authors' policy objectives, and without some of the attendant problems, such as poverty and unemployment traps and lack of take-up. Further work along these lines from the Joseph Rowntree Foundation would be very welcome.

David Piachaud and Holly Sutherland, *Changing Poverty Post-1997*, Centre for Analysis of Social Exclusion, London School of Economics, CASEpaper no. 63, 2002, x + 45 pp., pb.

By using the usual definition of poverty (income below 60% of median equivalised income), Piachaud and Sutherland find that between 1996/7 and 2000/1 there has been a small fall in poverty overall and a larger fall (of about 4%) in the number of children in poverty; and they attribute these changes to increased employment, to changes in benefits, and to the introduction of tax credits.

The second half of the paper employs a microsimulation model to assess the likely effects of policy changes already implemented or announced on levels of poverty for the period 2000/1 to 2003/4. The authors find that the effects will be small (with only a 2% fall in child poverty). They therefore suggest that further policy initiatives are required if the government target of halving child poverty between 1999 and 2010 is to be met.

Peter Taylor-Gooby, Charlotte Hastie and Catherine Bromley, 'Querulous Citizens: Welfare Knowledge and the Limits to Welfare Reform', *Social Policy and Administration*, vol.37, no.1, February 2003, pp.1-20.

The research project of which this article is the result set out to discover how accurately people understand the distribution of Government expenditure. The researchers discover that public perception is quite accurate as to how much is spent on major spending categories (with most people correctly recognising that government spends far more on social security benefits than on anything else), but less accurate in relation to spending distribution within major categories (for instance, public opinion wildly exaggerates the amounts spent on unemployed people and on single parents). From a second set of responses the researchers draw the conclusion that public perception exaggerates the size of such phenomena as crime involving violence and children in poverty (though the latter not by much). The authors discover some support for more redistributive policies (from half of the bottom quartile to a third of the top), but conclude that this is not sufficient support to enable the government to go very far in a redistributive direction. The article also contains evidence leading to the conclusion that the socio-economic characteristics of the respondent partly determine the respondent's knowledge and perception of the welfare state.

The concluding section suggests that "the goal of reduction of child poverty may attract approval, but the means (assuming they must involve redistribution from better-off to worse-off groups) are likely to produce controversy" (p.18).

This research needs to be understood alongside a research project by David Smith Associates (*Basic Income: A Research Report*, April 1991, prepared for Age Concern England) which found that "few respondents had a clear understanding of the current UK system of pensions and benefits. Respondents found the system confusing and unclear …… Respondents believed that there must be a better system, but felt the whole subject was too large for them to be able to offer suggestions as to how to improve it. Importantly, there was little evidence that people drawn from particular socio-economic groups were more knowledgeable than others. The lack of knowledge about the current system of pensions and benefits was a general problem that ran across all the groups included in the research" (pp.13f). It is unlikely that this situation has changed much during the last ten years.

It is not just knowledge and perception of how much is spent on different categories which matters; equally important is how much is known about the structure of the field: *how* the money is used, and not just how much is used. For the questions which the article's survey asks remain within parameters established by the way in which social security and taxation are currently organised, so responses will remain within these parameters too. Tax credits were introduced with practically no public comment or debate, which rather backs up the David Smith Associates findings, and rather suggests that if a government were ever to propose major reform of social security in the direction of universal benefits then there would be too small a public knowledge-base to enable intelligent debate to occur and that there would be little public comment if the change were made – and that there would be approving comment if the change made a difference to levels of child poverty, which it would.

Further work from Taylor-Gooby, Hastie and Bromley in this area would be very welcome.