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To mark the tenth anniversary of James Meade's death we are distributing with this newsletter a selection of his writings on a Citizen's Income.

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Editorials

The Flat Tax Proposal

During August there was much discussion in the press about a 'flat tax'¹: a single-rate tax on all income. The

idea has sometimes been likened to the Citizen's Income proposal because there is clearly a similarity: simplicity, and therefore both efficiency and transparency. But there the similarities end. As we showed in the third edition of this newsletter for 2004, a Citizen's Income will redistribute somewhat from rich to poor (and in the sample scheme outlined in that newsletter net income rose 26% for people in the lowest earnings decile and fell 4% for people in the highest earnings decile). With the flat tax proposals circulating during the summer net income would rise for people in the higher earnings deciles and would be likely to fall for people in the lower earnings deciles.

If there is a problem with marginal tax rates of 40% for high earners, there is even more of a problem with the 85% or more marginal tax rates experienced by people on low incomes². Turning personal tax allowances into a Citizen's Income would go some way towards solving this problem.

Subsidising low wages

In December 2004 the Joseph Rowntree Foundation held its centenary conference. The first keynote speaker was Professor Jonathan Bradshaw, who told the audience that the State provides more support for market earnings at half average earnings than any other EU country, and that in effect the taxpayer is providing a large subsidy to low-paying employers.

This is because tax credits are reduced as wages rise, making it worthwhile to the employer, and not very disadvantageous to the employee, for wages to be low.

A Citizen's Income would, of course, have a different effect. Because it would not be withdrawn as wages rise it would not be at all in the employee's interest for wages to remain low. The employee will always be advantaged by higher wages, so low-paying employers would be likely to see their employees going elsewhere, or improving their skills so that they could seek higher-paid employment, or going self-employed – because as self-employed earnings rose the self-employed would retain their Citizen's Income. Low-payers would need to increase wages to the market rate, which would be good for competition, good for the economy, good for skills levels, and good for employees.

² April 2004 Tax Benefit Model Tables (Department for Work and Pensions, 2004):
http://www.dwp.gov.uk/asd/asd1/TBMT_2004.pdf

¹ For instance, in *The Daily Telegraph* on the 19th August

Carbon taxation

In 2000 a Royal Commission on Environmental Pollution recommended carbon taxation as a means of reducing the consumption of carbon fuels ³. The possibility that such a tax could “provide revenue for improving social assistance schemes” ⁴ has of course been noted, and the Green Party would like to see both a carbon tax and a Citizen's Income.

Recent debate on how to fund a Citizen's Income has concentrated on reducing tax allowances and means-tested and National Insurance Benefits rather than on new forms of taxation. This tendency has probably been driven by the feeling that one radical reform is difficult enough for people to digest, and that two would be impossible. A Citizen's Income, funded by income taxation, is a single radical reform, and carbon taxation is also a single radical reform. Combining the two reforms risks alienating politicians, civil servants, and the general public.

Another reason for the caution in advocating carbon taxation is that such taxes tend to penalise the poor. To increase the duty on petrol hurts poorer rural drivers more than it hurts wealthy urban drivers of 4x4s. However, such hesitancy will be reduced by a recent report, *Green taxes and charges: Reducing their impact on low-income households* ⁵. This reports on a research project undertaken by the Policy Studies Institute and funded by the Joseph Rowntree Foundation. The report concludes that a combination of fuel duty, congestion charging and a car purchase tax graduated on CO₂ emissions would reduce the use of carbon fuels, provide additional revenues, and not penalise the poor more than the rich.

News

Department for Work and Pensions Welfare Reform Advisers Forum

The Department for Work and Pensions has brought together a panel of experts to form the Welfare Reform Advisers Forum to discuss and contribute to the debate on wider welfare reform.

³ Royal Commission on Environmental Pollution, *Twenty-second Report: Energy – the changing climate*, Cm 4749, London : Stationery Office, 2000.

⁴ Meg Huby, ‘The Sustainable Use of Resources on a Global Scale’, *Social Policy and Administration*, 35 (5), December 2001, p.533.

⁵ Paul Ekins and Simon Dresner, *Green taxes and charges: Reducing their impact on low-income households*, York: Joseph Rowntree Foundation, 2004.

The Forum comprises prominent specialists and thinkers who will meet to discuss the challenges of creating a welfare state appropriate for the 21st Century. Their advice will help inform the Secretary of State's thinking on issues in social policy and welfare, and will give the Department a valuable external perspective on one of the key areas of its remit - including drawing on the network of professional and academic expertise available in Britain.

Members of the Welfare Reform Advisers Forum are:

- Suzanne Fitzpatrick (Director, Centre for Housing Policy, Joseph Rowntree Professor of Housing Policy, University of York)
- Lisa Harker (independent consultant, Chair of the Daycare Trust)
- John Hills (Professor of Social Policy, Director of the Centre for Analysis of Social Exclusion, LSE)
- Martin Knapp (Professor of Social Policy, Director of the Personal Social Services Research Unit, LSE)
- Nigel Mathers (Professor of Primary Medical Care at the University of Sheffield and Head of Policy and Research at the Royal College of GPs)
- David Miles (Chief Economist, Morgan Stanley)
- Geoff Mulgan (Director of the Young Foundation)
- Nick Pearce (Director IPPR)
- Alan Walker (Professor of Social Policy, University of Sheffield).

Administration of Tax Credits

In the 2004 budget the Chancellor announced that Her Majesty's Revenue and Customs would be taking over the payment of Working Tax Credit. From November 2005 all new WTC claims are to be paid by HMRC directly into claimants' bank accounts or by cash cheque. During the next few months HMRC will be writing to employers to ask them to stop paying Tax Credits through the PAYE system. By March 2006 all payments will be made by HMRC direct to the claimant.

Tax Credits for registered civil partnerships

The Civil Partnership Act comes into force on the 5th December 2005. From that date people in registered

same-sex partnerships on Tax Credits will need to tell Her Majesty's Revenue and Customs that they are part of a couple and they will need to make a new joint claim.

Pensions Policy Institute reports

The Pensions Policy Institute has issued a Mid-project Review report in which it states:

‘The PPI investigated whether the eligibility criterion for the state pension should be on a contributory basis or on a universal basis:

- Under a contributory system, eligibility for state pension is decided by how many National Insurance contributions you have paid or been credited. Partial pension can be paid for less than the full number of years. The work-based nature of the Basic State Pension means that low earners, part-time workers and carers are particularly susceptible to receiving less than the full BSP.
- In the universal system, eligibility is determined by how long you have lived in the UK.

‘The current contributory system could be modernised to better achieve its objectives. However, a universal system has always been considered a feasible alternative and has support as it is simple and inclusive.’⁶

In another report the Pensions Policy Institute asks: ‘Will coverage of the Basic State Pension improve over time?’⁷ The answer would appear to be that only by reducing the number of years of contributions required to qualify for the pension will coverage increase appreciably. The Institute concludes: ‘Some concerns and uncertainties would remain. How low would the reduction in qualifying years need to go to make a significant difference to the level of coverage? And is it necessary to retain complex rules and administration to determine eligibility for the BSP if the aim is for virtually everyone to become eligible?’

Basic Income Studies

Basic Income Studies: An International Journal of Basic Income Research (BIS) is a new international journal devoted to the critical discussion of and research into universal basic income and related policy

⁶www.pensionspolicyinstitute.org.uk/news.asp?p=147&s=2&a=0

⁷www.pensionspolicyinstitute.org.uk/uploadeddocuments/PPI_Briefing_Note_24.pdf

proposals. BIS is published twice a year by an international team of scholars, with support from Red Renta Basica, the Basic Income Earth Network and the U.S. Basic Income Guarantee Network.

The inaugural issue of BIS will appear in 2006 with articles by Joel Handler, Stuart White and Yannick Vanderborght and a retrospective on Robert van der Veen and Philippe Van Parijs's seminal article on ‘A Capitalist Road to Communism’. The retrospective includes a reprint of the original article and a set of specially written comments by Gerald Cohen, Erik Olin Wright, Doris Schroeder, Catriona McKinnon, Harry Dahms, Gijs van Donselaar and Andrew Williams.

For more information, please visit the website at www.basicincomestudies.org or contact the editors, Jurgen De Wispelaere and Karl Widerquist, at editor@basicincomestudies.org.

Radio

12th May 2005, Radio 4, *Today*: a discussion took place on the future of pensions in which David Blunkett, then Secretary of State for Work and Pensions, suggested that as people are living longer there need to be greater incentives to save for old age and equally there need to be incentives to earn amongst the working age population because the wealth they create supports our ageing population. Malcolm Rifkind MP also recognised the need to provide incentives for savings and suggested that the Basic State Pension needs to be linked to average earnings. Steven Webb, for the Liberal Democrats, asked for a simple state system because that will enable private and employers' pensions to function more efficiently.

Tuesday 11th October 2005, the *Simon Mayo Programme*, Radio 5 Live: The context for this programme's discussion of tax credits was the National Audit Office's decision not to sign off the Government's accounts because of the high proportion of errors made in the assessment of Tax Credit payments. Another element of the context is the considerable amount of recent discussion on the difficulties faced by families who have been overpaid and from whom Her Majesty's Revenue and Customs then claims back the overpayment, causing them financial hardship. Philip Vince, the Citizen's Income Trust's Secretary, took part in the discussion, and made the point that a simpler system, based on a Citizen's Income, would generate far fewer such effects.

Reviews

Ruth Lister, *Poverty*, Polity Press, Cambridge, 2004, xi + 238 pp, paperback, 0 7456 2564 9, £14.99

You might think there was nothing new to say about poverty. You might think that Ruth Lister, who has worked on poverty issues for most of her career, might think that she had nothing new to say about poverty. This book would prove you wrong on both counts.

What Ruth Lister succeeds in doing is to construct a clear theoretical framework for those thinking about and working on poverty, from the perspective of a committed poverty activist and analyst. She also clarifies many of the confused arguments about poverty along the way.

She clearly distinguishes concepts, definitions and measures of poverty, and thereby unravels many a misunderstanding. 'Concepts of poverty operate at a fairly general level' (p. 3), providing a framework for definitions and measures, and shaping the meaning of poverty both for those who live it and for others. They also incorporate discourses about poverty – the ways in which it is discussed – and this is important; in this book, language and images are seen as key to the politics of poverty.

Definitions of poverty 'provide a more precise statement of what distinguishes the state of poverty and of being poor from that of not being in poverty/poor' (p. 4). In practice, there may be some overlap between concepts and definitions. But definitions more clearly focus on what is key to poverty, rather than on other factors which may also be shared by others not living in poverty (such as violations of basic rights and human dignity).

Measures of poverty are often confused with definitions. But they are narrower, in part because they can be applied to certain characteristics of poverty more easily than to others. Understandings of poverty derived from participatory approaches often highlight aspects – such as powerlessness or 'voice poverty' – which are key to the experience of poverty, but which are not usually captured well in traditional measures. As Ruth Lister says, 'to move straight to definitions and measures without first considering the broader concepts can result in losing sight of wider meanings and their implications for definitions and measures' (p. 5).

This seems straightforward, but is rarely clarified by other writers on poverty, and by itself would justify the publication of *Poverty*. But Ruth Lister also develops a

theoretical framework for understanding poverty which manages to link redistribution, recognition and respect, and to bring together the politics of redistribution and the politics of identity as they apply to poverty. Her insight is that the politics of identity as traditionally understood in recent political philosophy need to be radically rethought in their application to people experiencing poverty.

This is because the relationship of people experiencing poverty to identity politics is different. They do not want their difference to be recognised – as women, black people or disabled people might – but want to be treated as human beings of equal worth alongside others. But the demand for respect is nonetheless similar.

Respect is a crucial theme in *Poverty*, not just because of these topical theoretical debates but also because it is a central factor emphasised by people experiencing poverty when they are asked about their own experience. When we treat people experiencing poverty with disrespect, we are engaged in a process of 'Othering', which sees 'them' as different from 'us'. It is the responsibility of politicians and the media in particular to ensure that they do not encourage this process, as they have so often done in recent years. Whilst Ruth Lister draws on the work of others, in particular Iris Young and Nancy Fraser, the fact that 'othering' is increasingly recognised as a significant issue in poverty analysis is due to this publication.

Poverty also manages to highlight the agency of people experiencing poverty, without thereby losing sight of the major structural reasons for the existence of poverty. These reasons include the network of inequalities (of race, gender, disability, and age amongst others) within which poverty is framed, which is given its due weight here.

Ruth Lister emphasises the importance of 'voice' – the right of people experiencing poverty to have a say in decisions that affect their lives. And she demonstrates that their experience is instead often one of powerlessness - or of token participation which is insulting. This is where the politics of poverty is related to debates about citizenship and democracy, and cannot be taken forward positively in the longer term without setting poverty within this wider context. This book is a major contribution to that endeavour - and so should be read not only by students and academics but also by anti-poverty activists.

Fran Bennett

Keith Dowding, Robert E. Goodin and Carole Pateman (eds.), *Justice and Democracy*, Cambridge University Press, Cambridge, 2004, paperback, 0521545439, £14.99, hardback, 0521836956, £40

This series of essays is a 'festschrift' in honour of the political philosopher Brian Barry. Its aim is to bring together the themes of 'justice' and 'democracy', which have tended to be treated in parallel universes in political theory, and to highlight the tensions that can exist between them. 'The central questions about the relationship between democracy and justice – or, more precisely, about the relationship between different interpretations of "democracy" and "justice" – remain largely unaddressed' (p. 6) the editors observe. In their introduction they illustrate the potential interrelationships between the two using the examples of participation, personal satisfaction, public goods and gender. They then map out the possible patterings of these interrelationships. They suggest that 'the need for really hard choices between them arises only if "democracy" and "justice" become greatly at odds with one another; and the distance between them will deepen the nearer societies are to being truly "divided" rather than merely "multicultural"' (p. 14).

Most, though not all, of the chapters address the interrelationship between justice and democracy at some level. The majority of them are written by political theorists for political theorists and are not therefore for the fainthearted lay person. A few of the chapters raise wider issues, however, which may be of interest to *Newsletter* readers. In particular, David Miller considers how the principle of social justice might be applied to public goods, i.e. 'goods made available to everyone without charge' (p. 127) such as street lighting and sanitation. Julian Le Grand addresses the tricky question of voluntary social exclusion and Philip Pettitt discusses how to identify 'the common good'.

The only explicit references to basic/citizen's income are to be found in the introduction and in Keith Dowding's chapter. The editors argue that, although usually discussed as part of the social justice agenda, basic income 'might be seen as a way of fostering democratization...A basic income can allow all people, including those who provide vital non-pecuniary services, to be seen as fully-fledged citizens. Basic income might be important to democratic arguments as well as ones concerned with social justice' (pp. 10-11).

It is disappointing that none of the chapters uses the lens of gender as an analytical tool, not least as the

editors observe that 'the interrelationships between justice and democracy emerge particularly strikingly with respect to groups historically denied both: not least women, half the human race' (p. 11). It is also surprising given that one of the editors is Carole Pateman who has done so much to contribute to gendered debates on both democracy and justice, yet there is no chapter by her (nor by any other woman).

The aim of bringing together thinking on justice and democracy is to be applauded. However, as someone who is not trained in political philosophy, I found much of this book hardgoing and I doubt whether it would appeal to many *Newsletter* readers who also lack such a training.

Ruth Lister, Professor of Social Policy, Loughborough University and Citizen's Income Trust trustee.

John Hills and Kitty Stewart (eds), *A More Equal Society?* Policy Press, Bristol, 2004, 408 pp, paperback 1 8613 4577 1, £15.99, hardback 1 8613 4578 X, £44.

When Labour was elected to government in 1997, it inherited a country that had experienced worsening inequality and poverty over the twenty years. Between 1979 and 1997 the proportion of households that were workerless more than doubled to 16 per cent. From the start of the 1980s until the mid-1990s, the Gini coefficient – the standard measure of inequality – rose faster in the United Kingdom than in ten industrialised nations with available data (including Sweden, Germany, France and Australia). By the mid-1990s the Gini coefficient was higher (and so inequality was worse) than in any of these other countries except the United States. The UK also had the third worst record in terms of child poverty compared with 15 other countries. Only the United States and Italy reported a higher percentage of children living in worse conditions by the mid-1990s.

Faced with this deterioration a key test for any reformist government is how successful it has been in stemming and reversing this tide. So, has Labour created a more equal society? The answer to this question is the preoccupation of this edited collection. It provides a comprehensive and state-of-the-art picture of Labour's record to date which will be of value to researchers, policy-makers and students alike. Paraphrasing a recent election slogan, the judgement of the book is that while there are noteworthy achievements, much more remains to be done, especially on inequality.

The book starts off by setting out what it means by social exclusion. Kitty Stewart and John Hills in their opening chapter note that social exclusion became an important theme early on in Labour's term of office. In August 1997, Peter Mandelson announced the formation of the Social Exclusion Unit that was intended to deliver 'joined-up' government by co-ordinating the efforts of different departments to tackle exclusion. Critics of Labour might worry that the social exclusion agenda is spin that is intended to conceal an attempt to exit from a commitment to address poverty and inequality. Stewart and Hills are more sympathetic to the concept of social exclusion, arguing that it helps capture the complex nature of poverty and inequality. They adopt an understanding of social exclusion that concentrates on employment, education, health and social and political participation.

The book charts progress in each of the above areas. When assessing the overall impact of Labour, the book rightly concentrates on assessing progress on an independent plane rather than seeing whether the government simply lives up to its own targets. Most of the chapters rely on quantitative data, though the chapter by Anne Power and Helen Willmot report findings from their qualitative study on the perceptions of families who live in poor neighbourhoods. One of the themes of the book is the plethora of initiatives that have been pursued by government. For example, Liz Richardson in her chapter on social and political participation draws attention to schemes such as Fair Share, Community Chest, Millennium Volunteers, Community Development Programme and the Development Fund/Volunteer Recruitment Fund. While most of the authors praise the government for paying attention to the different facets of exclusion, and point to real (though sometimes modest) achievements, they highlight the persistence of important problems and doubt whether further progress will be made without additional redistribution. Abigail McKnight in her contribution on employment notes that for working-age adults without children, the risk of living in poverty has remained constant for all household types between 1996/7 and 2002/3. Franco Sassi contends that a much more aggressive redistributive policy is needed to tackle stubborn inequalities in health.

The above evidence is supplemented by case studies of particular groups deemed to be at risk, looking at children, older people, ethnic minorities, asylum seekers and residents in deprived areas. Most progress seems to have been made in relation to child poverty, with Kitty Stewart noting that government spending on

child-contingent support such as tax credits are up by around 70% since 1997/8, and early years spending on schools increased by around 80%. Stewart records that the government is on track to reduce child poverty by 25% by 2004/5. The percentage fall in child poverty is better than anywhere else in the European Union. Much less positive things can be said, however, about other areas. Tania Burchardt shows that the treatment of asylum seekers is lamentable.

So what does this all add up to? The volume paints a portrait of a government committed to tackling exclusion, though arguably more interested in poverty, especially child poverty, than inequality. The fact remains that while child poverty has fallen during Labour's tenure in office, income inequality has not altered much since 1997 (and on some indices, such as the gap between the very top and the very bottom, has risen slightly). Though it is not the book's brief to explore in detail the utility of different policy tools, it is interesting to speculate how further progress might be made. At least two things can be said on this matter. First, the evidence from most of the chapters points to the continuing significance of redistributive taxation. We might add that it is worthwhile examining the role that might be played by a Citizen's Income. Second, some of the chapters hint at alternative policy tools. For example, there is a glancing reference to the Child Trust Fund and more broadly 'asset-based welfare'. This approach looks to the stocks of assets that people own as well as the flows of income that people receive. These themes deserve further scrutiny, and such a study could build from the solid foundations provided by this book.

Rajov Prabhakar

Howard Glennerster, John Hills, David Piachaud and Jo Webb, *One Hundred Years of Poverty and Policy*, Joseph Rowntree Foundation, York, 2004, paperback, 188 pp., 1 85935 221 9, £8.95

One Hundred Years of Poverty and Policy traces the development of the concerns of its title, offering an accessible overview of poverty and policy 'then and now'. As the authors' state, their aim is 'to look at current concerns taking the longer view of where we have come from...' (p.9). While its ambition then is not to be a comprehensive historical text it nevertheless presents a detailed and interesting account of the changes and conceptualisations of poverty and attempted solutions from the late nineteenth century to the present day.

This is a book of four parts with the last shorter section concluding by looking at future challenges in the poverty and policy arena and the potential outcomes of current anti-poverty policy. Part one is an overview of the methods and findings of some founding poverty researchers, paying particular attention to the Rowntrees' contribution but also examining and summarizing some less well-known studies by female researchers and early investigations of rural poverty. It then moves on to look at the construction of poverty lines, making links between early poverty standards and contemporary measures, followed by examining the changing patterns and causes of poverty.

Glennerster begins the second part of the book by examining the origins of poor relief and the implementation and subsequent changes in government anti-poverty strategies and state support from the turn of the century to 1970. He notes that social insurance was the preferred policy method for the avoidance of poverty over this period. John Hills then briefly outlines the social and policy changes throughout the 1980s and 1990s, a period of burgeoning poverty, before exploring in depth recent policy changes and the consequences of these for different groups of people in poverty. He acknowledges the 1999 pledge by New Labour to end child poverty but also the absence of any commitment to reduce poverty overall and the conflict between the government's initiatives in tackling poverty and inequality alongside their drive to reduce public spending. Although since 1999 selective increases in benefits have meant significant improvements in living conditions, many others 'continue to live on incomes that are falling in relative terms' (p93).

Part three firstly examines the UK position on poverty relative to Europe and some major industrial countries. The UK has improved, especially in relation to families with children and low paid workers. Indeed, around half of the recommendations of the 1995 Joseph Rowntree Foundation's Income and Wealth Inquiry group have come about, bringing positive benefits to people in poverty. The book also notes however that health and wage inequalities remain large and that means testing is an increasing element of contemporary policy. The book concludes in part four by suggesting that a combination of policy avenues should be pursued concurrently, ones that aim both to prevent poverty and also to aid people, financially and otherwise, who may fall into poverty. The authors acknowledge that much post-1997 policy has adopted this multifaceted approach but that some 'gaps and challenges' remain. Unfortunately, though, their appraisal fails to look beyond the possible outcomes of current policy. This is a missed opportunity to introduce the idea of alternatives, such as the citizen's income, as a potential approach for addressing the complexities of modern poverty which the book charts so well.

Despite this lacuna this book is an excellent introduction to poverty and policy over a century, being easily accessible to the general reader but with the feel of a textbook, albeit a superior one, most suitable for those in further education. Illustrations and photographs add to the appeal, especially for the student reader, making this a good book for those coming to the issue of poverty and related policy for the first time.

Jan Flaherty

Thomas Aronsson, Karl-Gustaf Löfgren and Kenneth Backlund, *Welfare Measurement in Imperfect Markets*, Edward Elgar, 2004, viii + 196 pp, hardback, 1 84064 779 5, £59.95

If you are interested in the way in which we keep our national accounts (whether or not you believe that GDP and GNP are useful measures), *and* if you have some understanding of economic theory, then this book will interest you.

Traditional measures tell us how much has been paid for goods and services and how much has been spent on physical capital. The authors' view is that "a comprehensive concept of consumption should reflect consumer preferences, and not be restricted to conventional goods and services; it would also be likely to include other 'utilities' such as leisure and environmental quality" (p.1). (Why the quotation marks around 'utilities'? Leisure and a sustainable environment *are* utilities). "Similarly, a comprehensive measure of net investments should include all capital formation undertaken by society and not merely changes in the stock of physical capital" (p.1). The book is a detailed exploration of this 'national product related welfare measures' or 'Green Net National Product' agenda.

Market failure and the effect of environmental damage are constant and important themes, and chapter 6 is a useful discussion of the difficulties facing green accounting and green taxation in a world in which taxation is a national responsibility and pollution a global problem. Unsurprisingly, chapter 8 concludes that "even if aggregate consumption has the desired levels, green NNP in utility terms will fail on a welfare measure when the distribution of consumption is suboptimal. Therefore, a suboptimal distribution across agents affects the welfare measure in the same way as other market imperfections" (p.147).

The mathematical models employed by the authors are applied to such notions as 'taxation', 'welfare' and

'pollution'. Whilst the mathematical models might be detailed and informative, the real welfare economy is in fact full of much smaller detail. The *detail* of tax and benefits systems has a considerable effect on welfare, and it would be interesting to see the authors apply their models to such issues as the impact of means-testing on welfare measures.

Didier Fouarge, *Poverty and Subsidiarity in Europe: Minimum protection from an economic perspective*, Edward Elgar, 2004, 264 pp, hardback, 1 84376 605 1, £59.95

Whilst member states of the European Union, and especially those in the Eurozone, have agreed to European Central Bank and European Commission control of economic policy instruments previously under the control of member governments (for instance, interest rates, value added tax rates and the level of budget deficits), social protection systems remain diverse and remain the responsibility of member governments.

Chapter 1 of this timely book studies different methods of economic integration within the European Union, and notes that EU states have chosen a flexible open method of co-ordination (p.10); chapter 2 discusses the notion of subsidiarity; and chapter 3 discusses the idea's relevance to economics and argues that social protection can be a productive factor in the economy, that it is therefore the proper concern of public authorities, and that "the need for fine-tuning in the social field at the European level follows from the need to prevent distortive competition on the one hand, and to preserve the social character of the European model on the other" (p.71).

This makes it both legitimate and important for member states to agree European levels of social protection.

Chapter 4 employs Esping-Andersen's categorisation of welfare states regimes and concludes that

"persistent poverty is expected to be lowest in the Netherlands because of its universalistic approach to social protection, next lowest in Germany and highest in Great Britain. Our conjecture is that a status-oriented welfare regime, such as Germany, is best able to absorb temporary income shocks. Such shocks are likely to be large in Great Britain, where market mechanisms play a more important role. For this reason, too, household and employment shocks on

income are expected to be larger in Great Britain" (p.92).

Chapter 5 studies income redistribution and poverty data for the Netherlands, Germany and Great Britain, and finds that both inequality and poverty (which are of course related, as a relative definition of poverty is employed) are highest in Great Britain. Chapter 6 studies the dynamics of poverty, for poverty is as much an inability to increase one's income as it is to be on a low income in the first place, and because persistent poverty is very different from occasional poverty. During the 1990s Great Britain is found to have had 50% more recurrent and persistent poverty than Germany or the Netherlands (p.156). The author hopes to see improved standards of social protection, encouraged by the European institutions; and chapter 8 identifies poverty traps as a particular difficulty faced by any attempt to improve social protection (p.208). An important conclusion, consistent with an open and flexible co-ordination of social policy, is that

"member states should agree on minimum floors that are relative to the economic situation of the individual member states. Obviously, in order to avoid poverty traps and to circumvent possible disincentive problems, these minimum floors should not be too high" (p.211).

What might be more usefully co-ordinated are the *structures* of social protection systems, for it is clear from the discussion of poverty as a dynamic phenomenon that the ability to exit poverty is the way to tackle it. So to co-ordinate a downward trend in deduction rates for people on low incomes might be a more useful co-ordination than agreeing on minimum floors.

What is now required is a comparative study of deduction rates (for a variety of wage levels and a variety of family types and housing tenures) across the EU. The welfare regime structure which gives the lowest deduction rates could then be recommended to member states – and the economic benefits of increasing employment, training and saving incentives would mean that member states would be likely to accept co-ordination around the model which provides the lowest rates.

John Cunliffe and Guido Erreygers (eds.), *The Origins of Universal Grants: An Anthology of Historical Writings on Basic Capital and Basic Income*, Palgrave Macmillan, 2004, xxix + 179 pp, hardback, 1 4039 1896 1, £50

This is a marvellous resource for anyone interested in the history of the Citizen's Income proposal, but will also be of interest to people involved in the contemporary debate, for many aspects of today's discussions can be found in these pages, even though the most recent contribution is Lady Juliet Rhys Williams' *Something to Look Forward To: A Suggestion for a New Social Contract*, published in 1943: a proposal for a flat-rate income conditional on employment or proof that the claimant is seeking employment.

The edition's introduction is a most useful summary of the contemporary debate, though amongst the responses to the 'parasitism' objection they might have included the point that people who are not employed are already in receipt of benefits and that because these are normally means-tested the incentive to seek employment is reduced: a problem which is not a feature of non-means-tested Citizen's Income.

The second section of the introduction, 'Histories and Pasts', shows how the Citizen's Capital and Citizen's Income ideas have disappeared and re-emerged several times during their histories. The third section is a brief history of the Citizen's Capital idea (from Thomas Paine to modern Belgian advocates) and the fourth a history of Citizen's Income (from eighteenth century radical land reformer Thomas Spence to 'the British tradition': Mabel and Dennis Milner, Bertram Pickard, C. Marshall Hattersley, G.D.H. Cole, and the previously mentioned Juliet Rhys Williams). The final section of the introduction charts the "striking similarities within and between these recurrent proposals for basic capital and basic income" (p.xxv).

The texts then follow: first those on 'Basic Capital proposals' and then those on 'Basic Income proposals'.

Now that Citizen's Income proposals are frequently discussed in undergraduate and postgraduate courses on social policy, welfare economics and social ethics, this book will be an invaluable resource for teachers, and we hope that the editors will consider a sequel: a collection of more recent significant texts from such authors as James Meade, Keith Roberts, Philippe van Parijs, Hermione Parker, Tony Walter and Tony Fitzpatrick. If texts were chosen to illustrate different

aspects of the debate then such a Reader would be doubly valuable.

If such a sequel is considered then the editors will need to address the connected issues of terminology and definition. 'Citizen's Income' is more descriptive than 'Basic Income'; and, perhaps more importantly, *is* Juliet Rhys Williams' work-tested income a Basic/Citizen's Income?

There is a useful index, the list of references is about the right length, and there is a well-deserved acknowledgement of Walter van Trier's important role in charting the history of the Citizen's Income idea.

Martin Rein and Winfried Schmähl, *Rethinking the Welfare State*, Edward Elgar, 2004, 480 pp, hardback, 1 84376 102 5, £79.95

This book considers pensions in OECD countries, in the transition economies of Eastern Europe, and in Latin America, and the picture given is one of diversity but with a general trend towards greater involvement of the private sector.

The introduction is in many ways a concluding chapter in that it draws conclusions from the collection as a whole.

The first conclusion is that it is difficult to find examples of unambiguous models. All the authors can find are hybrid systems. Generally, public schemes survive but are less than adequate, whereas private schemes are being extended to larger sectors of the population. The second and related conclusion is that private pensions have increased in value as well as in coverage; the third that private and occupational schemes are in some cases substituting for public systems (for instance, through the invitation to opt out of SERPS and into an occupational or private scheme) creating a closer link between contributions and benefit levels; the fourth that public pension schemes remain in place, especially in transition economies, and that in many cases we are seeing continuous change in the mix of different types of pension; and the fifth that occupational schemes are in transition from the defined benefit model to the defined contribution model.

From these five conclusions Rein and Schmähl draw the conclusion that income inequality in old age will increase (because high earned incomes can ensure larger private and occupational pensions) – though it is the detail which matters, and some countries are achieving a high public/private mix and a low inequality.

The introduction ends with a discussion of the notions of 'private' and 'public'. Neither is a full description of the schemes in view, for private schemes are regulated and subsidised by governments, and public schemes are sometimes funded by investment in the equity market or administered by private companies.

Of particular interest to British readers will be the first chapter: David Blake on 'Contracting out of the state pension system: the British experience of carrots and sticks' – the carrot being the tax incentives offered to encourage companies and individuals to opt out of SERPS, the second state pension, and the stick the continuous reduction in the value of the state pension. The chapter starts with a thorough survey of pension schemes in the UK and of recent reforms, including the means-tested Minimum Income Guarantee (MIG) and the subsequent Pension Credit which penalises saving rather less than the MIG did; it discusses recent reforms of private pensions and the political economy of pension reform (concluding that it was easy to reduce the value of SERPS because it was fairly new and few people felt much loyalty towards it, and that reduction in the value of the basic state pension has been easy to achieve because it is only low earners who rely on it and they have little political influence); and it debates the risks and returns of different types of individual- and employer-funded schemes (concluding that the industry and government could bear more of the risk which pensioners currently bear). The chapter closes with a section on the investment performance of investment fund assets and a concluding section which outlines regulatory changes which might improve the performance of private pensions. The final suggestion is that pensions will only be adequate when contributions are mandatory.

Subsequent chapters are on Japan's experience of contracting out and contracting back in again; on the mandating of contractual agreements in Australia, Switzerland and the Netherlands; on Germany, the USA and Sweden, where carve-outs have occurred (i.e., government subsidising private or occupational pensions rather than directly funding higher state provision); on the different types of private/public mix available; on governance of pension funds; on Latin America and economies in transition; and on the impact of different systems on pensioner wellbeing.

Two minor points: this book is about pension reform. The introduction, the blurb and the title suggest that the trends identified relate to the welfare state as a whole, but this is not argued. The book is an excellent example of good research leading to well-argued

conclusions – except over this important issue. Maybe it was the publisher who wanted the title so the authors agreed to give the non-argument a line in the introduction. They shouldn't have done.

And there is a problem over terminology. I have used 'private' to mean pension plans sold to individuals and funded by them. The authors use 'private' to mean that, to mean occupational pensions, or to mean both. Terminological clarity is important, and it should have been imposed by the editors.

A major point: neither the editors nor any of the authors give any space to options for reform of state pensions – and the final chapter of the book suggests that they should have done:

'The British, Dutch and Swedish examples would seem to suggest that the hypothesis that 'the smaller the role of public sources the higher the level of inequality' needs to be qualified. The proposition holds under certain conditions, namely, when coverage of the occupational pension is limited to a small segment of the population and when public pensions have a low and declining replacement rate. The issue of the relative role of public and private pensions is very much on the political agenda of many countries, hence understanding under what conditions occupational pensions can reinforce rather than threaten objectives to equalize income and reduce poverty becomes important.

'All countries seem to be moving towards a public-private mix. Our analysis shows that it is not the mix per se that affects the wellbeing of the aged, but how the mix is designed' (p.432).

If this is the case, then careful attention needs to be given to the adequacy of state pensions, and particularly to the level of the Basic State Pension in the UK and to its design. Redesign of the Basic State Pension as a Citizen's Pension (as in the Netherlands – see pp.124ff) would be a good way to start.

George J. Miller, *Dying for Justice*, Centre for Land Policy Studies, Teddington, 2003, 74 pp, pb, 1 901202 04 6, £7.95.

George Miller has two convictions: that poverty causes ill health and early death, and that raising public revenue from economic rent of land and natural resources (i.e., from land's contribution to wealth creation), rather than by taxing wages and investments, is the way to fund the NHS. So this is really two books: one about health, and one about taxation. The

'health' book asks for higher 'welfare' provision (without being too specific about what that would look like) and increased spending on the NHS – though it isn't obvious (and the author is aware of this) that higher funding of the NHS will generate significantly less illness or significantly less early death. The kind of 'welfare' is of course crucial, because an increase in means-tested social security payments might exacerbate rather than help the situation. The 'taxation' book recommends the abolition of tax on wages and investment, and the collection of tax on the economic rent of land. Whilst a Chancellor might consider the latter proposal (for, as the book shows, there are good arguments for it), they are unlikely to consider the former, for to collect smaller amounts of tax by a variety of routes is easier politically than to collect larger amounts via a smaller number of routes.

The book is somewhat disorganised and repetitive, and is trying to do too many things at once, but the Centre for Land Policy Studies should continue to encourage debate on the taxation of economic rent. A particular issue on which they might wish to sponsor high-quality research is the Council Tax, which, whilst more like a tax on economic rent than was the Community Charge, is not the same as the old rating system and doesn't have the same effects. The business rate could also be included in such a study. After such a study the Centre might like to sponsor public opinion soundings on whether an extension of such taxation would be preferable to higher income taxes. Such an exercise would give them useful information as to whether their proposals for national taxation of economic rent would be likely to be pursued by any future Chancellor.

Edward N. Wolff (ed.), *What has Happened to the Quality of Life in the Advanced Industrialized Nations?*, Edward Elgar, 2004, 424 pp, hardback, 1 84376 193 9, £75

Average per capita income has risen faster in the USA than in other industrialized countries, but whether American citizens' 'quality of life' or 'well-being' has increased is another matter. This book assesses established measures of well-being, proposes new ones, compares the options, and examines empirical data in relation to proposed indicators.

In the introduction, Amartya Sen's and Monroe Lerner's definitions of well-being in terms of the individual's ability to function well in individually- and socially-determined roles is outlined, and income is related to these definitions as one of the resources

required for high-level functioning. In chapter 1 Wolff shows that in the USA the poorest have become relatively poorer since 1973 and that household debt is growing. In contrast, chapter 2 shows that inequality of consumption expenditure has not increased during the same period. In chapter 3 Jencks, Meyer and Single show that if a different price index is employed, and if per capita income rather than household income is measured (because average household size has decreased), then families with children have *not* seen their resource positions worsen. Chapter 4 pursues the debate as to which price index should be used.

Chapters 5 and 6 offer comparisons between the USA and other industrialized nations and reveal the relatively greater inequalities experienced by Americans. Only in the UK is the gap in real incomes between low-income and middle- and high-income groups greater than it is in the USA.

Chapter 7 studies asset ownership amongst different racial groups in the USA and discovers significant inequalities; and chapter 8 finds that in Chile, because incomes are generally too low to allow significant levels of saving, increasing human capital amongst poorer sections of society has little effect on wealth distribution.

The final chapters study additional factors related to well-being: stature, time use, worker rights, and the quality of the environment.

An important conclusion of Edward Wolff's chapter on recent trends in living standards in the USA is that sluggish growth in labour earnings hasn't been affected by substantial progress in educational attainment: "Despite incredible success in reducing disparities of schooling within the American population, the inequality of income has not only failed to decline but has actually risen sharply over the last three decades. These results show a growing disconnection between earnings and schooling" (p.22). The reason for slow growth in labour earnings is a national income shift from labour to capital: one of the reasons for growth in income amongst the rich. So education alone is *not* the answer, and 'education, education, education' isn't either.

Wolff recommends increasing the minimum wage, extending the Earned Income Tax Credit, redistributing income through the tax and benefits system, and re-empowering labour. But the problem with the Earned Income Tax Credit is that it is withdrawn as earned income rises, so to extend it would extend the poverty trap. What is surely required is a redesign of the tax

and income support system (p.23) in the direction of universality so that it reduces the poverty trap and enables higher earned income to result in higher net income.

Current and future projects

We hope soon to have all of our publications available for downloading from our website. The project is starting with BIRG Bulletins and Citizen's Income Newsletters and we shall then move on to our other publications.

We would like to be able to undertake the following projects:

1. We have recently undertaken a research project amongst MPs involving a questionnaire asking about options of reform of social security and taxation. We are now planning a similar project amongst members of the House of Lords. Other similar surveys might then follow (£900).

2. A series of seminars in a variety of centres drawing in participants who are experts in a variety of the issues which will need to be considered if a Citizen's Income is ever implemented (£14,000).

3. A teaching pack for University teachers who wish to incorporate sessions and assignments on the economic, social science and philosophical aspects of the Citizen's Income debate into existing modules or who wish to teach an entire module on the subject. The pack will include materials for teachers and students, and the materials will include powerpoint and other presentations and printed resources. Much of the material will be specially commissioned (£25,000).

4. A Commission on a Citizen's Income's role in future reform of tax and benefits (£150,000).

5. These and future projects would be a lot easier to manage if the Trust again had a paid director, a part-time administrator and an office base (£65,000 per annum).

If you would like to support any of these projects financially then please contact the Director, Dr. Malcolm Torry.

A volunteer staff team

The trustees of the Citizen's Income Trust have agreed that, in the absence of any grant-making trust having the promotion of debate on the reform of tax and benefits amongst its grant-making criteria, we shall

continue our work on the basis of voluntary labour and a limited budget. The Director, Dr. Malcolm Torry, offers half a day per week to the work of the Trust, and the trustees offer what time they can. In order to be effective we need some additional skilled voluntary labour, in particular to do the following tasks:

- Reading the press and keeping in touch with other media and responding (in consultation with the Director) where relevant
- Attending conferences and fostering relationships with think-tanks, political parties, etc.
- Monitoring relevant research and writing summaries, papers for conferences, etc.
- Anyone interested in applying to work in a voluntary capacity for the Trust should contact the Director.

The Citizen's Income Trust Essay Prize for 2006

The Citizen's Income Trust invites entries for its 2006 essay prize. Entrants should be studying at a UK University during the academic year 2005/6 at undergraduate or graduate level. Essays should be in the fields of philosophy, political science, social policy, economics, or other social sciences; should be of up to 5,000 words in length; and should contribute to the current debate on the desirability and feasibility of a Citizen's Income: an unconditional, nonwithdrawable income payable to each individual as a right of citizenship. Provided that at least one entry is of sufficient quality the winner will be awarded a prize of £500 and the winning essay will be published in the Citizen's Income Newsletter.

Rules: A hard copy of the essay, along with the entrant's name and address, should be sent to: Dr. Malcolm Torry, Director, Citizen's Income Trust, P.O. Box 26586, London SE3 7WY, and an electronic version (in Word or Rich Text Format) either by disc to the same address or by email attachment to info@citizensincome.org. Confirmation that the entrant is studying at a UK University needs to be sent, signed by a faculty member. The closing date is the 1st May 2006. No trustees, employees, or former trustees or employees, or their relatives, may enter. The judges' decision is final, and no correspondence will be entered into.

