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Editorial

An economic crisis is a good time for re-evaluation, and particularly for re-evaluating how well our tax and benefits system serves our society and its economy.

It is therefore a pleasure to be able to report on the highly significant results already achieved by a Citizen's Income pilot study in Namibia. The social change and economic activity which the study's small Citizen's Income has stimulated suggests that it is time for additional trial runs not only in Africa but also elsewhere, so that we can learn as much as possible about how effective a Citizen's Income might be in other contexts.

It would be particularly interesting to see such a pilot study in the UK (perhaps in a clearly boundaried community such as the Isle of Sheppey?). If the results from the Namibian experiment are as significant as we think they are, then a Citizen's Income is an opportunity for social and economic change which the UK must not neglect. If we do neglect it then surely other countries will not and it will be others who reap the economic benefits.

Can Unconditional Cash Transfers Work? They Can.

A report of a seminar on Tuesday 27th January 2009 at the School of Oriental and African Studies led by Guy Standing, Professor of Economic Security, University of Bath, and former Director of the Socio-Economic Security Programme of the International Labour Organization.

By Malcolm Torry

Guy Standing started his presentation with the heart of his message: Poverty is primarily a lack of money, so giving people money will lift them out of poverty; he then proceeded to discuss the options facing attempts at poverty reduction in the developing world and to report on a significant Citizen's Income pilot project in Namibia.

Because globalisation leads to whole societies suffering economic shocks, and because such risks are uninsurable, social insurance is not a viable means of preserving economic security so essential for an individual's autonomy and freedom. We therefore need new ways of providing people with enough money to prevent poverty, and in Professor Standing's view potential schemes need to pass a number of tests:

Schemes must

- not be paternalistic
- be based on rights and not charity
- benefit the most disadvantaged
- encourage ecological restraint
- promote dignified work

In Africa it has now been recognized that cash transfers can help to alleviate poverty. There are three types:

- Universalistic and unconditional
- Targeted (usually on groups deemed to be the poorest, often by means testing)
- Selective (for instance: in Latin America cash transfers are received by families who send their children to school)

Means-tested systems (and proxy means-testing based, for instance, on the quality of a family's housing, as in Chile) suffer from problems familiar to developed countries, and involve poverty, unemployment and savings traps, with the resulting moral and immoral hazards. So in Africa new methods must be sought. At the BIEN Congress in Cape Town much support was expressed for unconditional cash transfers, especially among trades unionists and community and church representatives; and now in Namibia a pilot scheme involving two villages is answering the questions put by the idea's critics: that an unconditional cash transfer would be something for nothing, would reduce labour supply, would go to the rich as well as the poor, would be wasted on alcohol and other undesirable expenditure, would be unaffordable, and would lower incentives to save.

The current two-year pilot project builds on the Namibian universal pension by giving to every one of the one thousand inhabitants of two villages, every man, woman and child an equal amount of N$100 (one hundred Namibian dollars: about US$12, or £7) a month. The costs have been borne by donors, mostly in the form of voluntary contributions. The project should be watched by potential donors, including the World Bank which is finally willing to consider conditional cash transfers as a mechanism for distributing development aid.

The team organizing the pilot BIG (Basic Income Grants) has conducted a benchmark survey and an evaluation survey. The results during the period from November 2007 to July 2008 are significant:

- Administrative costs are just 3% to 4% of the total outlay
- the villages of their own volition elected an advisory committee of 18 residents, and among its achievements are the opening of a post office, the establishment of savings accounts, and the closure of shebeens on the day of the monthly distribution of the grants
- new shops have opened
- the number of people experiencing daily food shortages fell from 30% to 12% of the population in just six months
- the number of people who rarely experience food shortages rose from 20% to 60% of the population
- the number of children malnourished fell from 42% to 17% of the population
- children's weight for age improved to such an extent that from a low base it came to nearly match the world average
- the vast majority of children in families receiving the Citizen's income were in school by July 2008 because their families are rational in their children's interests and therefore regard school fees as essential expenditure, suggesting that cash transfers conditional on school attendance are simply a waste of administrative resources
- use of the clinic (which charges fees) increased six-fold
- economic activity rose, suggesting that people are not intrinsically lazy
- economic activity rose fastest amongst women
- own account work saw the largest increase, and particularly the tending of vegetable plots and the building of latrines, both of which increase the community's health
- average income rose in every quintile, and proportionately more for lower quintiles
- average income rose a staggering 200% in the lowest quintile *excluding* the N$100 (US$12) Citizen's Income, because people could now purchase the means for making an income, and they did
- poverty-related crime fell, giving people confidence to invest in assets
- low wage employment was in many cases replaced by better paid self-employment

- women could now say 'no' to requests to sell sex

So the pilot project has passed all of the tests:

- it is based on rights, not charity
- it is not paternalistic
- it benefits the poorest most
- it promotes dignified work
- and the kind of activity which it promotes cares for the environment

In addition, the project has refuted the critics of unconditional cash transfers.

- Far from encouraging dependency, the Citizen's Income has increased enterprise
- far from leading to waste of resources it has encouraged productive use of resources
- and far from being unaffordable the level of Citizen's Income employed in the pilot project would, if extended to the country as a whole, cost just 2.2% to 3.8% of GDP, and the increased economic activity generated by the Citizen's Income would by itself pay the entire cost.

Guy Standing speculated that one reason why policy-makers in Africa and elsewhere do not like the idea of a Citizen's Income is that the scheme is emancipatory: it allows people to make choices for themselves, and it does not allow policy-makers to interfere in people's lives by imposing conditions on cash transfers.

In answering questions, Professor Standing explained that

- in Namibia, the basic income grants had both reduced inequality and encouraged more economic activity;
- the Namibian BIG was pitched at about half the official poverty level;
- transparent democratic institutions are required and reinforced by unconditional cash transfers;
- in a context of supply elasticity a Citizen's Income is not inflationary;
- in the pilot project women's economic status had risen relative to men's;
- the Citizen's Income cannot be removed by a local bureaucrat if someone upsets them, as a conditional cash transfer can be
- because unconditional payments limit the power of bureaucrats, more of the money reaches the poor;
- a Citizen's Income promotes the kind of market economy in which people can and do pay for the health and education services which their families need;
- in the context of today's more flexible labour markets, trades unions are more willing to support a Citizen's Income;
- surveys in Africa have found that 80% of people favour unconditionality.

The seminar ran out of time.

News

Fiscal Studies has reported on a number of interesting research projects: Research in the United States has shown that when the earnings test was repealed for those above the normal retirement age 'male workers whose predicted marginal wage rate increased because the earnings test was repealed had the largest increase in the subjective probability of working full-time after age 65.' There were no significant effects on people's intentions relating to employment between the ages of 62 and 65. (Pierre-Carl Michaeu and Arthur van Soest, 'How did the elimination of the US earnings test above the normal retirement age affect labour supply expectations', *Fiscal Studies*, vol.29, no.2, pp.197-231). Research at the University of Essex and elsewhere has evaluated the medium-term effects of the way in which the Government uprates benefits in line with price inflation and has found that 'as things stand in the UK, with the combination of high poverty rates in international terms, particularly for children, and a system largely using price linking as a default, the consequences of leaving decisions about uprating on autopilot are very large, and such decisions are deserving of much more open discussion than has been the case,' ('Keeping up or Falling behind? The Impact of Benefit and Tax Uprating on Incomes and Poverty', *Fiscal Studies*, vol.29, no.4, pp.467-498).

The aim of the think tank **Compass** is 'to achieve a more equal, democratic and sustainable world' through 'a policy programme that is both desirable and feasible', and it is inviting policy proposals to be submitted and debated on its website and at meetings around the country. Proposals will then be voted on by the Compass membership, and those receiving the most votes will form the policy priorities for the organisation to campaign on. (www.howtoliveinthe21stcentury.org.uk). (Readers will find a submission based on Citizen's Income on the site).

The **Pensions Policy Institute** has commented on the Department of Work and Pensions' recent report *Saving for Retirement*. 'The report confirms that for most people the interaction between autoenrolment and means-tested benefits need not be a barrier to saving. However, it also shows that a minority of people will not get back the value of their own contributions after taking account of inflation due to the interaction of their saving with means-tested benefits. This could have a detrimental impact on wider public confidence in the pension system.' (www.pensionspolicyinstitute.org.uk/news.asp?p=324&s=1&a=0)

The **Joseph Rowntree Foundation** has published the results of its monitoring of poverty and social exclusion for 2008. Amongst the findings are that:

- earlier improvement has stalled on: children in low-income or workless households; working-age adults lacking but wanting paid work; and the value of out-of-work benefits for pensioners and families relative to earnings;
- deterioration has followed earlier stagnation on: adults in low-income working families and working families needing tax credits to avoid low income;
- there has been continuous improvement in the number of low-income households with a bank account;
- there has been steady worsening on pensioners not taking up benefit entitlement and the value of out-of-work benefits for adults without dependent children, relative to earnings.

The authors conclude that what stands out is how different the record has been in the two five-year periods from 1997 up to 2002/2003 and from 2003 to 2008. From 1997 to 2002/2003, 30 out of 56 statistics monitored improved, with 7 worsening. By contrast, from 2003 to the latest available data, 14 improved while 15 worsened. (http://www.jrf.org.uk/bookshop/details.asp?pubID=1041)

Research at the **London School of Economics** has found that children are concentrated in households which experience a combination of time poverty and income poverty. 'One in fifteen children is in an income-poor household in which at least one adult is also time-poor. These children are unlikely to be getting either the material benefits or the parental input they need in order to thrive ….. the government's welfare reform and child-poverty agendas risk freeing lone parents from income poverty only at the price of deepening their existing time poverty. This is unlikely to improve children's well-being'. (*Time and Income Poverty*, available from http://sticerd.lse.ac.uk/case/publications/reports.asp)

One of the outcomes of the **Joseph Rowntree Foundation's consultation on today's social evils** is a 'viewpoint' by Ferdinand Mount: *Five types of inequality*: 'Britain made great strides to achieving equality of opportunity in the first three-quarters of the twentieth century but is no longer progressing, partly because we have failed to address the other aspects of inequality which are also to blame for the feelings of estrangement and resentment to be found among the worst-off. …. Equality of outcome has not been achieved. The tax system needs to be reformed so that the poorest do not pay an unfair share of tax or face a climbing marginal tax rate. …. Equality of treatment or responsibility has not been achieved. We need to abolish as far as possible all those forms of unequal treatment such as the means test, which undermine a sense of agency and self-worth.'

In January the **Institute for Fiscal Studies** published its annual 'Green Budget' which discusses the state of the public finances, the fiscal impact of the credit crunch, the economic outlook, and some of the options open to the Chancellor of the Exchequer when he prepares his public spending review and budget. Of interest here is that the researchers show 'that it is possible to realign income tax and NI thresholds while broadly maintaining revenue and distributional neutrality' (Institute for Fiscal Studies, *The IFS Green Budget*, 2009: http://www.ifs.org.uk/publications/4417)

Research at the **Institute for Employment Research** at the University of Warwick has found the current system of local taxation to be highly regressive , 'meaning that those on low and middle incomes spend proportionately more of their income paying the tax than do those on high incomes'. This is an example of the social division of welfare (SDW) identified by Richard Titmuss in 1958. 'The implication is that what is demonstrated appears to be a very great, but completely unstated, concern with the welfare not of those on lower incomes but of citizens with higher incomes. The broader point to make is the need for social policy analysis to move beyond a narrow focus on social welfare and poor citizens. ….. A focus solely on social welfare to the neglect of fiscal and occupational welfare provides only a partial understanding of welfare,' (Michael Orton and Rhys Davies, 'Exploring Neglected Dimensions of Social

Policy: The SDW, Fiscal Welfare and the Examplar of Local Taxation in England', *Social Policy and Administration*, vol.43, no.1, February 2009, pp.33-53)

The Observer has reported that the Department for Work and Pensions has decided not to announce the preferred bidders for private sector contracts to find jobs for the unemployed. (*The Observer*, 8th February 2009, page 1: www.guardian.co.uk/money/2009/feb /08/labour-welfare-jobs-plan)

Articles

Promoting Citizen's Income without Bashing Bureaucracy? (Yes, We Can)

by Lindsay Stirton, University of Manchester, and Jurgen De Wispelaere, Trinity College Dublin

In an otherwise stimulating comment in the previous issue of the Citizen's Income Newsletter ('Is a Citizen's Income Scheme the Answer?', Issue 1, 2009), Anne Miller asserts, though without detailed evidence or argument, that "the reduced administration costs of CI schemes would enable the government to reduce its civil service budget". Miller is by no means alone in the belief that the introduction of a Citizen's Income would generate significant administrative savings: hers is a common conception among proponents of Citizen's Income. But does the claim stand up?

We do not deny that Citizen's Income may have some significant administrative advantages — not only in terms of the potential to minimise bureaucratic expense but also in terms of less "red tape" and official intrusion into citizens' lives — when compared with more selective approaches to income support. But Citizen's Income advocates also need to acknowledge the limits to this argument: specifically, that it applies only to a narrow subset of the broad range of proposals that increasingly fall under the rubric of Citizen's Income; that the argument only applies under a restricted set of circumstances or background conditions; and that the extent of the advantage can easily be overstated. We address each of these points in turn.

First, those who share Miller's view need to be meticulous in stating which particular schemes would generate administrative savings — and which do not. The simplest case of replacement of one or more selective schemes with a non-means-tested, unconditional refundable tax credit would presumably capture substantial administrative savings. But this scheme has proven politically intractable, and for that reason many other proposals have in recent years attracted support from Citizen's Income advocates. Unfortunately, the administrative savings from these other schemes are by no means obvious. In a recent contribution to this Newsletter ("Why Participation Income Might Not Be Such a Great Idea After All", Issue 3, 2008), we highlighted the administrative difficulties associated with defining, monitoring and crediting the "broad participation requirement" that is central to Atkinson's participation income. Similarly, advocates sometimes point to the way in which a number of selective schemes combine to mimic the effects of a Citizen's Income. Such strategies of implementation-by-stealth have a number of advantages, but administrative simplification is not one of them.

A second concern affects even the unconditional version of a Citizen's Income, as proposed by Miller. Many of the administrative costs in such schemes are common to the administration of quite separate policies. For example, an assessment of individual income may be necessary for the administration of income taxes as well as for the entitlement to social security benefits, and could therefore not be fully eliminated by the introduction of a Citizen's Income. To be sure, welfare administration often needlessly duplicates the gathering of such information, but the solution is surely to advocate administrative simplification of existing policies and more joined-up government, rather than a Citizen's Income *for that reason*. The more general point is that claims about the administrative savings yielded by Citizen's Income requires an analysis of the broader policy and institutional context.

Third, it is worth pointing out that the extent to which a Citizen's Income could replace other selective programs and their associated bureaucratic machinery depends crucially on the level at which a Citizen's Income is set (a point where different Citizen's Income advocates disagree considerably). The functional form of the relationship between administrative savings and the level of a grant needs careful analysis. In the absence of such a careful analysis, those who anticipate significant administrative savings may be disappointed by actual results. At the very least, those who argue for a Citizen's Income on the basis of administrative savings need to be specific about a number of crucial variables, including the adequacy of the grant, as well as which existing benefits it will replace.

Underlying much of the bureaucracy-bashing by Citizen's Income advocates appears to be an assumption that administration involves only costs. This is understandable in light of the negative experience typical of interactions between welfare clients and bureaucracies. But too much of a fixation with this experience obscures the extent to which an effective administrative apparatus is vital if a Citizen's Income is to be substantively (and not just nominally) universal: providing benefits to the homeless, disabled, immigrants and others requires positive effort in addition to the removal of barriers to accessing a grant. The public administration literature quite rightly puts a lot of stock in the design of overlapping bureaucratic systems where, if properly designed, one system captures what another drops. But such a commitment to substantive universalism may be hard to justify by those who see slimming the civil service as an important part of the argument for Citizen's Income.

There is a serious discussion to be had about the administrative savings aspect of Citizen's Income, and some of the results may indeed prove to be compelling. But the mere assertion that Citizen's Income will generate administrative savings does little to contribute to this discussion. Taken out of context, the very idea of administrative savings easily becomes a mirage.

Citizen's Income and Administration

by Anne Miller

A response to

'Promoting Citizen's Income without Bashing Bureaucracy? (Yes, We Can)'

by Lindsay Stirton, University of Manchester, and Jurgen De Wispelaere, Trinity College, Dublin.

Stirton and De Wispelaere (S&DW) are right to castigate me for making a sweeping claim without stating my assumptions in my short piece 'Is a Citizen's Income Scheme the Answer?' (*Citizen's Income Newsletter*, 2009, issue 1, p.5).

I wrote: 'The reduced administration costs of CI schemes would enable the government to reduce its civil service budget ….' However, it is amazing how much meaning and interpretation, for which there is no evidence or intention, S&DW have been able to squeeze out of my simple statement. Nowhere in this statement, nor elsewhere in my writings on Citizen's Income (CI), have I implied that 'a Citizen's Income would generate *significant* savings' (my italics); nor do I 'see slimming the civil service as an important part of the argument for Citizen's Income.' No one could sensibly put slimming the civil service as a major objective of a welfare reform, although many hope that it might be an additional outcome. (Indeed, if slimming the civil service were the main objective of a reform then it could be done by abolishing the welfare system altogether.) Minimising administration costs must always be a secondary objective, and that secondary objective will always be to minimise and never to eliminate administration costs.

I do not know where or when the phrase 'bureaucracy-bashing' arose, but I certainly do not regard myself in that category. Any faults in the administrative system are the responsibility of the designers of the system, and not of the administrators who are expected to carry out ill-thought-through schemes.

Similarly, I agree that it is obvious that the chosen method of administration can help to fulfil several important objectives, such as influencing the personal costs of beneficiaries in terms of their sense of intrusion or discrimination experienced, and the time and effort required to apply for the benefit. The administrative method chosen could also affect the opportunities for fraud.

The analysis below of the Citizen's Income Trust's definition of a Citizen's Income will indicate whether administration costs are likely to be reduced, compared with the current system.

When I first met up with fellow basic income (BI) cognoscenti in the environment of the Basic Income Research Group (BIRG) from 1984 onwards (BIRG became the Citizen's Income Trust in 1993), I was amazed at how people espousing a similar idea could be so fiercely argumentative over the details. This was partly due to the fact that BI is an instrument, comprising several components, not a specific policy objective. In its trust deed in 1989, BIRG defined Basic Income schemes as 'schemes which guarantee to each and every man, woman and child the unconditional right to an independent income'. The version 'A Citizen's Income is an unconditional, non-withdrawable income payable to each individual as a right of citizenship' has appeared as a strap line at the bottom of page 1 of the *Citizen's Income Newsletter* for several years now. These statements were intended to indicate 1) that a CI is based on the individual as the tax and benefit unit; 2) that it is universal (being based on citizenship, permanent residence or domicile, and definitely not on any work tests), and 3) that it is administered as a benefit, rather than as a negative income tax (NIT) (a net payment after personal income tax liability has been deducted) or as a tax credit (TC) (a deduction from one's personal income tax liability).

Based on these definitions, it is clear CI schemes certainly do not include hybrid versions, such as participation income (PI) schemes, even though some of those who prefer such schemes might claim them as forms of CI.

The relevant questions are these:

1) Is a benefit scheme based on the individual likely to be cheaper than one based on joint applications for all cohabiting couples, as now?

The administration costs will be a function of the number of units and the complexity of each case. With a CI the number may be larger, but the complexities directly due to the interaction of the partners are likely to be lower.

2) Is a universal system likely to be cheaper to administer than one based on means-tested benefits (MTBs) or one based on worth or desert?

There is nothing wrong with the principle of means-testing. Incomes are means-tested for income tax purposes. One problem associated with MTBs is that the recipients are assessed twice on the same criterion (their means), which is very wasteful of resources. Although individuals would be assessed twice in a CI scheme, they would be means-tested for taxation purposes, and a second time *on other criteria* for the purposes of the benefit, i.e. citizenship.

The social assistance part of the UK's Social Security system has a history of basing benefits on worth or desert. The distinction between deserving and undeserving poor was often used to determine eligibility, for instance, by examining the causes of lone parenthood, and it is still enshrined in the willingness-to-work and job-seeking tests of today. Worth is a very subjective basis for eligibility, and it is difficult to define and monitor, so a universal system should be cheaper to administer.

3) Is a CI method of administration likely to be cheaper than NIT or TC systems?

The method of administration must define not only the basis for eligibility, and include a mechanism for identifying and monitoring those who qualify, as discussed in 2) above, but it must also provide a conduit for the delivery of the transfer payment (cf. De Wispelaere and Stirton, 2008). The physical conduit for the transfer could be a direct transfer to a bank account, a cheque by post, cash obtained by presenting a Pension book or Child Benefit book at one of several designated offices, or cash collected in person at a specified time and place. The method will also determine the frequency and amount of information that has to be supplied by the recipient. This latter is mainly determined by selectivity criteria.

The CIT's definition of CI refers only to the preference for paying a regular gross benefit rather than a NIT or TC. One reason for this is that a CI is more likely than deductions from tax to reach people in poverty. Another reason is administrative simplicity.

While the same assessments will take place, the actual number of transactions is likely to be higher in the CI method. If recipients have a choice about their preferred method of delivery of the transfer then this could add a complication for the administrators. However, NIT and TC are complicated by the involvement of employers in the tax system, by the complexities of the income tax system, and particularly by the numerous adjustments which need to be made as people move in and out of employment, move between employers, and experience other changes of circumstances. Administration of a diversity of payment methods for a CI would be less complex than the costs which changes of circumstances impose on NIT and TC calculations.

Thus far, while the potential reduction in administrative costs associated with a CI scheme as defined here could produce savings, the key factor seems to be the complexity of the cases with which administrators are dealing.

The following features (or faces, cf. De Wispelaere and Stirton, 2005) are not specified in the definition of a CI, but many CI proposals make common assumptions about them.

4) Selectivity or contingency.

Eligibility refers to the basis on which people are included in a benefit scheme. Selectivity, or contingency, refers to the level of benefit entitlement of each person that is included. Variations in benefit levels between individuals have variously been proposed, or implemented, based on personal characteristics (gender, sexual preference, age, degree or cause of disability), association (marital status, other cohabitation, lone parenthood, multiple occupancy of a household, survivorship), activity status (willingness to work, number of hours at work per week, student, otherwise unpaid caring responsibilities for a child or adult).

The complexity of administrative cases increases enormously with selectivity. This is especially evident when benefit levels are based on circumstances that are ill defined and change frequently. An example is given by the present Child Tax Credit (CTC), which is a MTB system based on joint applications, bolted on to the bottom end of a tax system based on individual tax units, with the level of the benefits being dependent on a large range of circumstances, such that a multi-page form must be filled in every time that these circumstances change. This is supposed to help that part of the population which lives poverty-stricken but complicated lives where circumstances change frequently.

Most advocates of CI schemes argue for minimal selectivity. Additional payments for individuals with disabilities are universally proposed. Variations based on age are usually acceptable, but not those based on race, gender, sexual preference, marital status, other household living arrangements, or work tests. Any proposal for a CI scheme is likely to involve minimal selectivity, and much of the complexity facing administrators will be much reduced.

5) Structure of personal income taxation (and benefit withdrawal rates).

Although the structure of the personal income tax is not included as part of its definition, except for Van Parijs' observation (1986) that it should not lead to a poverty trap, most advocates of Citizen's Income schemes would recommend a simple proportional, or mildly progressive, personal income tax on all income other than the CI. If the implementation of a CI scheme did not specify a change in the tax system, then the costs of collecting tax revenues would not necessarily change.

6) The level of the benefit.

Similarly, the definition of a CI does not include a specified level of the CI, although references to Partial and Full CIs are familiar in the literature. However, De Wispelaere and Stirton are right to point out that the level of the benefit will influence administration costs inversely. The more adequate the CI, the less the administration costs, because the safety net that would be required to prevent poverty, and the costs of its administration, would be reduced accordingly.

A residual safety net scheme would have to be set up even under a Full CI scheme, in order to cater for those people who were not eligible to be part of the CI scheme, or for those whom it was deemed were still in poverty despite receiving a CI. A social fund would be needed for those hit by emergencies, such as fires and flood; and a residual National Insurance scheme would be needed for those who would still be eligible for National Insurance benefits. It is assumed here that the administration of extra payments for people with disabilities would remain the same.

An adequate CI could be administered in the same way as the current Child Benefit, which is the most successful UK benefit at reaching those people who need it most and which also has low administration costs. Costs at 1% of the total cost of our Child Benefit scheme have been quoted (CIT, 2007, p.8), compared with much higher costs for contributory, means-tested, and taxable benefits.

A simple CI scheme, with the same Full CI for all citizens and income tax at a standard rate, could minimise costs. However, this in itself is not a recommendation. The first criterion to test for any welfare reform proposal is 'Does it fulfil its stated objectives, according to its stated priorities?'

De Wispelaere and Stirton have added considerably to the sum of knowledge about administrative aspects of CI (cf. 2005 & 2008), and their response to my piece contains further interesting material. It just seems to have very little to do with my simple comment.

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Reviews

Gary Craig, Tania Burchardt and David Gordon, *Social Justice and Public Policy*, Policy Press, 2008, x + 284 pp, pbk, 1 86134 933 0, £19.99, hbk, 1 86134 934 7, £65

The term 'social justice' can mean a bewildering variety of different things and can be attached as an intended outcome to a wide variety of social policies. The editors of this volume take as their guides to the meaning of 'social justice' the definition employed by the Labour Party's 1994 Commission on Social Justice: '[the] equal worth of all citizens; [an] equal right to be able to meet basic needs; [a] need to spread opportunities and life chances as widely as possible; and [a] requirement to reduce and where possible eliminate unjustified inequalities' (p.1) and John Rawls' difference principle: 'Those who wish to justify a deviation from total equality in key social and economic outcomes must demonstrate that such an arrangement will be of benefit to the least well off in society' (p.4). They judge New Labour to have failed to match policy to the Commission on Social Justice's definition, and they judge the strength of Rawls' difference principle to depend on which justifications for inequality pass his test – and this requires careful study of social policies and their outcomes.

The aim of this collection of essays is accordingly to relate theories of social justice to real-world policy problems.

Jonathan Wolff suggests that political philosophers should develop theories based on social policy; and from a study of three theories of social justice David Piachaud and Ruth Lister draw conclusions relating to inequality in past, present and future society. Will Kymlicka suggests that we can both recognise cultural diversity and sustain a redistributive welfare state; Iris Marion Young asks that we rebalance the diversity/equality debate towards equal opportunities; Ruth Lister asks that respectful treatment and genuine voice should accompany redistribution; Christopher Bertram asks for global social justice; Harry Brighouse and Adam Swift recognise that parents must be partial towards their own children and suggests that social policy should promote equality of relationship and other goods; and David Gordon points out that scandalously little has been written on social justice for children. Katie Schmuecker discusses diversity and equity across the UK now that government is increasingly devolved; Tania Burchardt applies Amartya Sen's capability approach (an approach to equality based on the distribution of substantive freedom) to inequality in Britain; Gary Craig finds ethnic minorities to be unjustly treated; and Maria Abedowale asks us to integrate social justice with environmental protection through a sustainable development perspective.

As with all collections of essays based on seminar series, there is a certain amount of overlap between the essays, and the chapters' agendas are often driven more by the authors' interests than by the editors' stated aims (- some chapters don't explicitly ask how theories of social justice relate to social policy). But many students, teachers and researchers will find this a valuable collection, not least because it demands to be followed up in particular policy areas. For instance: there is no chapter on the social justice theories underlying different ways of organising tax and benefit structures - a gap which we hope the Citizen's Income Trust's 2009 seminar series will go some way to filling.

Tony Fitzpatrick, *Applied Ethics and Social Problems*, Policy Press, 2008, vi + 270 pp, pbk, 1 86134 859 3, £21.99, hbk, 1 86134 860 9, £60

This book asks the question: 'If social policy studies the production and distribution of public goods, and if the State has a considerable role to play in maximising welfare and social justice, why and to what extent can the State justifiably regulate and interfere with individual freedom to this end?' (p.2) and it applies 'debates, theories and methods from moral philosophy to contemporary ethical issues relating to the disciplinary field (social policy) investigating the interactions of social problems, justice and wellbeing' (p.5).

Chapter 1 recommends 'social humanism' (with the human roots of ethics not disconnected from religion and nature) as a foundation for ethical theory; chapter 2 studies consequentialism (the theory that it is outcomes that matter); chapter 3 explores Kant's very different ethics (leading the author to principles which guide our choice of action); chapter 4 discusses Aristotle's 'virtue' ethics (which is about the kind of people we are and how we should live); and chapter 5 provides three principles on which the rest of the book is based: common sense, humanism, and equality.

The second part of the book deals with the boundaries of free choice. Chapter 6 concludes that 'harming is entwined with our social freedoms such that eradicating all instances of the former also threatens the latter' (p.114); chapter 7 asks that choice be conceptualised in terms of equity; and chapter 8 argues that financial contributions to public services should be either compulsory and indirect or discretionary and direct and that, in general, government should relate to families by 'maintaining appropriate social environments and welfare systems' (p.157). Along the way practical policy issues are discussed: the legalisation of drugs, schools admission policies, and the care of the elderly.

Then come chapters on particular controversial issues: chapter 9 on abortion (- a discussion about appropriate time limits); and chapter 10 on euthanasia (- in which Fitzpatrick proposes in the first instance the making of living wills compulsory). Of particular interest to readers of this newsletter will be chapter 11 on whether we should restrict the welfare rights of recent immigrants (- the debate would be different in a context of social equality) and on the compatibility in principle of welfare states and global justice.

This book will be of value to any student of social policy, social ethics, or both. It constantly refers backwards and forwards between ethical theory and practical social policy, and it shows how 'applied ethics directs our attention to many of the challenges we face and [to how] social policy has a crucial role to play in helping us to face them' (p.231).

Whilst social, economic, labour market and distributional issues will remain vital components of the now widespread Citizen's Income debate, continuing to found the debate in a study of social ethics will remain just as important. This book will help us to do that.

Peter Taylor-Gooby, *Reframing Social Citizenship*, Oxford, Oxford University Press, 2009, xii + 218 pp, hbk, 0 19 954670 1, £45

Today's welfare state is characterised by 'competition, the expansion of internal markets, and target-setting' and for the 'customer' by 'choice, opportunity, activation, and individual engagement' (p.v). Underlying these trends is a conceptual framework which understands the citizen as an individual rational maximiser. The message of the book is simple: social citizenship and the welfare state rely on a conceptual framework characterised by reciprocity, inclusion and trust: characteristics at the opposite ends of spectra from the competition and rational choice which characterise today's welfare provision. If current trends continue then we might find ourselves discarding the social citizenship on which any welfare state must depend.

The first chapter defines 'social citizenship' as the 'rights and duties associated with the provision of benefits and services designed to meet social needs and enhance capabilities, and also to guarantee the resources necessary to finance them' (pp.4,5) and discusses redistribution both vertically (between members of a society) and horizontally (across the individual's lifecycle) as the practical basis for reciprocity and inclusion. The chapter also discusses uncertainty as the problem which the welfare state addresses, and trust in the welfare system as essential to the contract between citizen and government. The author lists challenges facing the welfare state: technological change in industry, the rise of the service sector, a loss of working class cohesion, an ageing population, changes in family structure, the changing role of women in society and employment, and, in chapter 2, globalization, which results in increased competition in goods and services, more flexible labour markets, growing inequality, growing downward pressures on tax revenues, and mobile populations, capital and revenue. Government response in the UK, as well as in Europe more generally, is to promote a 'transition to a new more individualized welfare state citizenship' (p.31) and in particular an active casework approach to unemployment benefits.

Subsequent chapters ask how rational individual choice can be integrated with social norms and institutions and how the emerging new configuration will affect social citizenship. The author finds that reciprocity is valued as much by the new 'active citizen' as it was in the previous 'passive benefits' phase of the welfare state, but that 'the rational actor welfare state will struggle to secure trust and inclusion' (p.106) and that this will make sustaining the welfare state problematic.

The next three chapters take the UK's National Health Service as a detailed case study and asks how new policies have impacted on social citizenship: 'The reform programme has been most successful in areas which correspond to the needs of the mass of the population, the broad field of reciprocity. It is less impressive in relation to the more intractable issues of inequality and inclusion' (p.159).

The final chapters regret that the new welfare state configuration is strong on a rather defensive reciprocity amongst the better off and that it is weak on inclusion and thus does little to tackle inequality. The author finally suggests that 'sustaining the values that underlie [the welfare state] requires political determination to enhance competitiveness by reducing the privileges of advantaged groups and extending the inclusion of the weakest and to rebuild public trust by extending democratic engagement in social provision' (p.190).

This is an important book which should be on every government minister's desk. Theory and case study are well integrated, and the conclusions arise naturally from the evidence. It is a bit of a surprise that there is no mention of such counterexamples to the current rational choice trend as Child Benefit. This universal benefit relies on and promotes the values of trust, inclusion and reciprocity, and for low income groups it acts as a foundation on the basis of which rational choices can be made. It's the one benefit which doesn't change when a lone parent takes the often difficult decision to enter the employment market.

A Citizen's Income would, of course, have the same effect. It would enhance trust, inclusion and reciprocity and at the same time encourage the active citizenship which a globalised and ageing society requires. It would be interesting to see a further such case study from Peter Taylor-Gooby

John Hills, Julian Le Grand and David Piachaud, *Making Social Policy Work*, Policy Press, 2007, ix + 286 pp, pbk, 1 86134 957 6, £25, hbk, 1 86134 958 3, £65

This Festschrift for Howard Glennerster is about the 'historical development and practical implementation of policy in key areas of social concern', and it asks the questions: 'How [can we] make social policy work? How can policies be designed so as to achieve the aims of government in the social arena? How can these policies be implemented in such a way [that they] promote the desired aims but without damaging other aims that we might wish to pursue? Can we ensure that social policies have only those consequences that are intended?' (p.1)

There is a wonderful variety of chapters. Jose Harris offers an interesting history of the welfare state (though it's a bit confusing to call insurance benefits 'universalist', and strange not to notice that Child Benefit really *is* universalist); Tania Burchardt asks what welfare is *for*, and commends a 'capability' approach which asks what welfare provision enables people 'to be and do' (p.45); Jane Lewis finds that governments no longer privilege particular family forms but rather work with today's diversity of forms; Anne West studies schools and their funding and Nicholas Barr the funding of higher education; Julian Le Grand explores quasi-markets in healthcare and Martin Knapp choice and control in social care; and Anne Power studies neighbourhood renewal and social integration.

Of particular interest to readers of this *Newsletter* will be David Piachaud's chapter 'The restructuring of redistribution' in which he studies how 'the impact of government through benefits and taxes on the distribution of net money incomes has changed since 1997' (p.199). He discusses such changes as tax credits and rightly decides that the redistributive effects of both taxation and social security need to be studied together. He discusses the decrease in the number of people facing marginal deduction rates of over 70% and the increase in the number facing marginal deduction rates of over 60%, and he compares the redistributive effectiveness of the system now with that in 1997 by comparing the numbers taken out of poverty by the tax and benefits systems both today and then. He concludes that restructuring since 1997 has been effective but that there is still a long way to go – and that now 'the entire system is mightily confused' and 'many more now gain very little from extra earnings due to high marginal tax [i.e. deduction] rates' (p.215).

After this, John Hills studies 'pensions, public opinion and policy' and suggests that the compromises recently enshrined in legislation will need to be constantly explained to the public; and Tony Travers studies how social services resources are distributed.

This book is by academics, so, as we would expect, the answer to the question 'How [can we] make social policy work?' has more to do with theoretical outcomes than with why so many people can't face filling in tax credits application forms (no, not 'form': 'book'). People are deeply alienated from the system by recurrent errors and draconian demands for repayment of overpayments which weren't their fault, and all of this makes us ask serious questions about whether it's possible to make the current system work.

This is an informative book as far as it goes. We now need a book by people who know how the system works on the ground, and how it doesn't work. 'Making it work' means making it work in practice for everyone involved in it.

Richard E. Just, Darrell L. Hueth and Andrew Schmitz (eds), *Applied Welfare Economics*, Edward Elgar, 2008, xxiv + 767 pp, hbk, 1 84720 577 1, £195

The forty-six papers collected here discuss the market failure and second best justifications for government expenditure, theoretical and methodological foundations of welfare measurement, income redistribution, the social costs of monopoly, welfare measurement in single and multiple market models, measurement of welfare in a context of risk and uncertainty, the welfare effects of information and advertising, and non-market welfare measurement (for instance, in the household). All of the papers apply the economist's methods to 'welfare': to the faring well of individuals in society. Of course, this isn't all there is to be said about welfare, but it is an important perspective because it enables the activities of the private and public sectors to be evaluated using the same tool-kit, thus enabling us to understand their connections and differences.

Most of these papers assume an understanding of welfare economics and its methods, and to students who possess this understanding the collection will be a valuable resource – and if they can't afford it then they should ask their library to obtain it.

As a collection it is very thorough. It contains both classics and some more recent pieces – though it's a pity that some of A.B. Atkinson's work on flat taxes and Basic Income isn't included; and it would also have been interesting to see some of the more recent work on labour market participation. For if it is true that welfare and work are intimately related (and the evidence suggests that they are) then the application of the economist's methods to labour market behaviour would have contributed to this volume on welfare economics.

But maybe there just wasn't space, for at 767 pages this is already a substantial volume and it will make available to students, teachers and researchers some important papers which otherwise they might struggle to find.

Viewpoint

The Real Economy is in Good Shape

The good news is that the real global economy remains in good shape with all the potential it needs to flourish and grow. Its supply side factories, offices, shops, restaurants, transport and communications systems are capable of high productivity output. Its 6bn consumers are ready to continue growing consumption demand - in the majority of cases to raise low standards of living. But it's the financial sector whose turmoil now threatens the real economy that it is designed to serve - a classical case of the tail wagging the dog, of the speedometer trying to drive the car, of the virtual world controlling the real world. We know from Keynes that monetised aggregate demand has to be sufficient in purchasing power to consume the potential output of the supply side of the real economy. Since there is no problem in delivering real output, why should it be difficult to fund adequate demand?

Of the various components of macroeconomic demand, the current problem is with consumer expenditure and its funding from wages, pensions, dividends and credit. As productivity increases in an advanced technology economy, the wage component of aggregate demand will decrease, leading to an increased dependence on credit to fund real demand to consume the available output. Until very recently this has worked. The fact that the last decade has been the *NI*CE, *non inflationary*, decade demonstrates that exactly the right amount of credit has been fed into the economy to fund consumer demand – there has been sufficient output, and growth has been stable. The problem now is that this surge in consumer credit demands repayment out of wages which are as insufficient for this as they were for the initial purchasing power required in the economy.

What can be done? Public and private sector investment increases have only a medium term effect, so for immediate effect, consumer spending has to be re-funded by interest rate cuts, tax cuts, or fresh credit. But the only form of consumer credit which will sustain the same long term NICE economy is credit which does not have to be repaid since this would reduce disposable wage income in a future period. In a future world where total automation made goods and services available with very few workers and therefore ever decreasing disposable income from wages, some such form of allocation of the product would be necessary. Money *can* be created - banks already lend multiples of what they have on deposit. The Citizen's Income, for which some have long campaigned, might be the instrument needed. Wealthy Middle East oil rich states with small populations have necessarily developed such citizen income allocations and Japan is currently making a similar income distribution. A Citizen's Income might now have an equally necessary role in the economies of the developed industrial world.

Geoff Crocker