Citizen's Income *newsletter*

2009, issue 3

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Citizen's Income Newsletter
ISSN 1464-7354

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Editorial

A recent publication, *The Spirit Level: Why More Equal Societies Almost Always Do Better* by Richard Wilkinson and Kate Pickett (Allen Lane, 2009), identifies some of the ill effects of unequal incomes. These are literally ill effects, because by amassing vast quantities of data on incomes and health the authors have convincingly shown that inequality breeds ill health, and particularly poor psychological health. Japan and Scandinavia experience the lowest inequality and also the best psychological health. Portugal, the USA and the UK boast the highest inequality and the worst health outcomes and social problems. What is particularly interesting is that in unequal societies such problems afflict the rich as well as the poor.

The authors suggest that the situation could be remedied both by making earned incomes less unequal (for instance, through changes in the National Minimum Wage and in the management of companies) and by redistributing incomes after they've been earned.

A Citizen's income would of course tackle the problem from several directions at once:

- It would provide an automatic income floor and thus reduce the anxiety which the authors identify as prevalent in unequal societies;
- it would redistribute income from rich to poor (and a particular scheme which the Citizen's Income Trust has costed (*Citizen's Income Newsletter*, issue 3 for 2004) showed increases of 25% in the incomes of the lowest earnings decile and decreases of 4% in the incomes of the highest, and a smooth curve between the two);
- and it would reduce social inequality by treating everybody the same (rather than, as at present, treating people on means tested benefits and tax credits in one way and people paying income tax in another).

If we are serious about ending the inequality which is clearly such a blight on the health of our society, then such a feasible and desirable option as a Citizen's Income really does need to be given a try.

Seminar Report

A Citizen's Income for All?

A report on a seminar series co-ordinated by the Citizen's Income Trust.

Report by Jurgen De Wispelaere and Anne G. Miller

In February and March of 2009 the Citizen's Income Trust organised a series of academic seminars on the theme of 'A Citizen's Income for All?', in close collaboration with four UK universities. The purpose of the seminars was to showcast recent developments in research around universal income maintenance proposals and, along the way, giving another boost to the idea that citizen's income (CI) schemes are a policy worth considering in the UK context, a task to which CIT has devoted much effort in the past two decades.

We were delighted that our plans were greeted with much enthusiasm by a number of academic departments across the UK, who were eager to host a CIT talk as part of their regular seminar series. In the end four events were scheduled to take place in Newport, York, Nottingham and Belfast. Unfortunately, Tony Fitzpatrick's talk on 'Basic Income and Paternalism', due to take place on 10th February at the University of Wales, Newport, had to be cancelled due to a snow storm. The three other talks, however, went ahead as scheduled, and brief reports on each can be read below.

We'd like to take this opportunity to thank the conveners of the research seminars for their enthusiastic and efficient collaboration: Gideon Calder (University of Wales, Newport), Louise Haagh (University of York), Tony Fitzpatrick (University of Nottingham) and Keith Breen (Queen's University Belfast). And of course our thanks also go to the four speakers, who in each case prepared thought-provoking papers: Tony Fitzpatrick, Bill Jordan, Louise Haagh, and Stuart White.

Prof. Bill Jordan (University of Plymouth), 'Citizen's Income and the Crash: Credit, Debt and the Citizen's Income', held on 4th March 2009, University of York.

In his talk Bill Jordan presented a wide-ranging discussion on the nature of banking, credit and the National Debt. He compared the current crisis with that of the late 1920s, and asked whether distributing a Citizen's Income (CI) might not have had a better effect on stimulating the economy than paying the banks. Bill queried the possibility of a welfare and tax reform being undertaken during the current crisis, given that a crisis is a propitious time for reform. He decided probably not, although the crisis had led recently to an increased winter fuel payment for pensioners. Quoting George Monbiot, he pointed out that local currencies, based on a token system, are beneficial especially during a financial crisis, because they recharge local economies.

The roots of CI in the UK can be traced to Quakers Dennis Milner and Bertram Pickard at the end of World War I, but their proposal was rejected by the Liberal Party in 1921. Clifford H. Douglas, an engineer, suggested Social Credit in the 1920s, distributing part of the national product as a National Dividend. He received support from John Hargreaves, the charismatic leader of a group calling themselves the Kindred of the Kibukift, which Hargreaves then turned into a Social Credit movement. Social Credit Parties were set up in Australia, New Zealand and Canada between the wars.

Bill compared the causes of the financial crisis of 1929 with the present global economic crash, precipitated again by a failure of the financial systems in the USA and UK. In 1929, it was preceded by a credit bubble, (the dispersal of which was recommended by CH Douglas), but the motor for the 1929 crash was industry, rather than housing.

Bill traced the root of the recent crash to a disastrously erroneous model of governance and public finance, based on a theory of contracts, information and incentives, and embracing the whole relationship between citizens and the state. He pointed to the Labour Party's Third Way, which in 1998 continued the social contract ideas, based on reciprocity, of the previous administrations. Increased choice was supposed to lead to increased incentives. However, markets are those pricing systems with the least obligation on the part of the consumer.

The recent crash was preceded by a shares-bubble, a credit-bubble and a house price-bubble, with credit in the central role. The banks expanded their production of credit to repay loans, now barely regulated by official controls, and the West borrowed heavily from the emergent industrialised economies of Russia, India, Brazil, and particularly from China. It was an enormous pyramid system. The global consequences have been severe, even for prudent economies, and especially for savers. Profits had been privatised, but now losses are being socialised.

The CI proposal offers a way forward, allowing a new organisation of sustainable work and improved well-being, as well as equality and fairness between members of our society. Its emphasis is more on relationship, and less on production, embodying the feminine ethic of care, and nurturing the environment. CI promotes well-being, sharing out both unpaid and paid work, and the proceeds of paid work, thus dispelling the 'dependency culture'. It promotes solidarity and community, together with sustainability in both environmental and social terms. According to Philippe Van Parijs, it has more to do with identity and actualisation than with greed. A CI creates new opportunities.

During the lively question period, the audience queried whether a CI system leads to enhanced equality and autonomy within both the nuclear and the extended family, compared with societies that rely on family for poverty relief. A CI system (without work tests) was in direct contradiction to recent white and green Government papers, which emphasised conditionality for lone parents and people with disabilities. However, unemployment has increased, so the move has been self-defeating. If the government wishes people to spend in order to boost the economy, it should give them the money and reduce prices.

Bill's relaxed delivery and discursive style, backed up by impressively wide reading, probably posed more questions than it provided answers, but was none the worse for that. We left trying to make a picture from the many jigsaw pieces presented to us in the course of the seminar, but feeling satisfied by the very stimulating and enjoyable experience.

Dr. Louise Haagh (University of York), 'Citizen's Income, Varieties of Capitalism and Occupational Freedom' held on 10th March 2009, University of Nottingham

Louise Haagh's talk provided a critical account of basic income discourse, and advocated a clearer focus on what Citizen's Income (CI) is for, in order to judge its relationship to paid work and other institutions of universalised welfare. There is not just one type of capitalism, but each is particular to its social and cultural environment. She suggested that many of the claims of CI analysis were too ambitious, since they did not take account of their social institutions and political contexts. Her aim was to warn supporters of CI to beware of the pitfalls that exist. In particular, the objectives must be examined to see whether they fit with current political and social institutions.

Louise focused on choice through the 'control of one's own time' as a source of occupational freedom. She pointed out that, although many supporters of CI take an underlying free market economy as given, a CI system would have to be underpinned by the right to structured work. There will also be a need for social finance for, and organisation of, schooling, employment transitions, care and the regulation of work time; leading to three paradoxes in this regard: control, politics, and justice.

Louise criticised those supporters of CI who do not separate their argument for CI from an abstract libertarian defence of political freedom. They often appear to show a disdain for socialised work and those who perform it. She distinguished between the 'crazies' who work very long and hard in a few highly paid jobs, and the 'lazies' who work less hard for less pay. This distinction is more marked in deregulated economies. It is important to diminish the distinctions of status, and allow all work to have equal priority. Paid work is a privilege, and those fortunate to be gainfully employed have obligations to compensate those who do not. Changes in technology have not led to a reduction in the need for paid work, but strong institutions are needed to create jobs. An important advantage of a CI scheme is that it can help to achieve a more equal balance of paid work, leisure and care in each person's life.

There are three domains where the social function – the organisation of choice – is central to allow balanced control over one's own time: education, employment and leisure. Unequal education and deregulation of paid work lead to a reinforcing cycle of wage dispersion that provides incentives to seek to purchase premier education for one's offspring. Or as Louise put it, 'where inequality begins to emerge in positional goods, public spending becomes less effective'. Louise presented a series of tables comparing OECD economies, which revealed several facts about social choice in respect to overall control over one's own time. Important observations included that 1) equal schooling and generous income-support are positively related; 2) evidence suggests that educational inequalities are growing in some countries; and 3) the UK has both the highest level of educational inequalities, and highest growth in inequality of income of the OECD countries. Countries have a choice between supporting individuals, or monitoring and controlling them, and the UK has the highest level of control of any OECD country.

Louise next pointed out that there is a broad link between average annual leisure hours and the employment system. In an article published in 2001, Robert Goodin showed that, in the Dutch post-productivist economy, leisure hours were associated with a high share of part-time work. This has been referred to as 'women's freedom to care', and is similar to the argument that CI supports carers. This creates a problem, because it would appear that women have to choose between 'care' and 'career', because they are at a competitive disadvantage in the work place, especially in deregulated economies.

In conclusion, Louise emphasized the importance of the structure of social insurance and particularly of a progressive system of taxation. This is necessary for achieving a more even structure of opportunities, and thus to a reduction in the inequality of incomes, all leading to one having more control over one's time. In UK, we have the paradoxical situation of experiencing both income insecurity and state control. As for the question whether a CI is likely to be instituted in the UK in the near future, one hopes that a clearer path toward this goal will emerge now that the pitfalls in the discourse on CI are clearly outlined.

Dr. Stuart White (University of Oxford), 'Basic Income versus Basic Capital: Can We Resolve the Disagreement?' held on 20th March 2009, Queen's University Belfast

Stuart White delivered a thought-provoking presentation on a topic on which he is one of the world's leading experts, the similarities and distinctions between basic income (BI) policies and basic capital (BC) grants. The debate of the past decade amongst advocates of the 'Citizen Endowment Thesis' (the idea that all citizens are entitled, as of right, to a certain endowment of resources, without any means test or labour contribution) has been concentrating on the question whether we should hand out such an endowment in the form of a periodic (non-mortgageable) basic income or rather as a one-off lump-sum grant, paid to the individual on reaching maturity.

While some advocates (and perhaps even opponents) may think this is merely a practical matter, Stuart believes there are genuine ethical considerations to take into account as well. For instance, as Stuart rightly pointed out, important comparability problems emerge when attempting to evaluate the pros and cons of the standard BI and BC proposals. Specifically, the present discounted value of BI and BC will be different, and it is not clear what amounts to a fair comparison in that regard. Further, differences in the financing of either scheme as well as different options in terms of substituting for existing expenditures make the comparability of BI and BC almost intractable. Perhaps a normative account of the relevant differences between these two schemes might offer some answers, and Stuart's talk proceeded to outline several lines of argument to that effect by introducing a key distinction between equality-based and freedom-based arguments for BI and BC.

Equality-based arguments typically focus on 'inherited external assets' which are to be divided equally, typically by taxing their full market value and distributing this in the form of a uniform grant. Stuart pointed out that there are a number of complications that need to be resolved (most importantly which resources qualify to be shared equally without any further conditions), but the main question is whether the equality argument favours BI over BC, or the converse. One reason to think equality favours BC is to consider the objection that a BI would distribute resources unequally in cases where some individuals live longer than others: if I live 25 years longer than you, the BI that I receive during those 25 'extra' years will obviously be substantially larger than the BI you received during your lifetime. By contrast, equality might favour BI because it better tracks the changing market value of external resources: whereas a one-off grant will have its value fixed, a regular BI can be easily adjusted to accommodate increases (or decreases) in value of the resources that provide the foundation for the grant.

So far it would seem, on equality grounds, both BI and BC score equally. But Stuart thinks quite a different equality argument can be found when thinking in terms of social equality, which is the equality in social relations rather than pure distributions of resources. And here, Stuart thinks BI seems more effective in terms of promoting social equality by constraining the dependencies that arise through labour market competition and so on. A BC might offer better immediate opportunities, but once the grant has 'expired' – whether because of our own actions or through sheer bad luck – we remain vulnerable to the very social forces that a regular BI is able to counter. This of course brings us very close to the second line of argument, which suggests a BI or BC must in the first instance protect individuals' primary interest in freedom. Here again, Stuart again finds that some variants favour BI while others favour BC.

Perhaps one of the most controversial insights of Stuart's talk was the extent to which the freedom-based arguments must engage with paternalistic considerations. Although CI advocates are notoriously averse to even a whiff of paternalism, Stuart convincingly demonstrated that some of the arguments in favour of BI over BC in fact depend on a solid dose of paternalism. Even more surprising there might be a paternalistic argument favouring BC, in that we could argue it would be most sensible for individuals to avoid choosing either BI or BC and instead opt for a combined scheme. This then leads up to Stuart's positive case for hybridity, in which BI plays a crucial role in preventing vulnerability which BC takes the primary role in ensuring (equal) opportunity. For Stuart, forcing the matter as an either/or is simply to ignore the benefits of instituting both simultaneously; benefits that are supported both on grounds of equality and freedom.

As with the other seminars, Stuarts' provocative talk lead to numerous questions and a very engaging debate. Participants queried some of the assumptions or argument internal to either the equality- or freedom-based perspectives, while others wondered which of these argumentative strategies is most promising in terms of settling the debate. Others again suggested that, while the internal debate between BI and BC is interesting, there remains much work to be done convincing UK citizens (and politicians) that the starting point of a set of external resources that ought to be shared equally, without means test or labour contribution, is valid in the first place. These concerns notwithstanding, there was unanimous agreement that Stuart's talk gave us much to think about, and no doubt will require following-up at another opportunity.

News

On the 5th June the **Financial Times** published an article by Martin Sandbu and Nicholas Shaxson entitled 'Give the people their resource wealth'. The authors list a variety of policies which governments have established in relation to natural resource revenues: savings funds, the funding of diversification, and transparency, and suggest that the most effective policy is simply to distribute the revenues to the population: 'The solution is simple but radical: distribute extractive revenues directly and equally to all citizens. Instead of fighting each other for oil rents, political elites would have to bargain with the people for tax revenues. If the government did not tax everything back, direct distribution would dramatically transfer wealth to the poor.' http://www.ft.com/cms/s/0/1e842a9c-513d-11de-84c3-00144feabdc0.html

The **Pensions Policy Institute** has made a submission to the Work and Pensions Select Committee inquiry into tackling pensioner poverty in Great Britain. 'The reforms to state pensions introduced in the Pensions Act 2007 will reduce inequalities in state pension incomes over time. … But there are still inequalities in state pension incomes for those retiring before 2010, and for generations reaching state pension age before the reforms are fully fed through. Some other inequalities will remain, as a large part of the pension system is still linked to the working histories of individuals due to the contributory nature of state pensions. Individuals with low earnings and/or career breaks not covered by the system of credits will still receive lower state pension income.' (http://www.pensionspolicyinstitute.org.uk/news.asp?p=187&s=5&a=0)

The **Child Poverty Action Group** has published *Ending Child Poverty: a manifesto for success*: 'There are still nearly 4 million children living in poverty in Britain today. The Government has promised to eradicate child poverty by 2020 and we cannot afford to fail. In today's difficult economic climate, our manifesto calls for immediate action to help employers protect jobs. The income safety net must be mended; and greater use made of universal benefits in tandem with progressive taxation, rather than over-reliance on means testing and accumulation of excessive wealth at the top. …… As we look ahead to the years between now and 2020, we know that our country will be judged not just on whether we can rebuild an ailing economy, but on whether we build it as a fair economy: an economy that makes child poverty a thing of the past … Non-means-tested support, such as Child Benefit, is typically better delivered and does not suffer the stigma often attached to means-tested support. CPAG believes it is time to raise family incomes of the poorest and, within this, to increase the proportion of non-means-tested financial support. The UK social security system is complex, with the result that quality of administration is often low. Both claimant and official error rates are high, meaning that those entitled find it difficult to realise their rights. The use of a test of means as a mechanism to establish entitlement generates inherent complexity. Evidence to the Work and Pensions Select Committee inquiry suggested 'a direct correlation between the amount of means-testing and the complexity in the system'. Child Benefit is popular and functions effectively because it is simple to understand and, because it is usually well administered and has a very high take-up rate, it actually reaches more children living in poverty than the more targeted Child Tax Credit. As Child Benefit is not means-tested, it is not withdrawn as parents earn more and so it supports moves into employment. Means-tested benefits worsen the poverty trap because they are withdrawn as earnings rise. In recent years, the cash value of child benefit has been raised in a variety of ways. First, by an increase in the amount paid for the first child in 1999, then by a smaller increase in January 2009 by extending it back into pregnancy (through the health in pregnancy grant), disregarding Child Benefit in the assessment of Council Tax Benefit and housing benefit, and by extending entitlement for some older children near school completion age (or in training). Each of these is welcome, but more can be done with this popular benefit to galvanise public support for investing in children' (quoted from the introduction and p.27, http://www.cpag.org.uk/manifesto).

On the 4th February the **Luxembourgish newspaper *Tageblatt*** published an article by Ady Faber. The author summarises his article: 'Huge injections of public money into the financial system in an effort to end the present turmoil will leave massive public debts that will impede future leftist politics. The increase of the jobless rate as a consequence of the crisis will raise another challenge. Therefore leftist parties and the progressive wings of other parties would be best advised to reconsider their goals. Directly addressing the social needs of the population on a European scale would offer the best prospects. In most European countries charity-type support for jobless and citizens in need exist. These regimes can be easily transformed into Basic Incomes. We recommend a novel European policy which should be eagerly welcomed by the people'.

The Geneva Association (The International Association for the Study of Insurance Economics) in its newsletter for March 2009 reiterates the reasons for recommending that there should be 'four pillars' for maintaining incomes during retirement: 'The idea is to find the right equilibrium between 1. public pension, 2. occupational and 3. private funded pensions, and 4. a flexible extension of work life …. A system based exclusively on the labour market and population growth [i.e., pillars 1 and 4] is very sensitive to the ageing of the population. A system relying exclusively on the financial market [i.e., pillars 2 and 3] is sensitive to any change in the economic conjuncture. The case of the U.S. is a direct application of retirees relying nearly exclusively on the return of their pension funds. A premise in risk management is to not put all one's eggs in the same basket'.

A **Department for Work and Pensions** report (Research Report No 569) on *The impact of financial incentives in welfare systems on family structure*, by Bruce Stafford and Simon Roberts, concludes: 'Whilst there are studies finding significant impacts, these tend to be small and are countered by studies finding no relationship or the opposite effect. To the extent that some studies provide evidence of a welfare effect on family structure, its magnitude is often smaller than classical economic theory might predict. On balance the reviewed literature shows that there is no consistent and robust evidence to support claims that the welfare system has a significant impact upon family structure.'

Research at the **University of Toronto** has studied changes in Israel's Children's Insurance Plan. This was a universal benefit until 1984, then income-tested, and then universal again from 1993. The research report identifies the reasons for the reintroduction of universality as low take-up of the income tested benefit, the resulting increased poverty amongst low income families, and the possibilities open to political actors in this context (Sharon Asiskotitch, 'Digging their Own Graves: Unexpected Consequences of Institutional Design and Welfare State Changes', *Social Policy and Administration*, vol.43, no.3, June 2009, pp.226-244).

Main article

Minimum Income Standards: A Challenge for Citizen's income

Anne G. Miller

Abstract

The objective in this paper is to design a Citizen's Income (CI) scheme where the primary purpose is to prevent poverty, based on the benchmarks provided by the Minimum Income Standards. It is expected to result in a large measure of redistribution.

It also provides a novel 'Quick Calculator Table' for estimating a ball-park figure for the personal income tax rate that would be required to finance a given CI scheme, if it were financed from a hypothecated personal income tax system, in which all personal incomes from all sources were taxed at the same tax rate, and there were no personal allowances, tax reliefs, exemptions, or other tax expenditures.

The Family Budget Unit and Minimum Income Standards

The Family Budget Unit at York University was set up in 1987. One of its founders, trustee, director, and inspiration, was our own late Mimi Parker, (one of the founders in 1984 of the Basic Income Research Group, inspiration, and editor of the *BIRG Bulletin*, later re-titled the *Citizen's Income Bulletin*, until 1998). The FBU calculated budgets for different household groups according to Modest But Adequate (MBA), and Low Cost but Acceptable (LCA), standards. (www.york.ac.uk/res/fbu). Researchers and others could compare their ideas or experience with these benchmarks.

In 2006, the FBU and the Centre for Research in Social Policy at Loughborough University combined resources to produce a set of Minimum Income Standards (MIS), funded by the Joseph Rowntree Foundation, (www.minimumincomestandard.org). Its final report was launched in July 2008. It is based on 39 focus groups, involving more than 200 people, in combination with input from experts in heating and nutrition. Thus, it combined the two approaches previously used separately by the two institutions.

In addition, the organisation publishes the budget details for MISs, comparable to the FBU's LCA standard, in spreadsheet format, (www.minimumincomestandard.org/ready_reckoner.htm), for 13 household types. The challenge here is to design a CI scheme that prevents poverty as defined by the benchmarks of the MIS.

Define a CI scheme:

a) The tax and benefit unit is the individual. This leads to financial autonomy.

b) Eligibility is based on citizenship.

c) The CI is administered as a regular payment to the individual, rather than as a Negative Income Tax (NIT), where an income is paid net of any lesser tax liability, or as a Tax Credit (TC), where the CI acts as a credit deducted from a greater tax liability.

d) In CI schemes, selectivity or contingency is minimal, and definitely not based on personal circumstances that could vary frequently. Thus, the level of CI may vary according to age, but definitely not according to gender, sexual preferences, race, religion, legal status of partners, or other domestic living arrangements, nor to any past or present work performance nor any willingness-to-work tests. It is assumed that costs that arise on account of a disability (for care, mobility, special diets, equipment, heating or laundry, etc) will be paid in addition to any CI benefit.

A Full Citizen's Income, FCI, is one that is expected to cover the minimum expenditure necessary for an individual to meet his/her needs, including that of participating in society. An example of a Full Citizen's Income to meet the Minimum Income Standards of all is given in the Summary Table (Table 3) below, leading to a flat rate tax of 0.57, but is not discussed in detail here.

A Partial Citizen's Income, PCI, would not be sufficient for an individual to cover the minimum expenditure necessary to meet his/her needs, on the assumption that the shortfall can be made up from other sources, particularly earnings. (A PCI may go some way to satisfy those who would prefer a participation income scheme, because the PCI provides the incentive to top up one's CI from earnings. It could produce the same effect as a participation income, but without the control and coercion that seems to be an integral part of participation income schemes.) Even on a flat tax rate of between 0.40 and 0.50, many a recipient would face a lower income tax rate than the current high effective marginal tax rates in the UK caused by the combined income tax rate and benefit withdrawal or taperrate.

Vulnerable Adults

There are some adults, whom, for reasons of old age or disability, a humane society should not require to have to top up a Partial CI with earnings, (although they would be at liberty to earn extra, if they wished). Thus people of age 65 and over, and people with disabilities would receive a Full Citizen's Income.

However, (young) children need (constant) care, and the question arises of how to design a CI scheme that would recognise both the needs of children and of the adults who are responsible for their care. Four different approaches are considered briefly here.

i. The same PCI could be given to adults and children alike, so that it meets the MIS benchmarks.

ii. Children aged 0-15 inclusive would receive a Child CI (CCI), and a Parent-with-Care (PwC), usually the mother, would not be expected to have to top up her CI to meet her MIS, (although she would be entitled to earn extra if she wished). She would receive a FCI, in recognition of her time, physical and emotional efforts, and constraints on her life due to child-rearing responsibilities. A Lone Parent (LP) and the PwC in a two-adult household would receive the same amount, and it would have to be sufficient to meet the greater MIS of the LP. This would remove the odious and intrusive cohabitation rule, and a PwC would not have to inform the authorities every time her status as a LP or cohabitée changed. This arrangement would infringe the idea of a 'pure CI scheme', because this FCI is contingent on an activity status, or unpaid work status. However, it is also a matter of justice, that a PwC should receive more than a working-age adult without care responsibilities.

iii. Each child would have a care package associated with him/her, dependent on age (ie date of birth).

iv. One could adopt the Scandinavian model, where the majority of children attend state-funded nurseries, staffed by highly trained nursery nurses, who are more knowledgeable in child development than the average parent, and this leaves both parents free to join the labour market.

Each of the four options is considered here.

A fourth category of vulnerable adults is that of carers. This is contentious between organisations working on behalf of people with disabilities, and organisations for carers. Even if a package covering constant care is organised for, and administered by, the person with the disabilities, s/he might decide not to pay a member of his/her household to care for him/her, but the carer of last resort is likely to be a member of the household, who would *de facto* have to take on the responsibilities when paid carers are sick or on holiday. It is assumed here that a member of the household would be designated as carer, and receive a Full CI in return for accepting 'carer-of-last-resort' status.

Citizen's Income should be related to the prosperity of the country

In tables 2 and 3 below, each level of CI is expressed as a proportion of GDP per capita, (*The Blue Book 2008*, Tables 1.2 and 1.5). If CI levels are expressed in this way for all countries, it facilitates a comparison of the generosity of each country's proposed or actual scheme, although it ignores access to public services such as education and health. However, in order to translate this into a personal income tax rate, it is necessary to relate GDP to 'The Total Resources of Households and Non-Profit Institutions Serving Households, NPISH', (*The Blue Book 2008*, Table 6.1.3). This is the potential TAX-BASE, when there are no personal tax allowances, tax reliefs, exemptions or other tax expenditures. (This reclaims the tax base, and allows a lower income tax rate to be levied than otherwise.) TAX-BASE divided by the population gives the average personal income for the UK, which is referred to here as Y-BAR, and this is used to calculate the personal income tax rate necessary to finance the given CI scheme, (see Miller 2006, for the argument underlying this approach). It is assumed that the same proportions of GDP per capita for FCI, PCI and CCI would be applied each year of a government's administration, using the most recently available figures for GDP, population, TAXBASE and Y-BAR. Adopting the same proportions each year should have the added advantage of providing a stabilising effect on the UK's economic cycles. *The Blue Book 2008* gives GDP and GDP per capita figures for 2007, on which CIs for 2009-10 could be based.

It is assumed here that the CI scheme is funded by a hypothecated personal income taxation system, (where employees' National Insurance contributions are subsumed into the income tax system), partly because benefits and personal taxation are reverse sides of the same coin. A hypothecated system also helps one to consider what is feasible in terms of the cost, as it measures the direct impact on the population, and again facilitates international comparisons. Of course, other methods of financing a CI scheme can also be explored. Most of government expenditure (as opposed to transfers) has been of the same order of magnitude as the tax revenue from other types of taxes in the UK (see Miller, 2006).

A flat tax (or proportional tax) is assumed here, mainly for convenience, because it is easier to calculate the tax revenue yielded than that from a progressive scheme, where one would need far more information about the distribution of the gross income. It would not preclude higher rates of income tax being imposed at higher income levels, when the time came for implementation. Obviously a progressive system would be more just, and in Scandinavian countries, tax rates of around 0.65 are not unknown. But, even a flat tax coupled with a CI scheme can be a very effective method of reducing income inequality. A flat-rate tax is often proposed for political expediency, because it is thought that it might be easier to sell to those who would otherwise be hit by a progressive scheme. A standard flat rate of income tax will be calculated, which would be levied on personal income from all sources, which will be that required to finance the CI scheme.

A Citizen's Income scheme taking account of Minimum Income Standards

Table 1 gives the MIS including rent, but excluding childcare expenditure, for 13 different household configurations in column 1. The proportion of Y-BAR that this represents is given in column 2.

Now, a CI scheme must be created where the vulnerable adults receive a FCI, while an able-bodied, working-age (16-64 inclusive) adult without the responsibility for the day-to-day care of adults or dependent children receives a PCI, on the assumption that s/he is likely to be able to earn enough extra income, after paying the personal income tax, to reach his/her MIS.

In the scheme devised here,

FCI is determined by the MIS of a female aged 65 & over.

CCI = (MIS of the Lone Parent with 3 children – FBI) divided by three

PCI = MIS of the 2-adult household with three children – FBI – 3 x CCI.

These latter two cases relate to the households where the expenditure is most constraining.

	proportion of Y-BAR	£ pw	£ pa
FCI	0.56	190.04	9,909
PCI	0.26	88.23	4,601
CCI	0.26	88.23	4,601

Unusually, CCI equals PCI in this scheme.

The results for each household group are given in columns 3, 4 and 5 of Table 1. While making sure that the most vulnerable are protected from poverty, others may receive more than the minimum necessary for their MIS. This is especially obvious in the cases of the pensioner couple, and the 2-adult household with 4 children, both of which are shown in italics.

TABLE 1. MINIMUM INCOME STANDARDS AND CITIZEN'S INCOME LEVELS FOR DIFFERENT HOUSEHOLD TYPES

	Col 1	Col 2		Column 3	Col 4	Col 5	Column 6
Household Type	MIS* inc rent £ pw	prop of Y-BAR		CI for household	CI as prop of Y-BAR	CI for hshld £ pw	Current State Bens, 2009-10 **
Fem, aged 65 & over	189.67	0.5589		FCI	0.56	190.04	130.00 + HB
Male, aged 65 & over	178.90	0.5272		FCI	0.56	190.04	130.00 + HB
Couple, aged 65 +	265.92	0.7836		2 x FCI	*1.12*	*380.08*	198.45 + HB
Fem, aged 16-64	210.65	0.6307		PCI	**0.26**	**88.23**	64.30 + HB
Male, aged 16-64	210.18	0.6194		PCI	**0.26**	**88.23**	64.30 + HB
Couple, aged16-64	309.46	0.9119		2 x PCI	**0.52**	**176.46**	100.95+ HB
LP + toddler	274.37	0.8085		FCI + CCI	0.82	278.27	137.71+ HB
LP + pre + prim sch	352.09	1.0375		FCI + 2 x CCI	1.08	366.50	193.82+ HB
LP + pre+ 1 + 2 sch	455.19	1.3414		FCI + 3 x CCI	1.34	454.73	249.93+ HB
2 adults + toddler	350.71	1.0335		FCI+PCI+CCI	1.08	366.50	174.36+ HB
2 adults + pre + prim	439.45	1.2950		FCI+PCI+2CCI	1.34	454.73	230.47+ HB
2 ads + pre + 1 + sec	540.96	1.5941		FCI+PCI+3CCI	1.60	542.96	286.58+ HB
2 + todd + pre + 1 + 2	583.44	1.7193		FCI+PCI+4CCI	*1.86*	*631.19*	342.69+ HB

LP = Lone Parent HB = Housing Benefit * excludes child-care cost

Bold shows those households purely on PBI, which does not meet MIS.

Italic shows households that gain disproportionately from the CI scheme.

** Source: 'Benefit and Pension Rates', April 2009, BRA5DWP, from www.dwp.gov.uk/. These give Pensioner Credit levels, income-based Job Seeker's Allowance for those aged 25 and over, adding £56.11 for each dependent child, and a family or Lone Parent premium of £17.30 pw, where relevant. It is assumed that all Means Tested Benefits lead to HB entitlement.

TABLE 2. PERSONAL INCOME TAX RATE QUICK CALCULATOR TABLE

SUMMARY OF THE INFORMATION REQUIRED TO ESTIMATE THE PERSONAL INCOME TAX RATE WHICH COULD FINANCE A CITIZEN'S INCOME SCHEME, SHOWING THE EXTRA COSTS OF FULL CITIZEN'S INCOMES FOR SOME.

Column 1	Column 2	Column 3		Column 4	Column 5	Column 6	Column 7	Col.8 = col.3 x col.6
	Population, UK* 2007,	Proport-ion of populat-ion		Y-BAR** 2007 £ pa.	YBAR** 2007 £ pw.	Proportion of average gross income, YBAR	Proportion of GDP*** per capita,	Cost of CI in terms of income tax rate
TOTALS	60,975,400	1.0000		£17,695	£339.35	1.00	0.77	1.00000
				CI pa	CI pw			
Total population	60,975,400	1.000		Partial CI £4,600.56	Partial CI £88.23	0.26	0.2002	0.26000
People aged 65 +	9,779,100	0.1604		Full CI +£5,308.50	Full CI +£101.81	+ 0.30	+ 0.2310	+0.04812
people, 16–64, with disabilities	c.5,500,000	0.0902		+£5,308.50	+£101.81	+ 0.30	+ 0.2310	+0.02706
Carers, aged 16-64	c.4,290,000	0.0704		+£5,308.50	+£101.81	+ 0.30	+ 0.2310	+0.02112
Lone parents & other PwC aged 16-64	c.6,800,000	0.1115		+£5,308.50	+£101.81	+ 0.30	+ 0.2310	+0.03345
Children, aged 0-15	11,509,400	0.1888		Child CI -£0.00	Child CI - £ 0.00	- 0.00	- 0.00	- 0.00000
							TOTAL	0.38975
				Disability benefits, Add margin for safety-net and admin. etc.				+0.00972 +0.02053
				TOTAL INCOME TAX RATE REQUIRED TO FINANCE CIs				0.42

Note: Most of the data have been updated to 2007 (the most recently available figures) from the following sources:

* Mid-year population estimates for 2007 were obtained from: www.statistics.gov.uk/statbase/Product.asp?vlnk=15106.

** 'Total Resources of Households and Non-Profit Institutions Serving Households', 2007 (QWMF) = £1 078 911 m (*Blue Book 2008*, Table 6.1.3).

Thus, average gross income (Y-BAR) = £17 695 pa; multiplying by 7/365 = £339.35 pw

***GDP (output method) at market prices, 2007 (YBHA) = £1 401 042 m (*Blue Book 2008*, Table 1.2)

GDP per capita, 2007, (IHXT) = £22 977 pa; multiplying by 7/365 = £440.65 pw (Table 1.5)

Disability benefits, 2007 (EKY6) = £10,486 m, would add about 0.01 to the tax rate (*Blue Book 2008*, Table 5.2.4S)

The cost of the above CI scheme has been estimated using the novel 'Miller Personal Income Tax Rate Quick Calculator Table', in Table 2. This table summarises in a compact way the information necessary to calculate a ball-park figure for the income tax rate that would be required to finance a simple Citizen's Income scheme, such as the example above, if it were to be financed solely from a flat-rate personal income tax (assuming that National Insurance contributions will be subsumed into the income tax system), on taxable income from all sources, with no personal allowances, tax reliefs or exemptions, except the CI. Information relating to 2007, available in 2008, could be used to determine CI levels for the tax year 2009-10. The quick calculator table works well as a spreadsheet, for working out the costs of changes to a scheme.

The Blue Book is the *United Kingdom National Accounts*, published annually by the Office of National Statistics. The four-letter reference codes are used by the ONS.

The system above would require a personal income tax rate of 0.42, which is not out of the bounds of feasibility. In the tax year 2009-10 under the current personal income tax system, a person with an income greater than £43,875 (with a personal allowance of £6,475 + tax threshold for higher income tax rate of 0.40 at income level of £37,400) will already pay a combined tax rate of 0.40 income tax and 0.01 National Insurance contributions. At a gross income of £43.875, his/her net income will be £32,198:

£6,475 + (1.00 – 0.20 inc tax – 0.11 NI) x £37,400 - 0.11 NI x (£6,475 - £5,720)

= £6,475 + £25,806 - £83

= £32,198.

(There is an anomaly in that the employee's NI contribution rate of 0.11 starts at £110 pw, or £5,720 pa, which is less than the personal allowance of £6,475 at which the standard rate of income tax applies).

Able-bodied, working-age adults without day-to-day caring responsibilities

In 2009-10, for someone receiving a PCI together with a gross income of £43,875, his/her net income would be £30,048, (ie. £4,600.56 + (1 - 0.42) x £43,875). For most of the range of gross income up to about £25,000, an able-bodied, working-age adult would be better off with the PCI than under the current tax system. For most of the range of gross income up to about £14,000, s/he would face a lower effective marginal tax rate of 0.42, instead of the high combined income tax rate and benefit withdrawal rates, which, for Working Tax Credit, for instance, is usually at least 0.70, and thus s/he would have a greater incentive to earn more and to increase his/her income. Most of the 0.4325 of the population receiving FCIs will almost certainly be better off than under the current tax system.

Many of those receiving only a PCI, who live in areas where there are few opportunities even for part-time work, would face a problem. Maybe this could be addressed in the short-run, by offering a Housing Benefit scheme, to top up their incomes. It would be part of the safety net necessary for those who do not qualify for a CI, or who are deemed to be in poverty in spite of it. If the CI scheme has the effect of redistributing to, and thus regenerating, run down areas in the medium term, as hoped, work opportunities would be increased. The shortfall in the MIS for those living alone with PCIs is (£210.65 – £88.23) pw = £122.42 pw. Even where there is work, unskilled people on a minimum wage rate of about £6 per hour, and a tax rate of 0.42, would take 35 hours per week to earn this. The granting of a Housing Benefit (of £52.30 as stated in the MIS schedule) would reduce it to 20 hours per week. Sharing housing would also help to reduce the short fall. A student living on his/her own would be in the same situation, but many are likely to be living in their parental homes, or sharing with other students. The maximum student loan for maintenance for the 2009-10 academic year, for a student from England or Wales living away from home (except for those in London), will be £4,950. This is 0.28 of Y-BAR, compared with 0.26 from the PCI.

An alternative rate for the PCI might be considered, if it were thought that the PCI should not be less than that which an unemployed, single, working-age adult receives already in the form of state benefits, ie Job Seeker's Allowance in 2009-10 of £64.30 pw plus Housing Benefit, assumed here to be £52.30 pw. (PCI = £116.60 pw or £6,079.86 pa). This represents 0.3436 of Y-BAR. If the PCI were increased to 0.345, (£117.00 pw or £6,100.71 pa), it would increase the required income tax rate by 0.032, (see the Table 3 below), that is, the relevant income tax rate would increase to approximately 0.452. Note that two-adult households with children would gain disproportionately from such a move.

A second option would be to allow an earnings-disregard of £122.17 pw (£6,370 pa, or 0.36 of Y-BAR) for those receiving a PCI (or even a CCI), such that each pays zero tax on their gross income (excluding the CI), until the net income (including the CI) reaches the MIS rate of 0.62 Y-BAR, ie. £210.40 pw (£10,971 pa). (A PCI with an earnings disregard is beginning to look even more like a participation income than does a PCI without one, again without the control or coercion). A ballpark figure for the maximum loss of tax revenue from adult earnings only, (by assuming that all adults would earn at least £6,370), can be gained from (0.3788 x 0.36 x 0.42) = 0.05727. It can be shown by using a more accurate method that the earnings disregard could add an extra 0.06 to the flat-rate tax, (for the method, see Miller, 2008). An earnings disregard has other disadvantages in addition to the loss of revenue. These include the complications of administering the tax system, (such as, is it a weekly disregard or an annual one?), and the fact that employers operating PAYE schemes would be able to distinguish between a vulnerable adult who pays tax and the others who do not. But these are typical of any progressive scheme.

Single people with disabilities

Even assuming that the MIS estimates for a working-age individual with disabilities living alone would be the same as those for an able-bodied, working-age adult at £210.65 pw, (0.62 of Y-BAR), the FCI that the former would receive, at 0.56 of Y-BAR, is less than his/her MIS. Even sharing with an able-bodied, working-age adult who is not a designated carer and receives 0.26 of Y-BAR, would not be sufficient together to reach the MIS (0.91 of Y-BAR) for a two-adult household. However, many working-age adults with disabilities, will live in a household with a designated carer, and each will receive 0.56 of Y-BAR, which together is greater than the MIS for a two-adult household. So, the question is that of 'How to address the MIS of the individual with disabilities living on his/her own?' One answer would be to increase the FCI for all those with disabilities to 0.62, which would add 0.0054 to the standard income tax rate, (ie. 0.0902 x 0.06). Another solution would be to expect it to be covered in the costs-of-disability package that would have to be worked out for each individual. This would cost less because it would only affect those living on their own, without a designated carer.

Support for families with children

Let us return to the alternative ways of supporting families with children.

i. If all children and all adults under the age of 65 (excluding those with disabilities, and carers of last resort) received the same PCI, it would have to be of the order of 0.40 of Y-BAR in order to meet MIS for families with children, and will cost (0.679 x 0.40) + (0.321 x 0.56) = 0.2716 + 0.1798 = 0.4514, before adding on the disability payments, safety net and administrative costs, yielding an income tax rate of about 0.48. So, this approach is more expensive than the one estimated above.

ii. The scheme estimated in Table 2 above is an example of the second option, where PwCs receive FCIs.

iii. However, so far, I have not addressed the child-care costs. The child-care costs cited by MIS were £135.05 pw, (£7042 pa, or 0.3980 of Y-BAR) for babies, toddlers and pre-school children needing constant care, while for primary school children it is £51.93 pw, (£2707.78 pa, or 0.1530 of Y-BAR). There are 3,592,600 babies, toddlers and pre-school children aged 0 – 4 inclusive, representing 0.0589 of the total UK population. There are 4,157,600 children, aged 5 – 10, representing 0.0682 of the total population. It is feasible to imagine a system where each child has associated with it a cost-of-child-care payment, determined purely by his/her age (i.e., date of birth). If these were financed out of the income tax system, the cost of child-care would add another 0.034 to the standard tax rate, bringing it up to 0.454.

   (0.0589 x 0.3980) + (0.0682 x 0.1530) = 0.023442 + 0.010435 = 0.034.

   However, perhaps it could be financed out of another type of taxation?

iv. If the Scandinavian system were adopted, the majority of children would be sent to state-funded nursery schools, where they are nurtured and taught by highly trained nursery staff, who understand far more about child development than most parents. This releases both parents to be part of the labour market. This is not an approach that is likely to be adopted overnight, but it would have the effect of unpaid care being shifted into the paid care system and being included in GDP, and therefore would become more highly valued in our society. This would definitely have to be financed as part of government expenditure out of other types of taxation, and not the hypothecated personal income tax system.

The cost of housing

One of the problems facing any income maintenance scheme is that of the high housing costs in many parts of the UK. A CI scheme is not a panacea for all ills, and should not be expected to cure the problems in the housing market, which are due to different causes. For instance, these problems could be addressed directly by regulating the housing market more tightly, by controlling the amount of mortgages lent as a proportion of valuation, and limiting mortgages to only two-and-a-half (or three) times a borrower's income. Further, if Capital Gains Tax were payable when a home-owner downsized the value of his/her main home, and other similar measures were adopted, then perhaps, housing bubbles could be averted, and houses could become merely homes again, rather than speculative investments. These measures could protect new low-cost housing from being bought by wealthy people as investments. An advantage of the CI scheme is that it provides an incentive to share accommodation and reduce the pressure on housing, whereas the present system has the reverse affect, pushing people apart.

TABLE 3. SUMMARY OF TAX RATES: STANDARD RATE AND OPTIONAL EXTRAS

col. 1	column 2	col. 3		column 4	col. 5	col. 6	column 7	column 8
	population UK, 2007	propn of total		CI £ pa	CI £ pw	prop of Y-BAR	proportion of GDP pc	income tax rate
				FULL CITIZEN'S INCOME SCHEME				
Aged 65 +	9,779,100	0.1604		9,909.20	190.04	0.56	0.4312	0.089824
Aged 16-64	39,686,900	0.6509		10,970.90	210.40	0.62	0.4774	0.403558
Aged 0-15	11,509,400	0.1888		4,246.80	67.87	0.24	0.1848	0.045312
				costs of disabilities, safety-net, and admin				0.538694 + 0.031306
						STANDARD RATE		**0.570**
OR								
				PARTIAL CITIZEN'S INCOME SCHEME				
vulnerables	26,369,100	0.4325		FCI 9,909.23	190.04	0.56	0.4312	0.242200
other 16-64	23,096,900	0.3788		PCI 4,600.56	88.23	0.26	0.2002	0.098488
0 - 15	11,509,400	0.1888		CCI 4,600.56	88.23	0.26	0.2002	0.049088
				costs of disabilities, safety-net and admin				0.389776 + 0.030224
						STANDARD RATE		**0.420**
OPTIONS								
people aged 16-64 **OR** earnings disregard	23,096,900	0.3788		add to PCI 1,500.15	28.77	**+ 0.085**	+ 0.06545	+ 0.032198 **OR** + 0.06
16-64, with disabilities	c5,500,000	0.0902		add to FCI 1,061.63	20.36	**+ 0.06**	+ 0.0462	+ 0.005412
Child-care 0 – 4 years 5–10 years	3,592,600 4,157,600	0.0589 0.0682		7,042 2707.78	135.05 51.93	+0.3980 +0.1530	+ 0.30646 + 0.11750	+ 0.023442 + 0.010435 + 0.033877

Conclusion

The CI scheme put forward meets the MIS of most of the population. There are concerns about the assumption that able-bodied, working-age adults without caring responsibilities will always be able to earn enough to top up their Partial Basic Incomes to meet their Minimum Income Standard. This is also true for working-age adults with disabilities. Suggestions were made for ways to address this. The standard income tax rate required to finance the scheme in Table 2 is 0.42, which is feasible. Most individuals with a gross income of less than £25,000 (in addition to the CI) are likely to be better off, both in terms of net income, incentives to work, and the financial autonomy granted by the CI system.

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Reviews

Bill Jordan, *Welfare and well-being: Social value in public policy*, Policy Press, 2008, iv + 283 pp, hbk, 1 84742 081 7, £65, pbk, 1 84742 080 0, £22.50

This is a polemic, and a most effective one. The first part of its thesis (explored in part I) is that the economic model of rational individuals choosing how to satisfy their private desires now controls what we mean by 'welfare' and the means whereby we provide it, but that this is no way to provide for well-being. Sociological research has shown that as income rises, self-assessed well-being rises and then plateaus. Maximising economic rewards can be a stressful business, and we don't always choose options in the marketplace which actually increase well-being – so, as Jordan suggests, 'the paradox of the present situation, in the affluent Anglophone countries, is that the economic model is both dominant (as a basis for public policy, and within the social sciences) and fragile in the tenability of its fundamental assumptions' (p.5).

The second element of the thesis (explored in part II) is that there *is* another way: a way based on 'social value'. Our well-being in fact depends on the quality of relationships and on the culture of the collective in which we live – and this well-being is itself social: it is the well-being of populations. The problem is that the culture of our society is significantly informed by the economic model, so we become 'cultural dopes', unable to escape from this model.

Jordan employs the term 'welfare' for the individual's utility maximisation, and thus, in terms of the economic model, 'well-being' is a quality of societies. The former is easier both to conceptualise and to operationalise. Contracts between individuals or between individuals and institutions have consequences which we can fairly easily analyse. A culture of well-being is rather more difficult both to measure and to foster. Thus part III of the book asks whether the economic model of welfare might generate a culture which enhances social value, thus reconciling welfare and well-being. Jordan discussions a Citizen's Income (here called a Basic Income) and suggests that, whilst a Citizen's Income in itself would not necessarily create a socially-understood well-being, it could complement the other complex social processes which might do so. 'The conflicts between the priorities of maximising the basic income and sustaining the practices and cultures conducive for well-being would be the new stuff of democratic politics' (p.243).

A Citizen's Income is, after all, rooted in liberal individualism, so it is no surprise that in itself it cannot create social well-being. What we now need from Bill Jordan is a detailed examination of the institutional changes which might create social well-being. He is particularly interested in the ways in which we care for children and for the elderly, so a study of how a Citizen's Income might cohere with a package of policy changes aimed at improving the social well-being of children and elderly people would be most informative. If he finds that the necessary changes *would* be promoted by a Citizen's Income then, because a Citizen's Income is rooted in liberal individualism and would enhance individual choice, and because it is also a *feasible* reform (Jordan doesn't discuss feasibility in this book), then a Citizen's Income would fit his criteria for reform which would employ the economic model in order to enhance social value.

In the end it comes down to what we do with our lives. 'Many people remain loyal to non-welfarist communal activities such as crafts, sports, musical styles or outdoor pursuits, but they are induced to see these as 'lifestyle choices' rather than essential aspects of well-being' (p.250). Would a Citizen's Income increase our involvement in such culture-building? We need to know.

Mary Reintsma, *The Political Economy of Welfare Reform in the United States*, Edward Elgar, 2007, xi + 220 pp, hbk, 1 84376 133 5, £59.95

The author views the legislative process which led to the enactment of the Personal Responsibility and Work Opportunities Reconciliation Act (PRWORA) in 1996 from two perspectives: 1. the public interest model of government (which assumes that legislators are motivated by what the public needs), and 2. the public choice model (which views legislators as actors with their own rational objectives rather than as servants of a government seeking agreed allocative or distributive ends). A detailed exploration of the legislative process leads to the conclusion that a public choice model best explains the outcome at each stage.

The book starts with a discussion of the welfare provision which PRWORA replaced and, for comparative purposes, of the welfare states of Sweden, the UK and Germany. Early on, the impact of the European Union on European social policy is also discussed. Both the 'public interest' and 'public choice' models are described, a public choice model of United States governance is constructed, and the history of the United States welfare state (and of its roots in the British system) is outlined. Then follows a detailed history of PRWORA, an institutional analysis (a study of the interest groups which influenced the legislation), and an analysis of welfare caseloads – and in this context Reintsma concludes that 'the statistical analysis …. provides substantial support for the public choice argument that the influence of interest groups on economic policies such as welfare legislation is both substantial and effective' (p.192).

This raises a question for anyone interested in tax and benefits reform in the UK. It's easy to see who might benefit from a system which employs the private sector to provide supervised activity related to a government policy which sees such activity as a method for moving people from unemployment to employment. It is also easy to see that individuals' work incentives would benefit from a Citizen's Income and possible to see which interest groups might lose if a Citizen's Income were to replace Job Seeker's Allowance and its related programmes. The message of this book is that it isn't the desirability or the feasibility of a policy that counts. What matters is which interest groups might gain from the proposed social policy change.

Walter Van Dongen, *Towards a Democratic Division of Labour in Europe?* Policy Press, 2008, ix + 288 pp, pbk, 1 84742 269 9, £29.99, hbk, 1 84742 294 1, £70

This book is timely. Recent discussion of whether or not a proposal for extending provision for flexible working is sensible during an economic downturn is just one symptom of the fluid nature of the relationship between family, the economy and working life in today's society. In his book Van Dongen relates a considerable and diverse body of research relevant to study of the ways we live in different social contexts (the family, the workplace, public organisations, etc.) and of the ways in which we integrate the different parts of our lives.

Following an introductory chapter, in chapter 2 the author outlines a traditional dual approach to daily life: 1. production (understood as paid work), and 2. consumption (including leisure activities and unpaid work in the family and the community). In terms of this conceptual model the trend has been towards including more aspects of daily life in the productive or economic sector.

In chapter 3 Van Dongen opposes to this traditional dualistic understanding of daily life a rather different 'integrated approach to the division of labour' in which 'the daily life of human subjects is seen as the daily division or combination of activities or labour processes and of their outputs/results' (p.27). In this integrated approach, input capital is understood as combinations of personal, social, material and financial capital; human labour is the means of transformation; and outputs are again combinations of personal, social, material and financial capital. All human activities are thus understood as complex, and ‘the life course is the ‘time path’ or ‘time road’ during which all individuals are performing different activities, in each activity transforming the available personal, social, material and financial capital’ (p.31). A particularly instructive graph on p.34 shows the different allocations of time given to different categories of activities (leisure, social labour, personal care, family labour, external education, professional labour) in different periods of our lives.

After studying a variety of models for understanding the division of labour in modern welfare states Van Dongen describes his ‘Combination Model’, based on a broad understanding of ‘democracy’ as including a democratic division of labour within families and organisations.

Chapter 4, a historical exploration, could have come nearer the beginning. In this chapter the author charts the evolution from the strong breadwinner model of the 1950s and 1960s through the moderate breadwinner model of 1970 – 1990 to the moderate combination model of 1990 – 2005 in which there was a more equal division of professional and family labour.

And then in chapter 5 comes the ‘complete combination model’ (a ‘normative future model’ or a ‘policy model’) in which ‘nearly all potentially professionally active men and women combine the basic activities in a balanced way during the life course, avoiding one of these being threatened or neglected. During all stages of the life course sufficient time has to be spent on the different basic activities. So one can fulfil both professional and family responsibility and can realise a suitable combination of personal, social, material and financial capital’ (p.178).

The particular ‘complete combination model’ which the author discusses is compared to other possible models, and then in chapter 6 ‘full employment’ is defined in terms of both professional and family labour, a tax system relating to hours of employment as income is proposed, and child care and education policy are discussed.

The final chapter, ‘major results’, summarises the content of the preceding chapters.

It’s not always obvious whether the ‘complete combination model’ is a prediction, a possibility, or an ideal to work towards, but the combination of voluminous survey evidence and theoretical perspectives makes this an important study in an important field.

One final caveat: the author discusses Citizen’s Income (p.255) only in opposition to his preferred method for maintaining full employment (‘bridge jobs’). It might have been better to ask what tax and benefits arrangement might best serve the ‘strong democracy’ on which the complete combination model is based. The answer might have been a Citizen’s Income with either a smoothly progressive income tax or a flat tax – a rather simpler solution than the administratively complex taxation proposals offered in the book.

Stephan Leibfried and Steffen Mau (eds.), *Welfare States: Construction, Deconstruction, Reconstruction: Volume I: Analytical Approaches; volume II: Varieties and Transformations; volume III: Legitimation, Achievement and Integration*, Edward Elgar, 2008, 2,176pp, hbk, 1 84720 080 X, £495

This three-volume set collects together sixty-three journal articles dating from 1974 to 2005 and is an absolute must for any library, think-tank or university department serious about studying the welfare state.

The introduction is informed by a broad definition of the welfare state which includes the activity of voluntary organisations as well as that of the State. It is in general a judicious and brief account of the development of the welfare state in Europe and elsewhere alongside studies in the development of welfare state theory and typology. The introduction and the collection as a whole are more present- and future-oriented than past-oriented. Looking to the future, the editors find an intriguing connection between religious and social policy developments and they also discuss the possible effects on the welfare state of the multi-layered nature of modern government. Their verdict is that change in the nature of the State and change in welfare states (in the plural) have always influenced each other and will continue to do so.

Volume I starts with papers on the development of welfare state theory, follows with some classic articles from T.H. Marshall on citizenship and social class and Richard Titmuss on the nature of social policy, and then ranges across a variety of theory types. There is material on structural functionalism (which sees the welfare state as the solution to problems emerging from industrialisation at the end of the nineteenth century), neo-Marxist theories (which ask about the social function of social policy institutions and how the welfare state functions in a capitalist state), the 'power resources' approach (in which the welfare state is a struggle for power between different social and demographic groups), the welfare state as the management of risk (which employs both 'insurance' and 'solidarity' ideas), and a polity-centred and institutional approach (which asks how and why decisions about welfare states are made).

Volume II collects papers on the categorisation of welfare states, and it starts quite correctly with three chapters from Esping-Andersen's classic *The Three Worlds of Welfare Capitalism*. Bonoli's and other classifications follow, as does recent work on East and South-east Asian welfare states. The rest of the volume is on 'transfigurations': the ways in which the world is changing and the ways in which this is affecting welfare states. There are sections on globalization, on post-industrialisation, on Europeanization (i.e., on how greater European integration is changing Europe's welfare states), and on whether a global social policy is emerging.

Volume III contains an interesting mixture of papers. The first section contains John Rawls on distributive justice, and papers on other justifications for the welfare state: for instance, on the prevention of exploitation and on the satisfaction of needs. Sections follow on outcomes, trade-offs and dysfunctions, and human motivation (- policy-makers now assume that we are all self-interested agents rather than altruistic contributors or passive recipients). Finally come chapters on attitudes to redistribution, on ethics and social diversity, on gender, and on pensions and the generational contract.

Following the introduction in volume I, there is an excellent bibliography which will be helpful to anyone studying social policy; and there is a name index, though unfortunately no subject index. Whilst we recognise that creating subject indexes takes a huge amount of time (- the reviewer knows this from experience) and are often not included in anthologies such as this, they really are important if volumes like these are to be maximally useful to students, teachers and researchers.

But that caveat aside, these really are splendid volumes and for some time to come they will be essential reading for anyone seriously interested in welfare states and welfare state theory. Researchers might not be able to afford their own sets, but they should certainly ask their university or departmental library to obtain them.

Amilcar Moreira, *The Activation Dilemma: Reconciling the fairness and effectiveness of minimum income schemes in Europe*, Policy Press, 2008, ix + 155 pp, hbk, 1 84742 046 6, £65

In the UK the 1995 Jobseekers Act made receipt of benefit dependent on searching for and accepting available jobs, and the later New Deal provided work and training opportunities for unemployed people. Most other European countries have seen similar changes, the universal aim being to 'activate' and 'reintegrate' unemployed people.

In this important book Moreira distinguishes between compulsive 'workfare' and an 'activation' characterised by both positive and negative incentives, and then explains how such activation relates to Europe's different minimum income schemes. He finds particularly interesting the variety of relationships between rights and responsibilities in the different schemes.

At a theoretical level Moreira finds helpful Durkheim's theory of social justice, in which the individual has a right to personal development. This requires someone's basic needs to be met, and it also requires people to exploit their talents so that other people can develop theirs. This theoretical position coheres with the more empirical material in the second part of the book. Here the author tests the hypothesis that minimum income schemes which promote personal development are more likely to forge positive relationships between individuals and the labour market. The author develops indicators for the extent to which a minimum income scheme respects a person's right to personal development and also for the scheme's employment effectiveness and gathers evidence in relation to the indicators. The evidence doesn't confirm the hypothesis, but it does show that for the majority of indicators which measure a scheme's respect for personal development (adequate income, level of discretion in implementation, opportunities for employment and training, type of sanctions applied) both respect for the right to personal development and employment effectiveness can be found together as characteristics of a minimum income scheme. Only for one indicator does this relationship not hold. Only if an individual's right to choose not to be employed is restricted can a minimum income scheme combine employment effectiveness with respect for the right to personal development (measured by the other indicators).

Finally, Moreira suggests that employment and other legislation should be tested to see whether greater respect for the right to personal development might lead to greater *economic* effectiveness.

There are two flaws in the argument. Firstly: near the beginning of the theoretical section Moreira evaluates Van Parijs's arguments for a Citizen's Income and argues that an unconditional income unfairly favours those who don't wish to work. It doesn't, of course. It treats everyone fairly in relation to the receipt of an income. What does treat unfairly those who *want* to work is a means-tested minimum income scheme which results in 5p of additional net income for every additional £1 of gross income. Secondly: Moreira doesn't ask himself about the employment effects of the universal benefit we do have: Child Benefit. This is the only benefit not withdrawn as other income rises and it is an important factor in lone parents' labour market decisions.

The book is a record of important research and the conclusions are useful, but both the theoretical and the empirical material relates to the situation as it is rather than asking such questions as: If marginal deduction rates were to be reduced by a Citizen's Income replacing means-tested benefits and tax allowance, then would such a positive employment incentive make many of today's negative incentives unnecessary? We need Moreira to exercise his critical intellect and rigorous methods on such additional questions.

Michael O'Brien, *Poverty, Policy and the State*, Policy Press, 2007, vii + 280 pp, hbk, 1 86134 799 2, £60

In this well-researched study O'Brien locates New Zealand's social security system, its various reforms, and the debate about those reforms, in their international context. New Zealand, like many countries, has experienced both rapid economic and social reform and also both growing poverty and income inequality during the last twenty years, and also like many countries it has experienced rapid change in social security structures.

A historical overview gives us an understanding of the dual nature of social security provision in New Zealand: a Universal Family Benefit supplemented by income-tested benefits for those of working age not in employment. This is followed by a discussion of growing inequality, of who is at greatest risk of poverty (families with dependent children, women, lone parents, and minority ethnic groups) and of the effects of income poverty (blighted lives and depleted opportunities). Globalisation and social change are explored and related to recent changes in the social security system, and in particular the movement towards a 'core' (income-tested) benefit with recipients allocated to different categories in relation to their labour market readiness. Chapters are then given to successive administrations and the tax and benefit changes which they have implemented, and in particular to the greater importance of 'workfare' elements in the system and the replacement of universal support for children (Universal Family Benefit) by targeted support ('targeted' in this book meaning 'income tested' (p.124)). Case management and an emphasis on paid work have now replaced a system containing important universal elements, and the author's verdict is that the new system entrenches poverty for large sections of the population, and particularly amongst the poorest families with children.

It's a pity that the author has decided that he doesn't have the space to study New Zealand's universal and non-income tested pension system, as that remains an important contribution to social cohesion and a significant incentive to save for one's old age. A book on this would be welcome. Such a volume might inspire New Zealand's next government to take the country's own pension system as a model for the next reform of social security.

Viewpoint 1

The Citizen's Dividend: Sharing the Wealth of the Commons

All of us, on this planet of abundance, are entitled to a fair share of society's surplus, to an extra income, not from what we earn from our labour and capital, but from what economists call 'rent' for land and resources and government-granted privileges.

In ancient Athens, qualifying Greeks – free males – received a dividend from the proceeds of leasing a natural resource, the silver mines outside the city. Two thousand years later, citizens of Kuwait got a dividend from oil royalties. Residents of Alaska still do. And in the ski resort of Aspen Colorado, a majority of residents qualify for housing assistance funded from a tax on land. 'Owe' and 'own' were once variants of one meaning.

Today we spend immense sums on the nature we use, including sites, resources, EM spectrum, and the ecosystem in general. Presently, however, we pay a handful of owners while we should be paying ourselves. None of us, by exerting any labour or capital, created valuable nature, and all of us as a society create its value. The value of location is generated not by what an owner has put on top of it but by natural surroundings, by one's neighbors, and by one's society's growth. Hence this value is ours to share.

Along with the various forms of 'land' are government-granted privileges: patents and copyrights, licenses, utility franchises, standards waivers, and banking regulations (which amounts to the privatization of the power to create money). The recipient of such privileges can charge the public for their use, thus making a profit out of what belongs to us all.

To charge for the use of such public goods might make it possible to reduce or abolish taxes on homes, sales, and earned income. Most people, owning no oil field or housing estate, would be better off; and if there is money left over then a dividend, or Citizen's Income, could be paid.

Martin Luther King, citing nineteenth century reformer Henry George, noted that such a 'rental' income would be dynamic, that is, it would 'automatically increase as the total social income grows.' Technological and social progress continually push up the values of locations and privileges.

While defending the property which justifiably does belong to individuals, for instance, by not taxing it, to be humane and loving members of our society we must share that which is already ours: natural values.

Jeffery Smith, The Geonomy Society (www.geonomics.org)

Viewpoint 2

An automatic stabiliser to avert a depression

The current finance-induced crisis has led to a belief that because the supply side caused it, the solution lies mainly in supply-side mechanisms. Banks must be bailed out and huge subsidies given to near-bankrupt firms with little long-term future. To take up labour market slack, public works are back in vogue, echoing Roosevelt's New Deal. To the extent that this will work, it will take several years to do so. Regrettably, it will not work very well.

We are in danger of over-emphasising analogies with 1929. In some ways, the challenge is greater. Because globalisation has created a global market system, the risk is the first truly global depression. In the 1930s, the response to the financial hubris of the 1920s was tariff protectionism; in 1932 Keynes himself wrote an article opposing free trade. Now, we are in danger of diving into an era of subsidy protectionism.

Already we see signs of 'beggar-thy-neighbour' subsidy competition, as governments seek to prop up rust-belt or 'strategic' industries. Announcement of billions of dollars in subsidised loans to US car-makers has been swiftly followed by plans to help competing car firms in Europe and Asia. No sooner have the Dutch introduced a top-up wage subsidy for firms putting employees on short-time than UK union leaders are demanding the same as 'the best way forward'.

All such subsidy schemes are inefficient and distortionary. Worse, they are inequitable. Why should governments subsidise some median earners, with their pensions and healthcare benefits, but not others, who may be far more vulnerable, outside the selected industries? Moral and immoral hazards are plain. The money will go to those most successful at lobbying or at bringing people out on the streets to scare the politicians.

Whatever the causes, the main risk we confront in 2009, and well beyond if we are not careful, is one of shrinking aggregate demand. Fear-induced cuts in investment and consumption could produce a lengthy depression induced by collapsing confidence. The animal spirits are chastened and panicky.

A Keynesian-type response is attractive; it requires a globally coordinated stimulus, along with a restructuring of international financial agencies. But every crisis also offers an opportunity for innovative solutions. Economists and policymakers must think out of the box of history.

Consider today's economic system. As a result of economic liberalisation, and the privatisation and commercialisation of social policy as well as economic activity, there is systemic insecurity. We cannot respond to the crisis by rebuilding welfare states as they were constructed after the Great Depression.

At that time, rich societies were industrial economies, in which contingency risks could be overcome largely through contingency benefits, such as labour-based contributory unemployment benefits and sick leave. But such 'labourist' social security schemes do not work in open, flexible service-based societies. Even in rich OECD countries, only a minority of the unemployed would receive unemployment benefits. The rest would have little to fall back on. The precariat would be seething, easy prey for extremist politicians. That is already happening.

What is needed is an automatic economic stabiliser to moderate demand fluctuations and to reduce the systemic insecurity that has come with globalisation. My proposal is for every citizen to be provided with what might be called a *stabilisation grant*. This would be paid to every citizen, as a right, rather than a subsidy to a favoured few in a particular status or place.

By providing a measure of security to all citizens, whether or not in paid employment, the grant would encourage consumption and boost aggregate demand, aiding local businesses, products and services. It would also reduce fear, thereby fostering altruism, social solidarity and economic rationality rather than selfishness and xenophobia.

The idea of basic income has a long and distinguished pedigree but it is its potential role as an automatic stabiliser that makes it intriguingly relevant at this juncture. Keynes advocated something like it in *How to Pay for the War*. If there is systemic insecurity, selective schemes are inefficient and inequitable. If you bail out bankers or mortgage holders or inefficient dinosaur firms, you help groups that are not among the most needy. If you extend unemployment benefits, you assist those who had relatively well-paid jobs with good contributions records. The failings of the welfare system are compounded if eligibility for benefits is determined by means tests and/or futile job search requirements.

The grant must be universal. Unlike in Keynes's time, it is now feasible to integrate tax-and-benefit systems, so a claw-back could ensure the beneficiaries would be lower-income citizens. The value of the monthly grant could be adjusted in real terms in accordance with the rate of economic growth and the depth of a recession.

A systemic crisis calls for a systemic response. A modest stabilisation grant would boost purchasing power and consumption. It would be egalitarian and liberating – which is why several Nobel-winning economists have been drawn to the idea. Evidence from cash-transfer schemes around the world shows that they encourage rather than discourage people to take paid work where available. And there would be no need for a rise in the structural budget deficit, since sensible financing options are available, including the elimination of many existing wasteful and inequitable subsidies and benefits.

If governments could find the political will and courage to adopt such a solution, future generations would remember this global crisis as having ushered in a new era of economically secure citizenship.

Guy Standing, Professor of Economic Security, University of Bath, and co-president of BIEN (Basic Income Earth Network), an international NGO.

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www.mycharitypage.com

It is still possible to contribute by cheque, of course. Cheques payable to 'Citizen's Income Trust' please.