

Citizen's Income *newsletter*

2012, issue 2

Contents

Editorials	page 1
Main article: Iran's Citizen's Income Scheme and its Lessons , by Hamid Tabatabai	page 2
Research note: Winners and Losers, by Malcolm Torry	page 4
News	page 7
Report from Brussels, 26-27 April 2012, by Anne Miller	page 9
Reviews	page 10
Tony Fitzpatrick, <i>Welfare Theory</i>	
Kevin Farnsworth and Zoë Irving (eds), <i>Social Policy in Challenging Times</i>	
Thomas Bahle, Vanessa Hubl, and Michaela Pfeifer, <i>The Last Safety Net</i>	
<i>Social Policy and Administration</i> , vol.45, no.4, August 2011	
Beverley A. Searle, <i>Well-being</i>	
Paul Spicker, <i>How Social Security Works</i>	
Graham Room, <i>Complexity, Institutions and Public Policy</i>	

Citizen's Income Newsletter

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Editorials

Child Benefit

In September 2010 the Chancellor of the Exchequer announced that he would withdraw 100% of Child Benefit from any household in which someone was paying higher rate Income Tax (currently anyone earning over £42,475, that is, £7,475 personal allowance plus £35,000 taxable income). During his budget statement on the 21st March 2012 he announced 'that Child Benefit will be withdrawn through an

income tax charge, and that the charge will only apply to households where someone has an income over £50,000 a year. For households where someone has an income between £50,000 and £60,000 the charge will apply gradually, preventing a cliff edge effect. Only households where someone has an income in excess of £60,000 a year will no longer gain from Child Benefit.' We are pleased to see that the Chancellor is capable of undertaking a U-turn, presumably because it had dawned on him that actually withdrawing Child Benefit from high-earning families would be an administrative nightmare, and because the 'cliff-edge' was proving unpopular amongst the Conservative Party's core voters. Child Benefit will no longer be withdrawn from anyone, so it is again a universal benefit. Whether the Chancellor's plan for a tax on children will meet with universal approval is an interesting question.

Plan B

In response to the Government's current policies for reducing the debt generated by the previous Government's bail-out of the banks, the *Compass* thinktank has published *Plan B: a good economy for a good society* (www.compassonline.org.uk/news/item.asp?n=13946). It's full of good ideas: investment in renewable energy and in energy conservation; government support for new technology; the separation of retail and investment banking; a financial transaction tax; and a social investment strategy. These parts of the report are well argued.

But when the report turns to the tax and benefits system we find a suggestion that means-tested benefit rates should be raised so that people on lower incomes can receive higher incomes which they can then spend in order to stimulate the economy (p.20). The report shows no understanding of the fact that to increase the levels of means-tested benefits will still carry the disincentive effects associated with the withdrawal of means-tested benefits higher up the earnings range, thus extending higher labour market disincentives to additional sections of the workforce.

The present Secretary of State for Work and Pensions, Iain Duncan Smith, does understand these disincentive effects. That is why he proposed a single means-tested benefit to replace nearly all other means-tested benefits, and a total withdrawal rate of 55%. In the end he had to agree to a 65% withdrawal rate, but this will still reduce the total withdrawal rates for numerous

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

households who are at present suffering from 85% withdrawal rates and in some cases 95%.

There is little of the 'plan B' about means-tested benefits. A genuine plan B would understand that universal benefits combined with a progressive tax system successfully target money on the poor at the same time as increasing incentives and choice in the labour market.

The report asks that people should be more able to opt for shorter working hours, but the editors don't seem to have noticed that means-tested benefits lock people into full-time employment, whereas universal benefits make part-time employment more of an option.

Plan B: a good economy for a good society offers a genuine plan B in many social policy fields. A genuine plan B in the tax and benefits field would most welcome. We would be happy to assist.

Main article

Iran's Citizen's Income Scheme and its Lessons

by Hamid Tabatabai

A big idea ...

In December 2010, Iran became the first country in the world to establish a nationwide Citizen's or Basic Income scheme. Interestingly, the scheme did not emerge by design but by default: it was the by-product of an effort to reform an outdated system of price subsidies that concerned primarily fuel products. A basic income proved to be the most practical way of compensating the population for the loss of subsidies that had been costing some US\$100-120 billion a year.

When the first phase of the reform process became operational on 19 December 2010, nearly half of the subsidies were slashed overnight. At the same time, every Iranian became entitled to a monthly 'cash subsidy' of about US\$40 payable to heads of households (e.g. \$200 for a household of five members). In the first year of the scheme \$40 billion were returned to households in compensation. Nearly the entire population of 75 million is now covered although some 1-2 million people have decided not to claim it. The second phase of the reform is expected to go into effect shortly, entailing further cuts in price subsidies and a corresponding addition to the transfer amount. Later phases will operate on the same principle until domestic prices of subsidised goods and

services are brought into line with international or cost prices within the five year period of the reform effort.

The big idea has therefore been to convert price subsidies into cash subsidies. The objective is twofold: improving economic efficiency through rationalisation of subsidised prices, and reducing income disparities through cash transfers. These were reflected in the main provisions of the Subsidy Reform Law of January 2010 that is now being implemented.

... yielding results ...

The reform process was launched over a year ago and evidence is now beginning to appear on the results. The Central Bank figures suggest that while the initial price shock accelerated inflationary pressures, the impact has not been as dire as had been predicted by some observers. The annual rate of urban inflation in the months preceding the reform was 9-10 percent. With the launch of the reform on 19 December 2010, this rate started climbing by about 1 percentage point a month to reach 20.6 percent in December 2011. The acceleration appears to have been entirely due to price reform. The relatively subdued impact on overall inflation – when subsidised prices had been raised several-fold – was due in part to price controls that were intensified when the reform was launched. Price controls have since been relaxed but not entirely withdrawn.

Official data also show substantial declines in the consumption of fuel across the board. Between 2010 and 2011, the years before and after the reform, the average daily consumption of petrol fell by 5.6 percent, diesel fuel by 10 percent, liquid gas by 10.6 percent, furnace oil by 36.5 percent, and electricity by 8 percent. These savings are all the more remarkable in view of past trends that witnessed growth of the order of 10 percent a year in the consumption of fuel and electricity.

Income effects too are likely to have been positive. The cuts in subsidies affect household incomes adversely in direct proportion to their consumption of subsidised goods and services. While some basic foods such as bread were among them, the cuts overwhelmingly concerned energy products whose consumption correlates positively with income. The compensatory transfers are however uniform for everyone and hence the short term impact of the reform on income distribution can only have been egalitarian, although the extent of it is not known since no hard data are available as yet.

... and some potential lessons

This basic income experience is in its infancy and it is still too early to draw definitive conclusions and lessons from it. Nonetheless, it may suggest possibilities that could help make basic income more of a realistic proposition in some contexts.

Advocacy for basic income:

The adoption of the subsidy reform and the birth of a *de facto* basic income in Iran owe much to the fact that cash transfers are universally seen as compensation for the loss of subsidies, not as a right or entitlement without a quid pro quo. That is how the hurdle of reciprocity was overcome. The rights-based arguments would have been a non-starter. Furthermore, a basic income was not a policy objective in itself but the fortuitous outcome of a broader effort aimed at correcting an inefficient and inequitable system of subsidies. It served to facilitate subsidy reform by making it more palatable to politicians and the public at large. In a sense, the country stumbled upon basic income while pursuing a different objective. This unique experience highlights the instrumental potential of basic income in smoothing the way towards better resource allocation and greater equality, the two objectives of Iran's reform. The concept's very simplicity appears to account for its emergence in the national search for an appealing alternative to an irrational system of subsidies. It just seemed to make sense.

Financing a basic income: A major hurdle facing a basic income scheme is often finding sufficient resources to fund it. In Iran, the problem was turned on its head: substantial funds were going to be available from price increases but a use for them had to be found. The basic income emerged as a way of using up a large portion of those funds. This method of financing a basic income is not discussed much in the literature but it has its merits. One is that it puts no new claim on existing sources, for example the national budget or oil export revenues. Another is pointed out by Philippe Van Parijs who contrasts Iran's approach with that of Alaska, noting:

In many places, this is a far more realistic option than an Alaska-type permanent fund program...the Alaska scheme is funded out of the interest collected from investments made worldwide with revenues generated by the production of oil at some point in the past, whereas the Iranian scheme should be

understood to be funded out of a tax on the current consumption of oil. The Alaska-type scheme is therefore restricted to resource-rich (sub-) countries that manage at some point to exercise sufficient political self-restraint to create and develop a substantial fund. The Iranian-type scheme, by contrast, is available to any country that wants to price the consumption of oil in an ecologically responsible way and to buffer the effect on people's standard of living in a socially responsible way. For this road to basic income to be a real option there is no need to first accumulate a large fund, nor indeed to be an oil-producing or resource-rich country. (Philippe Van Parijs, 'BIEN 2010 Congress: A Brief Personal Account,' *BIEN NewsFlash* 62, 2010, pp. 2-4. www.basicincome.org/bien/pdf/Flash62.pdf)

Over the longer term however, the Alaska model has the advantage of a permanent flow whereas the Iran model does not. Since the subsidies are being cut permanently, one might presume that the compensatory transfers too would continue indefinitely. But this is by no means certain.

Universal coverage and the transfer amount:

One of the main justifications for universality lies in the shortcomings of targeting, but universal coverage has its cost too when the resources available are exogenously given or "fixed," as is the case in Iran since the funds available depend on the extent of price hikes and the volume of goods and services sold, not on the scheme's coverage or the transfer amount. The distribution of the funds is thus subject to a trade-off between the number of beneficiaries and the amount of the transfer to each. The universality thus comes at the expense of the lower income people who could have received more had those with higher incomes been excluded. At the time of writing (April 2012), there is increasing evidence that the principle of universality in Iran's scheme may be sacrificed with some better-off households being dropped from the programme. The current plan is to urge higher income earners to opt out of the transfer scheme voluntarily. Households with an income above a couple of thousand dollars a month (a fairly large amount of money in Iran) are being invited to consider giving up their cash subsidy in whole or in part (the options are the entire amount, half the amount or any addition to the transfer amount in the second phase of the programme). No one knows how they will respond. If enough of them agree to withdraw, the

matter will have been settled. If not, the government will have to decide how to proceed.

Constituency building:

The subsidy reform in Iran was a government initiative that, far from enjoying public support, aroused deep anxiety throughout the society. It was the most radical economic transformation Iranians were going to experience in living memory. The cash transfer component of it was designed in part to alleviate public concern and build support for the reform on the strength of the argument that a large part of the population would in fact receive more in cash subsidy than they would lose from cuts in price subsidies. Universal coverage came about for lack of a practical alternative. It had few advocates per se and may yet prove to be short lived, even if retreating from it may be harder now that it is in place. But even if some of the better-off households are excluded from the transfer scheme, their number is unlikely to be large. The success of the reform depends on the vast majority of the people feeling that they are not being cheated out of their fair share of the oil wealth.

To sum up the potential lessons:

- overemphasis on rights may not always be the best political strategy for promoting basic income;
- the compensatory nature of the transfers can help overcome objections rooted in the principle of reciprocity;
- piggybacking on a larger issue may open up fruitful opportunities for the promotion of basic income;
- one can conceivably stumble on a basic income under certain circumstances;
- Iran's model of generating resources for a basic income is potentially applicable in many other countries as well, even those that may not have fuel resources of their own or subsidized fuel;
- the Alaska model of dividend payment may have greater long-term sustainability;
- there is normally a trade-off between universality and transfer amount in the context of a developing country;
- universal entitlement need not mean universal payment if the better off can be induced to forego their entitlement voluntarily;
- cash transfers, once in place, can develop a large constituency behind them, for both economic and political reasons; and

- public support of cash transfers could be strengthened if they also addressed widely acknowledged problems (for example, irrational consumption patterns).

For more on the subject, see

Hamid Tabatabai, 'The Basic Income Road to Reforming Iran's Price Subsidies,' in *Basic Income Studies*, vol.6, no.1, June 2011, pp.1–24, www.bepress.com/bis/vol6/iss1/art3

'Iran: A Bumpy Road towards Basic Income,' in *Basic Income Guarantee and Politics*, Richard Caputo (ed.), New York: Palgrave Macmillan, forthcoming;

'From Price Subsidies to Basic Income: The Iran Model and its Lessons,' in *Exporting the Alaska Model: Adapting the Permanent Fund Dividend for Reform around the World*, Karl Widerquist and Michael Howard (eds.), New York: Palgrave Macmillan, forthcoming;

'Reforming Energy Subsidies: The Iran Model,' in *Oxford Energy Forum*, Oxford, United Kingdom: Oxford Institute for Energy Studies, forthcoming.

Research note: Winners and losers

by Malcolm Torry

Introduction

In the second issue of the *Citizen's Income Newsletter* in 2010 we published a research note which employed a Department for Work and Pensions spreadsheet to calculate the effects of establishing a universal and nonwithdrawable benefit on three types of household containing someone employed for at least sixteen hours a week. The universal benefit was created by the simple mechanism of reducing the Tax Credit and Child Tax Credit withdrawal rates to zero.

This article describes further research on the same scheme using EUROMOD: software which employs Family Resources Survey (previously Family Expenditure Survey) data to calculate individuals' gains and losses for members of a full range of households.

The task in 2010

In 2010 we wanted to test whether it is possible to revise the tax and benefits system in such a way as

- 1) to increase employment incentives and make nobody worse off for household gross earnings up to £750 per week for families with children and up to £450 per week for single adults without children;

- 2) to reduce administrative complexity considerably by turning Working Tax Credits and Child Tax Credits into nonwithdrawable benefits;
- 3) and to do it by making as few other changes as possible to the current system.

The method:

We took three family types:

- a) Single adult, no children, local authority tenant (working 40 hours per week)
- b) Lone parent, two children under 11, local authority tenant (working 16 hours per week)
- c) Couple, with two children under 11, private tenant (working 40 hours per week)

We used the spreadsheet employed by the Department for Work and Pensions to construct their Tax Benefit Model tables to calculate net incomes after housing costs for gross earnings between £20 and £1,200 per week for a variety of schemes for each of the household types a) to c) and have compared those net incomes with net incomes under the current system.

The scheme

The scheme which provided the closest fit with the criteria 1) to 3) above was as follows:

We replaced Working Tax Credits and Child Tax Credits with unconditional and nonwithdrawable benefits of £60 pw for each adult and £31.59 pw for each child (effectively an increase in Child Benefit of £31.59 p.w.).

Income tax was collected on all earned income as follows:

From £0 to £20,000 pa, 20%

From £20,001 to £40,000 pa, 35%

Above £40,000 pa, 40%

We removed the Lower Earnings Limit for National Insurance Contributions, and also the Upper Earnings Limit. This meant that National Insurance Contributions as well as Income Tax was charged on all earned income, not just on that above the Lower Earnings Limit.

We reduced the Housing Benefit taper from 65% to 40%

For the graphs which show the results see

www.citizensincome.org/resources/newsletter%20issue%202%202010.shtml#Researchnote.

The steeper curve resulting from the revised scheme indicated higher employment incentives, particularly for the couple with children.

EUROMOD

EUROMOD is a tax-benefit model for the European Union, developed by the Institute for Social and Economic Research at the University of Essex. The UK part of the model, which is similar to the previously-used model POLIMOD, employs Family Resources Survey data to calculate the actual difference in disposable income experienced by individuals when a change is made to the tax and benefits system.

The data is constructed from a survey of 57,276 individuals in the UK, i.e., approximately 0.1% of the population. The most recent data available is from 2008, and the most recent tax and benefit levels and regulations employed by EUROMOD are for 2009 – which is fortunate, because those are the levels and regulations we employed when we used the Department for Work and Pensions spreadsheet to evaluate our 2010 scheme.

EUROMOD's output is of two kinds: Disposable incomes for every one of the 57,276 individuals (which can be compared with disposable incomes under the current scheme), and mean disposable incomes for earned income deciles. (In this case disposable income is net income before housing costs. Because all we are evaluating is gains and losses, it isn't too much of a problem that in 2010 we were calculating net income after housing costs, and that now we are calculating net income before housing costs, because absolute levels will be the same; but we need to be aware that if we were able to factor in housing costs – which we aren't – then the percentages mentioned below would be different. Each of our two projects stands up on its own, so in research terms it is no problem that what we have called disposable income in the second project is not the same as net income in the first project.)

Findings

EUROMOD simulation shows that the scheme we constructed in 2010 would result in large gains or losses for thousands of individuals. This was not picked up by the 2010 project because for that project we only tested the scheme on three particular household types, whereas the Family Resources

Survey covers every conceivable household type and employment pattern.

Adjustments to the scheme

So we have now tested numerous adjustments to the scheme in order to achieve fewer and lower losses. Clearly it was going to cost additional revenue to reduce those in the lower earnings deciles experiencing major losses, and we were going to have to abandon our previous aim of revenue neutrality: so we set a limit of £3bn of additional expenditure per annum.

The scheme which fitted these criteria is as follows:

Working Tax Credits and Child Tax Credits are still replaced with unconditional and nonwithdrawable benefits of £60 pw for each adult and £31.59 pw for each child (effectively an increase in Child Benefit of £31.59 p.w.). (The couple element is also set at £60 per week, which ensures that in a couple each of the two individuals receives an unconditional benefit. In this project we were also able to decide to leave all other Tax Credit levels, for instance, for disability, as they are, and to make them nonwithdrawable too.)

Income tax is collected on all earned income above a Personal Tax Allowance of £4,000 pa (rather than on all earned income) as follows:

- From £4,001 to £20,000 pa, 25% (rather than at 20%)
- From £20,001 to £40,000 pa, 35%
- Above £40,000 pa, 45% (rather than 40%)

We retain the Lower Earnings Limit for National Insurance Contributions (rather than removing it), and we remove the Upper Earnings Limit, as before.

We reduce the Housing Benefit taper from 65% to 40%.

The results

The mean of disposable incomes for the new scheme is never more than 3% below the mean of disposable incomes for the current scheme for any income decile. Mean disposable incomes in the first three deciles are very close to previous levels. In the fourth decile the mean is 3% above the previous level, and in the fifth 4%, and in the sixth 7%. This pattern is a direct result of the non-withdrawal of Tax Credits, and represents the kind of employment incentive we're looking for amongst mid-range earners. (This result tells us nothing about individual households because on a change in disposable incomes many households will be

sorted into different deciles, but it does give some guide as to how much redistribution is going on).

Losses and gains are as follows:

Losses and gains	Number of individuals	Percentage of survey sample
Loss > 15%	129	0.2%
15% > loss > 10%	5,021	8.8%
10% > loss > 5%	10,294	17.9%
5% > loss > 0	4,445	7.8%
No loss or gain	30,047	52.5%
0 > gain > 5%	1,187	2.1%
5% > gain > 10%	973	1.7%
10% > gain > 15%	882	1.5%
Gain > 15%	4,298	7.5%

Some gains and losses will be in the same household, and a more detailed study would be required to discover the aggregate losses suffered by individual households.

The difference between the sum of monthly gains and the sum of monthly losses is a positive £173,603, which means that for these 57,276 individuals an additional £2m of Government expenditure will be required each year. This means that the additional cost of the adjusted scheme will be approximately £2bn per annum.

Discussion

By making some simple changes to our current tax and benefits scheme we have achieved an unconditional and nonwithdrawable benefit for every individual in a household currently containing someone receiving Tax Credits. The steeper gains in disposable income as earned incomes rise will mean lower employment disincentives; and turning Tax Credits into nonwithdrawable benefits will save considerable sums in administration, which should pay for much of the additional £2bn of expenditure per annum.

It will be a political decision as to whether anything should be done to ameliorate the losses of those very

high earners who will lose over 15% on the implementation of the scheme.

A question remains over the 8.7% of the population who will experience losses of between 10% and 15%. These are almost all in the earnings mid-range, and most will currently be receiving withdrawable Tax Credits and suffering substantial marginal deduction rates. Under the revised scheme they will experience lower marginal deduction rates. The fact that marginal deduction rates will be lower than before will mean that additional earnings will translate more easily into additional disposable incomes. Many of these households will currently be suffering from the problem that it is not worth the partner of someone in full-time employment seeking part-time employment because they will achieve almost no additional disposable income for the household. Under the revised scheme no such penalty will apply, and all additional earned income will translate into additional disposable income for the household. Now that we have applied a £4,000 Personal Tax Allowance in addition to the £60 per week benefit, part-time earnings will be particularly significant for household budgets. It should therefore be relatively easy for the relevant households to repair the loss relating to the revised scheme, and then to go on adding to their earned income and therefore to their disposable income.

At the moment, those in employment for too few hours for receipt of Tax Credits, or who are receiving Income Support or Jobseekers' Allowance and earning small sums, might be amongst those suffering losses under our revised scheme because they won't be receiving Tax Credits and so won't receive their nonwithdrawable replacement, but they will be experiencing a lower personal allowance and increased initial Income Tax rate. This problem will disappear when Universal Credit is implemented from 2013 onwards, because then out-of-work and in-work benefits will be combined and we shall be able to run a similar project to calculate the simple changes required to establish an unconditional and nonwithdrawable benefit for every UK citizen.

Acknowledgements: We are most grateful to the Department for Work and Pensions for use of their Tax Benefit Model Tables spreadsheet in 2010, to the Institute for Social and Economic Research at the University of Essex for the use of EUROMOD, to Professor Holly Sutherland for advice and tuition in the use of EUROMOD, to the European Commission for funding the development of EUROMOD,

and to the UK Data Archive for the use of Family Resources Survey data

News

In September the **National Audit Office** published a report on *Means testing*: 'It is clear that means testing will be used extensively for the foreseeable future as it helps target state support at the people that need it most, but it can have many other important consequences. For example, there can be disincentives for recipients of means-tested benefits to return to work. Means testing also makes the administration of benefits more complex and is associated with higher costs as well as increased rates of fraud and error. In light of proposed and ongoing reforms to benefits and related programmes, the National Audit Office notes the importance of departments sharing good practice and learning from past experiences in the design of means tests. For example, HM Revenue and Customs has struggled in the past with unexpectedly large overpayments of tax credits (£9 billion between 2003-04 and 2009-10) because of the way that payments are determined under the legislation. In spite of changes to the design of tax credits, overpayments continue to be significant. Departments do not systematically consider or measure all of the impacts of means testing: for example, the burden on claimants, such as difficulty with completing forms and the cost of requesting advice. Issues associated with means testing, such as incorrect declarations of earnings and errors by officials in calculating entitlements, accounted for over half of all fraud and error in benefits and tax credits. There is a lack of coordination of, and overall accountability for, means testing across government. Departments are responsible for their own means-tested benefits and their impacts, but because means-tested benefits interact with each other it is important that there is coordination. For example, no one body has responsibility for looking at how the impact of university fees will be influenced by wider means testing. This is important as some households could be financially worse off if they work more and their child is no longer eligible for a bursary to help towards tuition fees.' The report can be found at:

www.nao.org.uk/publications/1012/means_testing.aspx

The report formed the basis of a hearing by the House of Commons Public Accounts Committee, which published its own report on 12 January 2012:

www.publications.parliament.uk/pa/cm201012/cmselect/cmpubacc/1627/162702.htm

The January 2012 briefing from the **European Centre for Social Welfare Policy and Research**, by Orsolya Lelkes and Katrin Gasior, is entitled *Income Poverty and Social Exclusion in the EU*. 'According to Europe 2020 targets risk of exclusion should be measured by three indicators: at-risk-of-poverty, severe material deprivation and living in households with very low work intensity. ... In the first group, with Hungary, Poland, Latvia and Lithuania, countries tend to be characterized by high rates of (severe) material deprivation and poverty risk (12-21% and 12-26%, respectively). Hungary is somewhat distinct from the other three countries (which are actually geographical neighbours), with a relatively worse work intensity and material deprivation indicators and somewhat better poverty risk measure than the others. The second "resource-poor" cluster, with Bulgaria and Romania, suffers from an extremely high extent of (severe) material deprivation (27-37%). The third cluster of "better than average" countries includes a large number of heterogeneous countries, which perform above the EU average in most indicators. The fourth group, with Germany, the UK, Ireland and Belgium, is characterized by an above-average share of low work intensity rates (12-24%), below average share of people suffering from severe material deprivation (3-6%), and at-risk-of-poverty rates around the EU average (see Table 1). The weakness of these countries is low work intensity: in order words, a high share of people lives in jobless households or in households with little labour market engagement. In contrast to this "work-poor" group, there are two "resource-poor" country groups' (pp.1, 4).

www.euro.centre.org/data/1327061559_78123.pdf

The **Fabian Society** has published *The Coalition and Universalism: Cuts, targeting and the future of welfare*, by Andrew Harrop. 'Universal provision funded by proportionate or progressive taxation actually leads to a transfer from richer families to poorer ones. ... on average the amount redistributed to the poor actually *decreases* as welfare states become more targeted. Any increase in redistribution from an increase in targeting is clearly outweighed by the smaller expenditure that is associated with the lower willingness to pay of targeted welfare states. This confirms the hypothesis that strategies of targeting result in welfare states that do less redistribution to the poorest than strategies of universalism' (pp.2, 9).

www.fabians.org.uk/publications/publications-news/the-coalition-and-universalism

On the 1st March the **Namibian Basic Income Grant Coalition** published a press release relating to the recent two year Citizen's Income pilot project in two Namibian villages (reported in the *Citizen's Income Newsletter*, issue 2 for 2009): 'Despite the positive results, the Namibian government has still not committed itself to the introduction of a BIG [Basic Income Grant: Citizen's Income] in Namibia. Instead, senior government leaders have raised concerns that the grant would make people lazy and dependent on hand-outs. Such perceptions are rooted in prejudices rather than being based on the evidence provided by Otjivero! We wish to point out that the BIG Coalition arranged for many Namibians, including Members of Parliament (MPs), to visit Otjivero and to witness the developments there first-hand. The honourable MPs were free to assess the impact of the BIG themselves and they were impressed with the results achieved in Otjivero. However, they preferred to express their views in private instead of speaking out publicly in support of a national BIG.' http://bignam.org/Publications/Press_release_March_2012_to_Government.pdf

Research published by the **Institute for Fiscal Studies** shows that 'Universal Credit will strengthen financial work incentives for some people, as intended, but weaken them for others. In general, incentives to work will be strengthened for the main earner in a family who works part-time or has low earnings, and will be weakened for those with higher earnings and for second earners in couples' and that 'moving from the current system of benefits and tax credits to a single benefit will require major administrative and IT changes. It is noteworthy that the government is attempting this at a time when spending on benefit administration (and public service spending generally) is being cut; the fact that such a major reform is being attempted at a time when benefit entitlements are being cut, overall, rather than increased, also increases the political risks to its implementation.' (Mike Brewer, James Browne and Wenchao Jin, 'Universal Credit: A Preliminary Analysis of its Impact on Incomes and Work Incentives', *Fiscal Studies*, vol.33, no.1, 2012, pp.39-71, pp.69, 70).

The **14th BIEN Congress** will take place from September 14th to September 16th, at the Wolf-Ferrari-Haus in Ottobrunn near Munich. The congress's main theme will be 'Pathways to a Basic Income'. For further details, please see the website: www.bien2012.org

Report from Brussels, 26-27 April 2012

by Anne Miller

More than fifty delegates, of all ages and from sixteen countries, gathered at the European Parliament in Brussels on the 26th and 27th April 2012 to discuss an exciting new venture: a European Citizens' Initiative (ECI) entitled 'Unconditional Basic Income' (UBI). This was the inspiration of Klaus Sambor from Austria. Together with a group of people who met in Vienna in October 2011, he put together a text in English which was circulated to interested parties for comment prior to the Brussels meeting. This initiative has been possible because

on April 1, 2012 a new participatory tool was born: the European Citizens' Initiative. From now on, we – the citizens of the European Union – have the same right as a majority in the European Parliament and the Member States: to contribute to setting the political agenda for the whole continent. (The European Citizens' Initiative Pocket Guide, by Bruno Kaufmann, published by the Green European Foundation, March 2012, www.gef.eu.)

The purpose of the meeting in Brussels was to agree the text of the 'Unconditional Basic Income' paper for the introduction of an ECI into the Parliament, asking the EU to speed up the introduction of a UBI. The paper comprised a short section that introduced the topic of a UBI, setting out the objectives and defining what was meant by a UBI. The major part was taken up by referring to Articles in various pieces of legislation, including the Treaty on European Union, the Treaty on the Functioning of the European Union, and the Charter of Fundamental Rights of the European Union, March 2010. The introduction of a UBI would help the Parliament to fulfil its obligations under each of the specified Articles.

The meeting was hosted in the European Parliament by Gerald Häfner, MEP for the Green Party in Germany, who welcomed the delegates on the Thursday afternoon. Then Werner Rätz, also from Germany, led an interesting debate on the social context for the introduction of both an ECI and the UBI: changing employment patterns and inadequate income maintenance systems, which had led to widespread poverty, and to increasing inequality between rich and poor. Participants deplored the punitive and controlling nature of the various social security systems within the EU.

Klaus Sambor then went over the first definitive part of the document, giving the purposes for, and definition of, the UBI, indicating why certain wordings had been chosen. 'The emancipatory "Unconditional Basic Income" is defined by the following four criteria: universal, individual, unconditional, and high enough to ensure an existence in dignity and participation in society.' He said that the UBI does not replace the welfare state, but completes it and transforms it from a compensatory into an emancipatory one. He explained that only the four criteria for the UBI would be specified, and not any particular means of funding it at this stage. He felt that it was important to get the idea of the UBI accepted first, and to fight the sources-of-funding battle later. It was recognised that it would be up to each member state to work out its particular means of implementing its own scheme, but that the EU would probably have to be involved directly to some extent.

The initial explanation was followed by the first of the two purposes of the conference, which was to discuss the subject matter and objectives of the document. Part of the discussion revolved around the question as to whether one should change the definition of the UBI in order to increase the chance of its being adopted. However, it was agreed that some things were inviolable, such as the unconditional nature of the UBI. Even then, because its presence would alienate the Trade Unions, some recommended the removal of the clause which referred to there being no obligation to work (inserted to illustrate the unconditional nature of the UBI). The discussion went on past its allotted time of six o'clock, after which the delegates were invited to a drinks reception beside an exhibition comprising photographs and other documents from Ojivero-Omitara in Namibia, showing the tremendously beneficial lasting effects of the Basic Income experiment conducted during 2008 and 2009.

During the evening some modest changes were made to the document. The following morning, the company reassembled in order to approve the final draft of the ECI. Some further discussion took place about the wording of the 'universality' criterion, with respect to who should be eligible, whether the 'European citizen' (with its legal connotations), or a 'member', 'inhabitant', 'legal resident' or just 'resident' of the European Union. In the end, those present voted to refer to the UBI as a human right, without specifying the population, again leaving that battle for a later date.

In the end, the clause about there being 'no obligation to work' as an example of the 'unconditionality' criterion remained, even though members of the Italian basic income network, Bin Italia, were very pessimistic, feeling that it would make it almost impossible to achieve any success in Italy, because of the antipathy from the Trade Unions.

During these sometimes fierce debates, I was reminded of the Basic Income Research Group / Citizen's Income Trust early discussions. After the relief of meeting some other basic income enthusiasts in 1983, I was surprised to discover how hotly we debated the finer details of our favourite schemes. Back then, as in Brussels, it took us some time to work out what our objectives were, and what was the instrument. Did we want a BI for its own sake, or because it fulfilled certain objectives? We noted that some good unintended consequences would follow, so should these also be listed with the objectives? We had to learn how to prioritise objectives.

Bin Italia had provided an alternative version of the ECI document, the purpose of which was to ensure that the group followed the procedures set out for the introduction of an ECI closely. They were in favour of having less precise definitions of a UBI, so that the EU would have less reason to reject the idea out of hand as inadmissible, and also to appeal to a wider set of interest groups, thus widening participation. Some of their ideas were adopted and were put into the final draft, but Bin Italia felt strongly that there should have been a proposal to vote for either their version or the previous one, but this did not happen.

In the end, compromise has to be reached because one cannot please everyone. I myself would have preferred a slightly different definition of the UBI, which would have emphasised that it was not means-tested, and that it was not just assessed on an individual basis, but also delivered to each adult recipient on an individual basis too. I would also have liked non-selectivity to be introduced as a concept, where the amounts that are received are not based on different characteristics, such as gender, age, marital status or household composition, to distinguish it from the unconditionality concept, where the right to the UBI would not depend on preconditions being met.

The second main purpose of the conference was to draw up the outline of a Campaign for the ECI. This requires obtaining the signatures of one million (1,000,000) EU citizens, out of its five hundred million

inhabitants, either through a website, or by the usual signed petition, within a period of one year. A Citizens Committee was set up, comprising an organiser (together with at least two substitutes in case the need should arise) from each country present, to help to organise the campaign. The task is to specify some succinct wording on the petition, and to obtain legal advice to make sure that the wording and process of the ECI conforms to EU legislation: otherwise the Parliament could reject the ECI out of hand. Gerald Häfner was very helpful in giving some overall guidance about how to present an ECI to the Parliament, and he suggested strategies. Klaus Sambor and Ronald Blaschke (who had also been closely involved in the development of the ECI document) were voted as Chair and Vice Chair of the committee respectively. It was agreed that the first meeting of the committee will be held on the 7th and 8th July in Paris. It is hoped that the preparatory arrangements will be made in time for the Campaign to be launched on the afternoon of Sunday the 16th September, the last day of the 14th BIEN Congress, to be held near Munich, Germany.

I am left feeling excited about this new enterprise, but also feeling rather humble as, so often on the continent, all those around could communicate in many languages, while I could merely offer my one and only. I am also left with a warm glow of having been with a group of friendly people, who all believe that 'human beings are more important than the economy'.

Reviews

Tony Fitzpatrick, *Welfare Theory: An introduction to the theoretical debates in social policy*, 2nd edition, Palgrave Macmillan, 2011, xvi + 241 pp, pbk 0 230 27202 6, £19.99

The map with which political philosophers and social theorists are concerned overlaps, to a considerable extent, with the particular territory occupied by social policy. This book starts from the premise that you cannot properly understand the one unless you understand the other. (p.xiv)

This accessible and thoroughly researched book is also a vindication of Fitzpatrick's conviction that 'welfare theory' – the philosophy of social policy – is a discipline in its own right. Welfare theory draws on both 'social theory (the philosophy of sociology and social science) and political theory (the philosophy of

politics and government)' (p.xv), but it orders things in its own way and develops its own emphases. It is not insignificant that the first chapter is entitled 'wellbeing', now a focal concept for welfare theorists and social policy makers.

The book is structured around a number of concepts: equality, liberty, citizenship, community, state, power, poverty, society, and class. Fitzpatrick explores the histories of these ideas, the different ways in which they have been understood, and 'recent developments'. Throughout, there is reference to social policy. For instance: the National Health Service's achievements are judged against a variety of definitions of equality (p.39), the distribution and redistribution of income is the field on which a discussion of the relationship between equality and liberty is constructed (ch.3), new forms of 'deliberative democracy' are related to the idea of 'democracy' (p.79), and the chapter on 'state, power and poverty' is largely driven by the history and current state of the UK's welfare state, the detail of current social policy, and measured outcomes (ch.5). The first three of these relationships fit the three types of relationship which Fitzpatrick lists in his introduction: 'assessment' (of practice by theory), 'explanation' (of practice by theory), and 'reform' (of practice by theory). But we can see that there is also a fourth relationship: practical policy's influence on welfare and its concepts. To take a particular example: Beveridge's 'contributory' and 'social assistance' welfare state was largely driven by previous government-supported co-operative insurance provision and by the Elizabethan Poor Law. The real-world relationship between welfare theory and social policy is a circular one, with each affecting the other. Fitzpatrick's book is a text-book for students (- the first edition was written for that purpose, and this second edition has benefited from the first edition's use for that purpose), so we would expect it to concentrate on the 'welfare theory forms social policy' side of the relationship; but in his 'concluding remarks' Fitzpatrick suggests that

it is often necessary to take social policy themes and issues into account when discussing social and political theory. Social policy students do not simply debate how to translate principles into practical reality. Instead, they ask distinctive questions that enhance the method and assumptions of social philosophy. To explore social and political thought without substantial reference to the battles fought over

social policies is to miss a key feature in the development of modern societies. (p.211).

Following the chapters on particular concepts, chapter 7 is entitled 'ideologies'. Here Fitzpatrick describes the Radical Right, Conservatism, Social Democracy, Marxism, and Feminism. (Descriptions of the first two and of Marxism are followed by 'criticisms'; descriptions of social democracy and of feminism are not.)

Chapter 8 is on 'identities': a recognition that social policy is often driven by the 'recognition' of an 'identity' (for instance, disability). Chapter 9 is on 'globalization', and shows how a global economy constrains national social policy; and this chapter in particular shows how economic policy has influenced both the idea of globalization and changes in social policy. The final chapter, on 'global justice and environmentalism', is new to this edition, and contains a useful taxonomy of types of global justice.

Finally, Fitzpatrick suggests that the utopian and the pragmatist need each other. The truth of this in relation to our tax and benefits system is obvious. Maybe it's time for a second edition of his *Freedom and Security*, his book about a Citizen's Income: a book which exemplifies the complex relationship between welfare theory and social policy which the book under review is all about.

Kevin Farnsworth and Zoë Irving (eds), *Social Policy in Challenging Times: Economic crisis and welfare systems*, Policy Press, 2011, xi + 335 pp, pbk, 1 847 42827 1, £27.99, hbk, 1 847 42828 8, £70

Whilst in all of the countries studied in this edited collection the welfare state can be regarded as entering a new age of austerity, the picture that emerges is one of diversity: of different kinds of financial crisis in different countries, of different cultural contexts, and of different effects on welfare provision. For instance: 'Liberal market economies ... are least well equipped in both economic buffers and social solidarity to deal with the impact of a crisis in welfare funding because interests are not shared corporately or between social classes' (p.24).

The first part of the book tackles more general questions. Has the crisis resulted in a shift in the economic paradigm? No: that would require positive action. Has a crisis in financialised capitalism fostered

a new economic and social strategy? No: it has resulted in welfare state retrenchment and widening inequality. Are we all in this together? No: there is one strategy for financial institutions, and another for citizens. Is a global social floor a good idea? It's a better idea than national safety nets. How will relatively young welfare states in the developing world cope with the financial crisis? In Brazil and South Africa, the crisis has led to the expansion of income transfer programmes, and in particular to the inclusion of 16 and 17 year olds (p.104).

The second half of the book studies individual countries. South Korea's experience of the 1997 crisis suggests that extreme neoliberalism doesn't work. China's response to the recent crisis has been to include previously excluded groups in welfare systems. Germany's small financial sector, and adjustments already made during unification, have meant that the crisis has had a 'muted' effect. Ireland's weak welfare state is suffering retrenchment rather than reform. Iceland's crisis has seen the neoliberal model questioned. In Scandinavia unemployment has risen, but only slowly. Domestic policy concerns drove the United States' healthcare reforms, and in neither the United States nor in Canada has the crisis resulted in much welfare state reform. In the UK, the depth of austerity measures is more ideological than necessary.

'More of the same' is the picture that emerges: that is, it is long term cultural and ideological factors that determine welfare structures. Whilst the financial crisis might have precipitated minor change, and in some cases it has exacerbated existing trends (especially in the UK and Ireland, and over the extent of punitive measures imposed on the unemployed), it has stimulated little genuine reform. The editors' concluding chapter extracts a number of 'solutions' from the different chapters, but they can't be said to constitute any kind of package; and their confident conclusion that

What the contributions here demonstrate is not only that emergency events are crucial to both the shaping of social policy, and to the understanding of that process, but also that challenging times are as likely to widen the scope for progressive welfare state-building as they are to diminish it, and that how states respond is a matter of political struggle and political choice (p.278)

isn't borne out by the evidence.

The strengths of the book are the amount of detailed evidence and the careful analysis in each of the very different chapters; and a particular strength is that the chapter authors don't draw clear conclusions where there are none to be drawn. A justifiable clear conclusion is Farnsworth's: that Government policy is bound to increase inequality in the UK. What he might also have said is that reduced withdrawal rates under the new Universal Credit will reduce inequality and will incentivise labour market activity. The lesson to draw is that reduced benefits withdrawal rates and an increase in universal benefits would both reduce inequality and incentivise labour market activity: both outcomes which would enhance the economic outlook and the social fabric.

Thomas Bahle, Vanessa Hubl, and Michaela Pfeifer, *The Last Safety Net: A handbook of minimum income protection in Europe*, Policy Press, 2011, xi + 271 pp, hbk, 1 847 42725 0, £70

This thoroughly researched survey of European means-tested minimum income protection (MIP) systems – the safety-nets into which households and individuals fall if other earned or benefits income is insufficient – will quickly become an essential research tool for anyone interested in social policy generally and in income maintenance in particular. The more precarious nature of both families and employment has made means-tested safety nets more significant for increasing numbers of citizens, which means that means-tested systems will become more politically important (and this, in turn, is one of the factors that has led to Iain Duncan Smith's success with Universal Credit). Greater political importance will mean more social policy debate, more need for research, and more need for books such as this one.

The first part of the book contains introductory material on defining MIP (as means-tested, and as raising total income to a social minimum), measuring minimum income protection, the datasets used, problems of comparability, and welfare state contexts (including social insurance and other non-MIP benefits).

The central section contains country analyses. For each of seventeen European countries, the welfare state context is discussed, MIP systems are described, and current issues and reforms get a mention. The section on the UK reveals the extent to which our social policy is dominated by MIP, and also the reason: the

inadequacy of social insurance provision. The chapter describes the UK's MIP benefits in detail (including Tax Credits), and suggests that 'MIP in the UK continues to play a strong and exceptional role by international standards' (p.152).

The third section of the book compares the MIP systems of the seventeen countries in terms of benefit levels (for both individuals and households), and in terms of benefits levels' ability to keep up with the cost of living – and here the author finds no clear correlation between adequacy of benefits and the country groupings developed in relation to other aspects of the analysis. Further sections compare numbers of MIP recipients, how recipients are distributed across demographic groups, ways in which different schemes serve different categories of recipient, whether or not reliance of MIP is increasing, and expenditure levels. When the authors cluster MIP systems on the basis of the material in this section, the UK finds itself with Spain and Portugal: 'relatively low benefit levels but generous treatment of families in comparison with the benefit rates for single persons ... indicating that principles of need and desert have priority over equality' (pp.221, 228).

The authors conclude: 'In most countries, the last safety net fails to lift persons out of poverty. Europe, which is proud of its social model, containing strong social cohesion and comprehensive social protection, has so far failed to institute a viable and effective last safety net for all of its citizens' (p.233). A final section studies the effect of the recent financial crisis on Europe's MIP systems, and, in relation to the UK, the authors note a large increase in the number of MIP recipients, 'confirming the high structural importance of needs-based benefits ... and the low availability of other (better) forms of social protection' (p.236).

That 'better' is a welcome but rare value judgement. Introductory material on different kinds of benefits system locates MIP within different countries' social insurance and other benefits systems, but what the book lacks is a structured evaluation of the advantages and disadvantages of means-tested safety nets and of other benefit types. Universal benefits are not discussed as a category, and the UK's Child Benefit doesn't get a mention.

Some recent developments clearly came too late for inclusion. The Government's recent consultation on a more adequate single tier state pension answers to some extent the book's criticism that in the UK 'basic

pensions are too low to secure a decent livelihood in old age' (p.49); and Universal Credit will be a considerable improvement on the present patchwork of means-tested benefits. Unfortunately, the book's analysis wouldn't have picked this up because it doesn't compare the benefits withdrawal rates of different countries' systems. This is an important omission. An MIP system with a withdrawal rate of 95% of additional earned income is a very different animal from one with a withdrawal rate of 50%. Also lacking is any discussion of the labour market disincentives that means-tested systems create and of the surveillance systems that inevitably accompany household-based benefits systems.

We really ought to have a second volume from these authors, containing a comparison of MIP systems in relation to such characteristics as withdrawal rates and earnings disregards, and a comparison of different benefits types in terms of their social and economic effects. Such a volume would be a major contribution to debate on welfare state reform. These authors are clearly capable of it, and I look forward to reading it.

Social Policy and Administration, vol.45, no.4, August 2011

As Bent Greve writes in his introduction to this highly topical edition of *Social Policy and Administration*, the financial crisis which began in 2008 has given rise to 'a new era of welfare states ... where targeting and emphasis on work are more substantial than earlier' (p.333). Cuts in welfare budgets mean lower and more restricted benefits and higher retirement ages. The aim is now to save money rather than to improve services.

Two articles show that the financial crisis has generated policy changes consistent with long-term policy tendencies; another that initial Keynesian responses are giving way to retrenchment; and another that governments have in fact *not* taken advantage of the crisis to bring about otherwise unachievable policy changes. Two articles show that it is political rather than economic factors which have generated welfare state reforms.

The overall impression is one of intensification of existing welfare state styles but with additional tendencies towards retrenchment and 'targeting' – the latter unfortunately understood as means-testing rather than as increasing the coverage and levels of universal benefits in the context of progressive tax systems.

Beverley A. Searle, *Well-being: In search of a good life*, Policy Press, 2008, ix + 198 pp, hbk 1 86134 887 6, £65

In this thorough and very readable book Beverley Searle employs extensive panel survey data to study people's subjective well-being and the economic and material contexts of their lives. A complex picture emerges. As we would expect, someone's health influences their subjective well-being; interestingly, people over 55 tend to report higher subjective well-being than those under 55; and having and changing social relationships can affect subjective well-being in a variety of ways.

An important finding is that objective wealth and income measurements do not correlate simply with subjective well-being. An improvement in one's financial situation might result in a brief increase in subjective well-being, but the effect will soon wear off. (If our incomes rise then we habituate ourselves to new life circumstances and these might or might not improve our subjective well-being.) What *does* seem to be significant is *subjective* wealth, i.e., how we see our wealth in relation to the wealth of those around us. The high subjective well-being experienced by men in social class III (manual) is a surprising and interesting finding. A possible reason is that men in this social class are more accepting of their social and economic circumstances than are men in so-called higher social classes, and that there is something inherently satisfying about the social and economic circumstances of skilled manual workers who work within a set of rules without exercising significant authority within the organisations for which they work.

The situation is of course complicated by the facts that employment status and type of employment influence subjective well-being and that they have a complex relationship with income and wealth.

The author quite rightly calls for more research on inequality and its effects, particularly because 'feelings of exclusion and subjective deprivation operate at all levels of affluence' (p.112). This means that 'a social thesis of well-being' (p.113) might be the way forward: a theory in which 'the "subjective" element of well-being is determined as much by social and political systems and how they interact as by individual effort and striving' (p.113).

In the light of this suggestion, Searle addresses housing, education, and employment. In relation to

employment she identifies secure employment as fostering subjective well-being, and the UK's long hours culture as being detrimental to it; and she recommends a Citizen's Income as a means of rebalancing employment with the rest of life and as a way of recognising the value of voluntary activity (p.124).

This is a most useful book. It contains thorough treatments of methodology, innovative and clear representations of results, and intelligent discussion. (It's a pity that the index is somewhat skimpy.)

The final paragraph sums up the message:

The hierarchical structure embedded in an economic idea of well-being is unable to embrace the rediscovery of the social welfare approach that is being adopted in some sectors of society ... Subjective well-being is not an individual but a collective experience – as such, while everyone should have the right to experience high levels of well-being there should also be a shared, collective responsibility for the well-being of others. ... The quest, then, may not be to raise happiness levels but to seek a more sustainable emotion – that of contentment, (p.129)

Paul Spicker, *How Social Security Works: An introduction to benefits in Britain*, Policy Press, 2011, xii + 284 pp, hbk 1847428110, £65, pbk, 1847428103, £23.99

This well-organised book is what it says it is: an 'introduction' to the 'design, management, operation and delivery of benefits' (p.ix). Its careful structure enables Spicker to bring a sense of order to a system which he recognises to be 'baffling' (p.x), though he himself admits that 'there is a limit to how clear it is possible to make things clear – the structure of benefits does not make sense' (p.x). A further problem identified is the constant and rapid change from which the system suffers, and this reviewer can empathise with Spicker's statement that his 'head is cluttered with old rules and regulations dating back through the last thirty-five years' (p.xi).

The first part of the book asks 'What is social security?' and suggests that 'there is much more to social security than the relief of poverty' (p.10). The second part details the development of the system from the Poor Law to the present day, and asks whether the

new Universal Credit will in practice be a unified benefit. The third part discusses different categories of benefits (National Insurance, means-tested, non-contributory, discretionary, and universal), how claims are processed, and take-up levels. Part IV debates life's contingencies (retirement, illness, disability, children, parenthood, lone parenthood, unemployment, and poverty); and the fifth covers such issues as cost, targeting, fraud, the meaning and measurement of poverty, and redistribution. A final chapter compares Britain's system with those of other countries. A particularly interesting chapter is that on complexity in which Spicker concludes that complexity matters when it leads to the system 'failing to respond to the changing conditions of people in complex circumstances ... We cannot ask claimants to live simpler, more orderly lives'. Part of the answer is to address the issues of 'conditionality, administrative rules and administrative procedures' (p.145).

Chapter 12 on 'Universal benefits' starts with an argument as simple as the benefits themselves:

The general arguments for universality ... include basic rights, simplicity and effectiveness. The central criticism of universal benefits is that they spread resources too widely: if benefits are going to everyone, then either they will be very costly, or they will have to be set at very low levels. This dilemma can be avoided. One option is that universal benefits can be reclaimed through the tax system – a process referred to as 'clawback'. This has an effect similar to means testing, with two important differences: first, that everyone receives the benefit, and second, that the examination of means is also done for everyone. (p.117)

Then follow a history and discussion of Child Benefit, a description of New Zealand's universal pension, and a discussion of the Coalition Government's current consideration of a citizen's pension for the UK. The chapter concludes with an intelligent and nuanced debate of a Citizen's Income and with another encomium to Child Benefit:

What Child Benefit offers is a modest but secure element of a family's general income, something that is fairly predictable and secure. It is the only element of income that seems to continue to function reliably in situations where people are moving in and out of work or where

their income is unstable and unpredictable. That seems to me something which is valuable and important, and the principle could be more generally extended. (p.124).

In his concluding 'Postscript: Social Security: a programme for reform', Spicker's first recommendation is: 'extending the scope and value of less conditional benefits, like Child Benefit, which also helps to stabilise the income during transitions' (p.274); and the first suggestion in a list of ideas for 'reducing complexity, error and administrative confusion' is 'replacing some claims with automatic payments' (p.274).

Spicker doesn't put it like this, but it would be perfectly fair to describe his book as a sustained argument for a partial Citizen's Income.

Graham Room, *Complexity, Institutions and Public Policy: Agile decision-making in a turbulent world*, Edward Elgar, 2011, vii + 383pp, hbk, 0 85793 263 1, £95

This is one of those rare books which studies the deeper foundations of theory and practice: not just a particular social policy field, and not even the way in which social policy is either made or studied, but rather the nature of the world in which social policy is made – its institutional, social, and personal realities, and the dynamic relationships between them – and the ways in which social policy-making should therefore be carried out. As Room puts the questions which he asks himself:

How can we best conceptualise [the] dynamic processes of socio-economic change? ... how can we model these dynamics empirically, as processes that are endogenous rather than merely the response to exogenous shocks? ... what analytical tools ... can be made available to policy-makers for the purpose of monitoring and steering these processes of transformation? (pp.4-5).

In answer to these questions the book discusses the policy process as a non-linear one which

involves feedback loops which bring into play a variety of actors who set about reshaping the policy intervention in light of their own strategic objectives ... This is policy-making played out on a bouncy castle ... Any policy is an intervention in a tangled web of institutions

that have developed incrementally over extended periods of time and that give each policy context its own specificity. ... Policy terrains and policy effects are path dependent. (p.7)

So policy processes can be both non-linear (containing feed-back loops) and path-dependent (- their history determines to some extent where they go next), and it is in this complex context, which is also a highly turbulent one, that evidence-based policy decisions have to be made.

The first part of the book is theoretical, and Room draws on numerous disciplines to build a conceptual structure. He employs biological and mathematical sciences to understand the economy as a complex adaptive system which is nowhere near to equilibrium; and sociology and political science to understand institutions as diverse and dynamic moral communities subject to change by institutional entrepreneurs when public dissatisfaction opens up new political possibilities. A final theoretical chapter employs biological science to understand the agile agents who operate in far from equilibrium complex systems.

The second part of the book relates the first part's conceptual structures to the empirical social scientific methods familiar to students of social policy. Room applies the mathematics of complexity, chaos, and emergent order, to combinations of complex social systems and networks, and then to social mobility and inequality. He finds that

egalitarian efforts by the state do not reverse inequalities so much as mute their harshness ... As structural change alters the landscape of positional competition, it is ... in general those who are already advantaged who are best placed to take advantage of the new opportunities and to avoid the new insecurities (pp.209-210).

Part 3 employs the understanding of the policy context outlined in part 1, and the methods discussed in part 2, to understand the policy-maker as a 'tuner', an energiser, and a steward, and to discuss particular policy areas. Of particular interest to readers of this *Newsletter* might be the chapter on poverty and social exclusion, which employs mathematical modelling to understand social polarisation, understands households as agile institutional entrepreneurs negotiating their way around the social policy landscape (of education, benefits, employment, etc.), and recognises that in the

employment market 'agile creativity accrues disproportionately to the advantaged' (p.265).

After chapters on the knowledge economy and the current financial crisis, the final chapter offers a policy tool-kit for agile policy-makers, and examples of how the tools might be used.

This is a most fascinating book. Just as Aristotle wrote his *Metaphysics* ('after-physics') after his *Physics*, so Room has written a 'metasocialpolicy' which will act as a groundwork for future study of social policy and for policy-making. But perhaps we also need another layer of analysis. The book is about the evolution of complex adaptive systems, but the first chapter mentions a different kind of change: the earthquake - a sudden shifting of the tectonic plates. Scientific progress is mainly evolutionary in character, but occasionally there is a paradigm shift: the emergence of a new way of seeing, a shift in the conceptual tectonic plates. Our welfare state, in most of its aspects, is still fashioned for modernity: for a stable industrial nuclear-family society; but our world is less and less like that. Social reality is now 'liquid' (Zygmunt Bauman), but we are still waiting for the social policy earthquake which will deliver the necessary social infrastructure. It is the science of paradigm change that we require, and a new vision of social policy which will both serve and generate further liquid social reality. Strange though it might seem, the dynamic complexity of today's social reality requires the opposite kind of social policy, because any complexity in practical policy will create social, fiscal and other boundaries which will prevent social and individual change. Just one obvious example is children's transfers from primary to secondary school, and another the transfer from Job Seeker's Allowance to (so-called) 'tax credits' on an often small change in the number of hours of employment. Liquid post-modernity requires simplicity in social policy so that no boundaries get in the way of social or individual change. Child Benefit and the NHS are obvious examples.

In complexity science as in politics, prediction is perilous; agile humanity is forever able to devise new challenges to the prevailing order; nothing is incontestable; human beings can in some degree choose their futures. (p.305)