

Citizen's Income *newsletter*

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Citizen's Income Newsletter

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Citizen's Income Trust
37 Becquerel Court
West Parkside
London SE10 0QQ

Email: info@citizensincome.org
Website: www.citizensincome.org

Registered charity no. 328198

Director: Malcolm Torry

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Editorials

The Labour Party's love affair with means testing

Ed Miliband MP said this during a speech that he made on the 6th June:

It doesn't make sense to continue sending a cheque every year for Winter Fuel Allowance to the richest pensioners in the country. ¹

We beg to differ. It makes a lot of sense to send a cheque to every pensioner, including the wealthiest, because the process is automated and the scheme costs almost nothing to administer. It is true that the wealthy 'don't need it': but they are already paying far more in Income Tax than they receive for their Winter Fuel Allowance; to means-test the Winter Fuel Allowance so that the wealthy no longer received it would be expensive; means-testing would require those who did need the Allowance to complete a complex form which they might not be capable of doing and might not wish to do (because a benefit that goes only to the poor is inevitably experienced as stigmatising); and to means-test the Allowance would mean one less welfare benefit contributing to social cohesion. The downsides related to means-testing the Winter Fuel Allowance far outweigh the benefits of retaining it as a universal benefit: As a universal benefit, the Winter Fuel Allowance goes automatically to the poor who need it, without stigma and without the completion of a claim form; it is extremely cheap to administer; and it is no problem that we give it to the wealthy because they already pay far more in Income Tax than they receive in their Winter Fuel Allowance.

When the Chancellor of the Exchequer found that it would be impossible to administer his proposed means-test for Child Benefit, he decided to withdraw through the tax system the value of their Child Benefit from households containing at least one higher rate taxpayer. To withdraw the whole of the value of the Winter Fuel Allowance through the tax system would not be as complex as withdrawing the value of Child Benefit, but it would still add yet another unnecessary complication to our already complicated Income Tax system. To tax the Winter Fuel Allowance in the same way as the Basic State Pension is taxed would be a simpler option.

Means-testing of the Winter Fuel Allowance might happen, of course. Tax and benefits policy is rarely rational; and because whichever way a future Labour Chancellor decided to withdraw the value of the Winter Fuel Allowance would increase the size of the relevant Department, we should expect departmental heads to brief in favour of the idea and to downplay the difficulties. The best we can hope for is a more complex Income Tax calculation for pensioners. The worst option would be that of means-testing the Winter Fuel Allowance itself.

In the same speech, Ed Miliband said this:

When it comes to the decisions of the next Labour government it won't be our biggest priority to overturn the decisions this government has made

on taking child benefit away from families earning over £50,000 a year.¹

This government has not taken Child Benefit away from families earning over £50,000 a year. It has asked those paying higher rate Income Tax to declare their household's receipt of Child Benefit, and has withdrawn its value, on a sliding scale, through their tax code. Some households have chosen to avoid this method by discontinuing their Child Benefit claims. The outcome for those households continuing to receive Child Benefit is the first ever tax on children. We very much hope that any future Labour government would maintain Child Benefit as a universal, unconditional and nonwithdrawable benefit, and would abolish the present government's Child Tax.

The same arguments apply here as apply to the Winter Fuel Allowance. The wealthy are already paying far more in Income Tax than they are receiving in Child Benefit; Child Benefit is cheap to administer; Child Benefit contributes to social cohesion; and a universal Child Benefit stigmatises nobody.

Free school meals

A recent report has recommended that primary schools should provide universal free school meals:

We have also recommended that free school meals should be extended to all primary school children, starting with the most deprived areas. This is the only one of our recommendations that the government has not agreed to yet. We understand that the considerable cost and the need to involve other departments make it a big ask. But we are pleased that the Secretary of State agrees with us in principle and we would urge schools and councils to consider funding universal free school meals themselves.²

As Kate Bell of the Child Poverty Action Group puts the argument:

Universal free school meals – already adopted by several local authorities – would not only remove a continued source of stigma for poor children, but would also improve work incentives and increase educational attainment.³

We were pleased to see the Government's announcement of free school meals for children in school years 1, 2 and 3. The same arguments that have been made for free school meals would apply to a Citizen's Income, and we look forward to the Government giving serious consideration to the implementation of a Citizen's Income sooner rather than later.

Zero hour contracts

There has been much discussion recently of zero hours contracts: employment contracts that require workers to attend the place of work as and when required, and that pay them only for the hours worked. In one sense there is little to object to, as such contracts can result in earned income patterns similar to those experienced by self-employed workers. A self-employed plumber might earn nothing one week, and £1,000 the next, and might not regard this as a problem. But there are two problems with zero hour contracts. Some such contracts prevent the worker from accepting any other employment. This means that, even if no paid hours are offered, if other temporary employment becomes available the worker is not permitted to accept it. The other problem relates to disposable income after tax and benefits: A gyrating earned income can play havoc with a family's disposable income, particularly if the family is claiming in-work means-tested benefits. Changes in earnings have to be reported, which can be time-consuming, and missed or inaccurate benefit payments will often be the result. (Once Universal Credit has been implemented, employers', HMRC and DWP computer systems will need to communicate information on changing earnings regularly and faultlessly, which will be particularly problematic if a person has more than one zero hours contract.)

A Citizen's Income would provide a substantial portion of a household's subsistence income, and, because the Citizen's Income would not change as earnings changed, it would provide a secure income floor on which workers could build with a combination of self-employment and one or more zero hours contracts. The combination of a Citizen's Income with mutually agreed zero hours contracts could deliver both the flexibility that companies need and the combination of secure disposable incomes and labour market flexibility that many households would like to have.

Cyprus

The President of Cyprus has announced the establishment of a 'Guaranteed Minimum Income'. 'Beneficiaries will be all of our fellow citizens who have an income below that which can assure them a dignified living.'⁴ That is, it will be a means-tested benefit. It will also be work-tested, which of course it will have to be, because means-tested benefits are withdrawn as earned income rises and so fail to provide the employment and enterprise incentives that an economy and a labour market need if they are to recover.

The benefit will do what it says: it will guarantee to all citizens a minimum income; but because it will go to some and not to others, it will not provide the social cohesion that Cyprus needs, and it will come with a substantial administrative price tag attached.

The President says that 'the troika had accepted the government's proposal "for a modern conceptualization on the policy of social welfare and prosperity"'.⁴ The troika (the European Commission, the European Central Bank, and the International Monetary Fund) will have accepted the scheme because it matches the means-tested systems that other countries involved operate, and particularly those operating in the USA and the UK.

There are two lessons to be drawn here. One is that means-testing is an intuitive default position even though it is inefficient, costly, socially divisive, and entirely unnecessary in the context of a progressive income tax system. This default position means that it will not be easy for a social security system based on universal benefits to rise to the top of governments' policy agendas, even though universal benefits are efficient, are cheap to administer, incentivize employment, self-employment and enterprise generally, are financially feasible, and are conducive to social cohesion.

The second lesson is that the word 'guarantee' is so ambiguous that advocates of universal benefits should stop using it. 'Basic Income Guarantee' is generally intended to mean the guarantee of a universal benefit, a concept that is at the opposite end of the spectrum from the means-tested 'guaranteed minimum income' proposed in Cyprus. The former means a Citizen's Income; the latter a minimum net income guaranteed to a household by a means-tested benefits system. The previous Labour Government's 'Minimum Income Guarantee' for pensioners was of the latter variety, and so particularly in the UK context we should be especially careful to reserve 'guarantee' language for a minimum net income to be reached by means of means-tested benefits, and never to use the word in the context of a discussion of universal benefits.

We would be content to forgive the President of Cyprus his use of the word 'guarantee' if he had meant by it a Citizen's Income. But he did not.

¹ www.labour.org.uk/one-nation-social-security-reform-miliband-speech#

² www.schoolfoodplan.com/plan/

³ Kate Bell, 'Investing in childhood', Fabian Review, vol. 125, no.2, Summer 2013, p.19.

⁴ <http://cyprus-mail.com/2013/07/26/president-announces-guaranteed-minimum-income-for-all-citizens/>

News

Two pilots in Madhya Pradesh, India

Professor Guy Standing, who gave his inaugural lecture as Professor at the School of Oriental and African Studies in the University of London on the 19th June, has reported on a series of Citizen's Income pilot projects organised in India by a partnership between the Self-Employed Women's Association (SEWA) and UNICEF. For 18 months, over 6,000 individuals received small unconditional monthly payments. Their situation before, during and after receiving the grants was evaluated by three rounds of statistical surveys and by case studies, comparing the changes in the period with what happened to a control group that did not receive grants. In total, the surveys covered over 12,000 individuals. In the larger of the two projects, in eight villages, each adult received 200 rupees a month, and each child 100 rupees (subsequently increased to 300 and 150 rupees respectively). In the tribal village project, the amounts were 300 and 150 rupees for a twelve month period. These figures mean that an average family received the equivalent of \$24 or £15 a month (about a quarter of the income of median-income families, and just above the current official poverty line). Some of the results were as follows:

- The project has led to financial inclusion: Savings increased and households began using their accounts for saving, rather than keeping money at home;
- Recipients of basic income grants were significantly more likely to make improvements to their dwellings or to construct new dwellings;
- Using the WHO's z-score index, income grants were associated with an improvement in children's weight-for-age, with the main effect being among young girls;
- Cash grant recipients were significantly more likely than others to have enough income for their daily food needs;
- Cash grants led to more varied diets, with greater relative consumption of fruit and vegetables, rather than simple reliance on subsidised staples;
- Those receiving cash grants were not more likely than others to increase spending on 'private bads', such as alcohol or tobacco;
- Improved health was attributed most to an increased ability to afford medicines, although many families also mentioned it was due to more or better food and reduced anxiety;
- Case studies showed that the cash grants enabled some disabled people to become economically active, overcoming constraints to their full membership in village society;

- Cash grants were associated with improvement in school enrolment. The enrolment rate for children from 4 to 18 years was 12% higher in the cash transfer villages;
- Cash grants were associated with more regular school attendance, with 29% of cash transfer households reporting an improvement, compared with 13% in control villages;
- Income Grants were associated with improved school performance. Grades over time taken from actual registers of schools showed that more children from cash transfer families were doing better than children of non-grant families. Scheduled-tribe households were the most likely to show an improvement in performance in terms of grades;
- Contrary to a common criticism of cash transfers, cash grants were associated with an increase in labour and work;
- Cash grant households were twice as likely to have increased their production work as non-transfer households;
- Cash grants led to an increase in own-account work, and a relative switch from wage labour to own-account farming and small-scale business. This was especially true for scheduled caste households and for women workers;
- The shift from labour to own farm work was especially marked in the tribal villages.
- Many families used cash grants to buy small items for production, such as sewing machines and seeds and fertiliser;
- Cash grant households were more likely to increase their income from work, in spite of it being a difficult year due to weather conditions in the area;
- Cash grant households were three times as likely to start a new business or production activity as others, with a majority attributing that to the cash grants;
- Cash grants were associated with a significant reduction in indebtedness, both because recipients used the money to reduce existing debt and because they used the money to avoid going into further debt. Those receiving cash grants were more than twice as likely to reduce debt;
- Cash grants led to a significant increase in savings, even in households with debt. Households often used the money to give themselves vital liquidity.

In conclusion: basic income grants are potentially transformative for Indian families and communities. They can unlock constraints and enable people to gain greater control of their lives.

Other news

The **Basic Income Initiative in Switzerland** has collected 100,000 signatures on a petition calling on the Swiss parliament to hold a referendum on the payment of a Citizen's Income of 2,500 Swiss francs (£1,726) per month, and under Swiss law such a referendum will have to be held. The date is yet to be announced.

www.reuters.com/article/2013/10/04/swiss-pay-idUSL6N0HU2BR20131004

The **Pensions Policy Institute** has published a briefing, *The impact of the Government's single-tier state pension reform*: 'Under the single tier, eligibility for [means-tested] Pension Credit is halved compared to the current system in the first few years of reform, and ultimately falls to around 5% cent by 2060.

However, a number of pensioners will still remain eligible for Pension Credit for different reasons, such as having less than the 35 years necessary to qualify for the full single-tier pension or because of having a disability or caring responsibilities' (pp.3-4).
www.pensionspolicyinstitute.org.uk/default.asp?p=12&publication=0346&

The **World Bank** blog reports that 'Marcelo Giugale, World Bank's Director of Economic Policy and Poverty Reduction Programs for Africa, makes the case with enthusiasm for direct cash payments from natural resource revenues to the citizens of a country: a mechanism by which citizens of a nation share in its asset earnings while making sure that the earnings keep growing for future generations. Marcelo offers a tantalizing prospect: even a fraction of mineral and hydro carbon revenue as direct dividend payments to citizens would be enough to end poverty! Imagine that.' http://blogs.worldbank.org/nasikiliza/mining-mineral-revenues?cid=EXT_TWBN_D_EXT

On Monday 1st July 2013 the **Centre for Analysis of Social Exclusion** (CASE) at the London School of Economics launched the results of the first stage of its *Social Policy in a Cold Climate* research project: an evaluation of the last Labour government's social policy record. Because of changes to tax credits, 'out of work incomes for families with children rose to some extent ... and continued to rise slowly in relation to the poverty line ... A corollary of such changes might have been expected to be deteriorating work incentives for those with children ... However, the actual overall pattern of incentives to work *at all* was little different in 2009-10 than it had been in 1996-7. What did reduce somewhat was the incentive for some of those in work to earn *more*, particularly as more working families were affected by the tax credit means-tests: such families were better off than they

would have been without the tax credits, but at the margin gained less from extra earnings' (*Social Policy in a Cold Climate*, Working paper 5, *Labour's record on cash transfers, poverty, inequality and the lifecycle 1997-2010*, by John Hills (CASE), p.22)
<http://sticerd.lse.ac.uk/dps/case/spcc/wp05.pdf>

Conference announcement

The 15th Basic Income Earth Network (BIEN) Congress will take place from the 27th to the 29th June 2014 at McGill University, Montreal, on the theme of *Re-democratizing the Economy*. Speakers include:

Alicia Bárcena Ibarra, Executive Secretary of the Economic Commission for Latin America and the Caribbean (ECLAC), United Nations

Roberto Gargarella, Professor of Constitutional Theory and Political Philosophy at the Universidad de Buenos Aires and Leverhulme Trust Visiting Professor at University College London

Renana Jhabvala, President of the Self-Employed Women's Association (SEWA), Bharat, India

Joe Soss, Cowles Chair for the Study of Public Service at the Hubert H. Humphrey School of Public Affairs, University of Minnesota

Guy Standing, Professor in Development Studies at the School of Oriental and African Studies (SOAS), University of London and Co-President, BIEN

David Stuckler, Senior Research Leader at University of Oxford and Research Fellow of the London School of Hygiene and Tropical Medicine and Chatham House

The organisers invite proposals for individual papers, themed panels of up to three papers and discussion roundtables that cover any aspect of the justification, design or implementation of a Citizen's Income. The deadline for submission of proposals is Monday 13th January 2014.

For further details, see www.biencongress2014.com.

Reviews

Karl Widerquist, *Independence, Propertylessness, and Basic Income: A theory of freedom as the power to say no*, Palgrave Macmillan, 2013, 1 137 27472 4, hbk, xiv + 241 pp, £62.50

The message of this book is simple: We are not free; we ought to be; and a Citizen's Income (called here a

'Basic Income Guarantee') is an important means to that end.

The 'propertylessness' in the title represents the diagnosis: that is, that someone who is without sufficient property to meet his or her basic needs is reliant on property owners for the meeting of those needs (through an employment contract, state benefits, or some other mechanism) and is therefore not free. Starting from a definition of freedom as non-interference, Widerquist develops a theory of 'status freedom': 'the effort to identify the difference between a free person and an unfree person', and also a refined definition of freedom as 'effective control self-ownership ... freedom as the power to say no' (p.15). Co-operation with others should always be voluntary, which means that it should be from a position of genuine independence: and it is this 'independentarianism' that requires an individuals' right to property and therefore to a Citizen's Income.

In this book Widerquist draws out the implications of freedom as effective control self-ownership, and particularly its relationship to the individual's co-operation with other individuals, to the labour market, to our ability willingly to sign away our freedoms, and to such theoretical positions as Philippe Van Parijs's 'real freedom' (a positive freedom to do as one wishes consistent with others' freedoms) and Stuart White's 'justice as fair reciprocity'.

Alongside this somewhat abstract discussion of concepts, Widerquist studies today's social and economic context, and concludes that

in a modern, industrial economy [effective control self-ownership] is best secured by an unconditional basic income guarantee large enough to secure housing, food, clothing, and basic transportation, plus enough more that individuals do not display signs of economic distress (p.70)

and also that a Citizen's Income is compensation for our inability to provide everyone with sufficient status independence (p.71).

There is no attempt to escape the logic of capitalism. Trade is a perfectly just mechanism if undertaken by independent individuals and by mutual agreement; and Widerquist shows how a moral obligation to participate can be satisfied better by voluntary participation than by mandatory participation:

Even if people have an obligation to contribute to a just system of social cooperation, giving individuals the power to say no to working conditions they find unacceptable might be a better method to create a just system of social

cooperation than giving a democratic majority the powers both to determine the conditions of fair cooperation and to enforce participation. (p.117)

For Widerquist, the individual's freely-chosen consent to participate is paramount: a freely chosen consent that can only be guaranteed by the existence of an exit option: that is, by the ability not to participate.

This book is many things: an exercise in political economy; a textbook on philosophy and social ethics (particularly in chapter 9 on 'duty'); and a sustained argument for a Citizen's Income: and it is an excellent example of all of them.

However, there remains a problem with terminology. For a UK audience, the language of 'guarantee' is confusing. A 'guarantee' of an income is a promise that someone's income will reach a particular level, and this can be achieved by a means-tested benefit as well as by a universal one. The previous Labour Government's Minimum Income Guarantee was means-tested, and was as far from a universal benefit as it is possible to get. It is unconditionality, individuality and universality that matter, and Widerquist might have stressed these important characteristics of a Citizen's Income more than he has.

But having said that, this is an important contribution to the literature on universal benefits, and therefore to the debate that might one day lead to their extension to working age adults.

Allan Sheahen, *Basic Income Guarantee: Your right to economic security*, Palgrave Macmillan, 2012, xv + 204 pp, 1 137 00570 0, pbk, £17.50, 1 137 34788 6, hbk, £62.50

Each adult who files an income tax return receives an annual 'BIG' [Basic Income Guarantee] or 'refundable tax credit' of \$10,000 – just under the official 2010 poverty level of \$11,139 for one person. The 'refundable tax credit' is available to everyone ... All income other than this credit is taxed. If a person has no income at all, he or she keeps the full credit and pays no taxes. ... If a person's income is high, the amount to be paid in taxes will be larger than the credit received and ... the person will pay out the difference in positive taxes. ... the system is universal – everyone files a tax return, everyone gets a tax credit, and everyone with any income pays taxes. There is no means test, no work requirement, and no explicit eligibility criteria. No one receives a net transfer from the government unless the taxes on the person's income from all sources are lower than the tax credit. (p.86)

Sheahen suggests on page 3 that different people use the term 'Basic Income Guarantee' in different ways, and indeed he offers different definitions on pages 3 and 86. I am assuming that the definition above from page 86 is the one that Sheahen wishes us to employ: and, if that is so, then in this revision of a book that he published in 1983 Sheahen has given us an accessible (in fact, quite chatty) book on Tax Credits: the genuine kind, and not the separately administered means-tested household benefits labelled 'Tax Credits' by the UK Government.

Sheahen sets the scene by offering a brief history of the recent US debate on poverty and the benefits system. He goes on to show that employment can no longer provide everyone with a subsistence income (because manufacturing and other processes are increasingly automated), and that inequality is becoming a serious problem; and he rightly suggests that a Basic Income Guarantee would contribute to the solution of these problems. Objections are tackled (such as 'Is it moral for people to be given income that they haven't earned ...?' (p.63) and whether people would continue to work: they would). Sheahen studies alternative approaches - such as the Government as the employer of last resort: an idea dismissed as impractical.

A Negative Income Tax (NIT) would be almost identical to Sheahen's Basic Income Guarantee/ Tax Credit, so he studies NIT experiments undertaken in the USA between 1968 and 1979, and suggests that the fact that a NIT was associated with an increase in the divorce rate should not be regarded as a reason not to establish one. Sheahen studies the Alaska Permanent Fund Dividend, and he also studies discussions on benefits reform in a variety of countries and asks how the benefits reform debate might evolve in the US. Appendices explore affordability, describe the US's current benefits provisions, and offer additional historical material.

Sheahen's scheme is similar to that proposed by the Conservative Government in the UK during the early 1970s. The difference is that the UK proposal assumed that employers would administer the Tax Credits alongside Income Tax, whereas Sheahen's scheme would be administered by the US Government, which for everyone with a tax liability lower than the Tax Credit would pay the difference into their bank account. These two administrative options suffer from different difficulties. If an employer is to administer the Tax Credit then the employer needs to know details of the employee's income and tax liability relating to sources other than the employer's payroll; and they need to know how such other incomes and tax liabilities change from month to month. If the

Government is to pay the monthly difference between the Tax Credit and the total tax liability accurately each month, then it needs to know how all of that citizen's incomes from different sources are changing from month to month. Whichever option is chosen, the administrative demands are considerable, as they would be for the similar Negative Income Tax.

Terminological clarity might have been helpful. The BIG scheme proposed is a Tax Credit scheme, and it might have been helpful to call it that (in the same way as Negative Income Tax is correctly described). The BIG described is not a Basic Income (or a Citizen's Income), which will be confusing for people coming to this book thinking that 'Basic Income Guarantee' means 'Basic Income': it doesn't. A Basic Income is an unconditional, nonwithdrawable income paid to every individual as a right of citizenship. Sheahen's BIG is withdrawn as income rises, it is completely withdrawn at the break even point where tax liability equals the BIG, and it is not paid above that point. It is not a Basic Income, but it would have effects similar to one.

As long as readers approach this book with an understanding of these terminological issues, they will find it a useful contribution to the debate on the reform of tax and benefits systems.

Tracy Shildrick, Robrt MacDonald, Colin Webster and Kayleigh Garthwaite, *Poverty and Insecurity: Life in low-pay, no-pay Britain*, Policy Press, 2012, v + 256 pp, pbk, 1 847 42910 0, £26.99, hbk, 1 847 42911 7, £70

There is no better way to learn about the effects of the UK's employment market and its tax and benefits system than to hear people tell their stories; and the stories that we hear are stories of the 'precariat' (Guy Standing, *The Precariat*, Bloomsbury, 2011): people whose lives are characterised by precarious employment – if any – and by the resulting precarious income. The back cover of the book says that 'this book is the first of its kind to examine the relationship between social exclusion, poverty and the labour market'. Not true. *Trapped in Poverty: Labour-market decisions in low-income households*, by Bill Jordan et al (Routledge, 1992), followed similar qualitative methods and told a similar story: similar, but not the same, because comparing the two books shows that today many individuals and households are in a far more precarious situation than the households that Jordan and his colleagues interviewed on an Exeter local authority estate twenty years ago. (*Trapped in Poverty* is not in *Poverty and Insecurity's* bibliography.)

Poverty and Insecurity's first substantive chapter, chapter 2, describes the book's 'dynamic' approach to poverty: that is, an approach that studies how people move in and out of poverty. (Here Ruth Lister's *Poverty*, published in 2004, ought to have been referenced.) The authors discuss recurrent poverty, low paid work, the low-pay, no-pay cycle, precarious work, and poor work, all of which appear throughout the book. They discuss the precariat and find that its growth is largely due to workers being 'bumped down' from higher-skilled to lower-skilled jobs; and that one of its most significant features is the high transaction costs experienced when people lose a job: a period of no income while benefit claims are processed, leading to debt, and then to unrepayable debt. A brief history of our means-tested and demeaning benefits system leads to the conclusion that the benefits system contributes to the poor quality of low paid jobs.

Chapter 3 describes Middlesbrough, where the research was carried out, and also describes the qualitative method; and chapter 4 describes employers' and 'welfare to work' agencies' perspectives on the low-pay, no-pay cycle, and finds that such agencies have little contact with people who are regularly in and out of work because their schemes are designed to cater for the long-term unemployed.

Chapter 5 finds that low paid and insecure jobs lead to more of the same and are *not* stepping stones to better jobs; and interestingly that this difficult experience does not dim people's work ethic. Chapter 6 discovers that qualifications might or might not be a road to good jobs, and that most insecure jobs are obtained through friendship networks (an efficient method for both employers and employees when the job might not last very long). Chapter 7 finds that the main drivers of the low-pay, no-pay cycle are the supply of insecure employment and workers' willingness to accept it; chapter 8 discusses the circular relationship between illness and poor jobs, and the similar relationship between caring responsibilities and poor jobs; and chapter 9 concludes that 'neither work nor welfare protected the interviewees from poverty' (p.189).

Chapter 10 concludes that work is not necessarily a route out of poverty, largely because there is a plentiful supply of low-skilled, short term employment, and workers are willing to apply for such jobs. The result is a lot of people in a low-pay, no-pay cycle, and therefore socially excluded core members of the precariat.

Most of the book is well-evidenced diagnosis. The final few pages are prescription: better jobs, by paying a living wage and improving conditions; and poverty reduction by increasing the level of benefits. The

authors find the benefits system to be moving in a punitive direction. Two myths that the authors tackle are that benefits are too high and that the poor do not wish to work. Neither is true.

The authors ask for a 'welfare system that promised social security not greater insecurity' (p.223) – a good description of a Citizen's Income.

Clive Lord, Miriam Kennet and Judith Felton (eds), *Citizen's Income and Green Economics*, The Green Economics Institute, 2012, 339 pp, pbk, 1 907543 07 4, £20

This somewhat passionate book sets off from a classic example of the tragedy of the commons: the story of Easter Island, where for six hundred years the felling of trees for canoe manufacture and statue transportation led to environmental degradation, conflict, and human catastrophe. Expansion always has its limits, and the ways in which we are using the planet's resources and polluting its environment are eerily reminiscent of the issue at the heart of the Easter Island disaster. The absence of an adequate mechanism to enable the community's long term interest in conserving natural resources and protecting its environment is leading to a failure to control individuals' or groups' short-term interest in resource exploitation.

But this is also a hopeful book. It takes as the model for its proposed solution to the problem the way of life developed by the Siane tribe in New Guinea: shared necessities and a free market in luxury goods. From this example Lord et al argue that a Citizen's Income would enable a just sharing of necessities at the same time as freeing the market in everything else. (The flaw in the logic is that amongst the Siane necessities were not automatically exchangeable for luxury goods whereas a Citizen's Income would be an integral part of a money economy in which all goods and services can be exchanged with each other. The parallel to the Siane experience would be universal food stamps, not a Citizen's Income.) As the authors correctly identify, reduced consumption and therefore reduced production can save the commons from degradation, but that will mean disconnecting consumption from jobs, a process which would be facilitated by a Citizen's Income.

The major problem with the book is not so much the content but rather the structure. The book is a somewhat disconnected set of chapters, mostly by Clive Lord, but with others by other authors presumably related to the Green Economics Institute. Whilst each chapter is of interest, it is not easy to discover a consistent line of argument through the book. One reason for this is that the two main themes,

1. a Citizen's Income, and 2. environmental protection and a sustainable economy, are not necessarily as directly related as the authors might think. They are dual enthusiasms, and because they are enthusiasms the potential connections and conflicts between them are inadequately explored. The reader is therefore left puzzled by the combination of themes. A more objective editor might have pointed this out to the authors.

But having said that, the two main themes are important and the book's chapters are often thought-provoking. If you don't have time to read the whole book then read chapter 4, which helpfully summarises the book as a whole, and which is equally helpfully published as a separate eight page pamphlet.

Easter Island's story did not end in complete tragedy. When a Dutch ship arrived in 1722 there were still 3,000 people alive. They had found ways to co-operate in scraping a living from a barren landscape. Lord's, Kennet's and Felton's book is a robust call for us all to act now before there is a tragedy from which we shall need to recover, and is an important contribution to a debate on how Green economics and a Citizen's Income might relate to each other.

Kevin Farnsworth, *Social Versus Corporate Welfare: Competing Needs and Interests within the Welfare State*, Palgrave Macmillan, 2012, xii + 222 pp, hbk, 0 230 27453 2, £55

In this book, 'corporate welfare' means 'governments serving the needs of business' (through subsidies, contracts, tax allowances, etc.) and 'social welfare' means 'governments serving the needs of citizens' (through cash benefits, free education and healthcare, tax allowances, etc.). As Farnsworth points out, both are necessary. They are also connected to each other' Corporate welfare, such as government contracts and subsidies, benefit citizens, and social welfare, such as free education and healthcare, benefit corporations – though there are also ways in which they compete, for instance through government tariffs designed to protect local industries preventing cheaper products from abroad being available to consumers.

The second chapter develops a continuum between social and corporate welfare in the context of a discussion of ideology and of citizens' and corporate needs. (A note to clearly define the difference between 'corporate welfare' – provision for the needs of businesses – and 'corporatist welfare' – company, trade union and other non-state provision for citizen's needs – would have helped the reader unfamiliar with the terms.) Farnsworth concludes that

what governments need to do is ensure that there is a close and complimentary fit between social and corporate welfare and that the burden of supporting the welfare state more generally is shared between all those that benefit from it. (p.74)

The third chapter shows how a more integrated global economy and the reduction of trade barriers has led to an increase in such corporate welfare measurers as investment inducements, and also how a global more liberal ideology has reduced the strength of social welfare, thus tipping the social-corporate balance more towards corporate welfare.

Chapters 4 and 5 employ statistical data to compare social and corporate welfare in a variety of OECD countries, and on p.142 Farnsworth presents a useful graph showing the proportions of state welfare expenditure spent on social welfare and corporate welfare. Somewhat surprisingly, Germany comes out as the most social welfare state, Sweden as a social-corporate welfare state, and the UK between the two. Unsurprisingly, the USA is the most corporate of the corporate welfare states.

Chapter 6 describes the financial crisis as a series of crises, and shows how in countries with a high proportion of companies in the financial sector the pendulum has swung rapidly towards corporate welfare and away from social welfare, which will have a negative effect on economic growth and thus on the corporate sector.

The concluding chapter emphasises the importance of both social and corporate welfare, and calls on the corporate sector to contribute more in order to justify the vast public expenditure that comes its way.

This fascinating study raises a question that the author does not directly tackle: When reform to either corporate or social welfare is being considered, should its impact on the other sector be considered? The answer is clearly 'yes'. This implies yet another new agenda item for the Citizen's Income debate.

Esping-Andersen's name is misspelt throughout, and in general the copy-editing is abysmal, which is a pity. And another quibble: The title suggests that social and corporate welfare are necessarily opposed to each other, whilst the book in fact argues that the opposite is often the case: that is, that social welfare expenditure is good for business and that corporate welfare expenditure is often good for society. A Citizen's Income would provide an important example of a reform that would serve both business and citizens' interests.

Gaby Ramia, Kevin Farnsworth and Zöe Irving (eds), *Social Policy Review 25: Analysis and debate in social policy*, 2013, Policy Press, 2013, xii + 324 pp, hbk, 1 44731 274 1, £70

As Gaby Ramia's introduction to this twenty-fifth annual collection suggests, the choice of papers is evidence of an increasing internationalisation of the Social Policy Association (SPA). The contributions are from Germany, Denmark, the USA, South Korea, Australia, Israel, and the UK. The first part of the volume tackles some particular policy issues faced by the UK's coalition government, chapters in the second part are papers delivered at the 2012 SPA conference, and the third part is on the theme 'work, employment and insecurity'.

All of the chapters address important questions: Is it possible to reconcile policy designed to address fuel poverty with policy designed to address climate change? Does marketisation make the NHS less of a universal public service? Will marketisation of pensions, social care and housing for elderly people breed greater inequality? Does the 'social cohesion' agenda mean that we no longer notice racial disadvantage? Can social policy initiatives generate corporate interconnectedness and therefore corporate power? What kind of welfare states are Israel, China, Japan and South Korea developing? Does unemployment have personal or structural roots? Do current EU regulations sufficiently address the two-tier labour market? How do labour market activation policies affect social citizenship? Is subsidised childcare a route out of the unemployment and fertility traps? Can female employment make up for public spending cuts that hit low income families the hardest?

Two chapters will of particular interest to readers of this *Newsletter*. Jeroslow asks whether the US's Earned Income Tax Credit is palliative or cure, and concludes that quality childcare, improved education and training, improved community services, and more family friendly employment practices are required if the next generation is to escape poverty and the US is not to become an even more unequal society. Equality of opportunity requires a bit more equality of outcomes if it is to work.

Even more relevant is Paul Spicker's evaluation of Universal Credit. Because it is means-tested, and its administration is complex, it will go the way of all other means-tested benefits. It will adapt to the conditions in which it is applied and will become more complex; old rules will be recycled into the new benefit; and for those sections of the population for whom the benefit works least well the system will be

separately managed, thus recreating yet another mosaic of benefits.

Even if Universal Credit fails spectacularly, it will lumber on. (p.19)

Sadly, Spicker does not suggest a solution. He could have done.

Alberto Minujin and Shailen Nandy (eds), *Global Child Poverty and Well-Being: Measurement, concepts, policy and action*, Policy Press, 2012, xxxii + 591 pp, pbk, 1 847 42481 5, £28.99, hbk, 1 847 42482 2, £70

In 2006, the United Nations General Assembly adopted the first internationally agreed definition of child poverty:

Children living in poverty are deprived of nutrition, water and sanitation facilities, access to basic health-care services, shelter, education, participation and protection, and ... while a severe lack of goods and services hurts every human being, it is most threatening and harmful to children, leaving them unable to enjoy their rights, to reach their full potential and to participate as full members of society (quoted on p.3)

In 2007, UNICEF stated that

measuring child poverty can no longer be lumped together with general poverty assessments which often focus solely on income levels, but must take into consideration access to basic social services, especially nutrition, water, sanitation, shelter, education and information (also quoted on p.3)

In 2008, a conference, 'Rethinking poverty: making policies work for children', gave birth to a revived academic interest in the measurement and causes of child poverty. In 2009, Peter Townsend died. His early work on child poverty and his constant commitment to poverty's measurement and abolition have been an inspiration to academics, policy-makers and practitioners, and to the authors of the papers published in this tribute volume.

The first part of the book finds that children's human rights are frequently violated, and that economic growth is far from being a sufficient condition for the elimination of child poverty. The second part discusses a variety of methods for measuring child poverty, and finds that the multidimensional nature of poverty means that cash-defined poverty lines are inadequate on their own. The third part relates case studies on the development of multidimensional poverty indices; and the fourth part studies the causes of child poverty and a number of methods for eradicating it. Of particular interest to readers of this *Newsletter* will be chapter 18,

'Utopia calling: eradicating child poverty in the United Kingdom and beyond'. Ruth Levitas tells the story of the UK's Family Allowance, which evolved into Child Benefit, and shows how other rather different policies intended to reduce child poverty reduce the level of absolute poverty but do little or nothing to reduce relative poverty. She laments the proposal to means-test Child Benefit, shows how social polarisation is at the root of child poverty, and suggests that to increase the level of Child Benefit and establish a Citizen's Income would provide a good basis on which to tackle the many aspects of child poverty. The fourth part of the book shows that economic growth is not a sufficient condition for abolishing child poverty, that tackling one deprivation at a time (for instance, sanitation) can make a real difference to levels of child poverty, and that a global study in fifty countries effectively combines quantitative and qualitative methods to provide a deep description of child poverty. The final chapter, by Peter Townsend, calls for an international financial transactions tax to pay for a global Child Benefit. This is classic Townsend: well researched, big ideas, and quietly passionate.

I have only one quibble: that an editor might have removed duplication, such as the similar discussions of the flawed 'under \$1 a day' poverty definition in adjacent chapters: but such duplication is hardly unusual in a volume which started life as conference papers.

This is a brilliant book, and a most fitting tribute to Peter Townsend's lifelong campaign to measure and eradicate child poverty. Now that we have some more adequate methods of measuring global child poverty, all we need to do is abolish child poverty, and then measure it again to see if we've succeeded.

Danny Dorling, *The No-Nonsense Guide to Equality*, New Internationalist, 2012, 176 pp, pbk, 1 78026 071 6, £7.99

Dorling's egalitarian tract is, as Richard Wilkinson suggests in his foreword, 'multi-faceted and rich in insights' (p.7). Throughout the book, countries in which inequality is greatest are compared with those exhibiting greater equality (- Dorling is, after all, a geographer), and by the end of the book the deluge of facts and graphs has delivered the same message as Wilkinson's and Pickett's *The Spirit Level*: that inequality is bad for us, and as bad for the rich as for the poor. But there are some major differences between *The Spirit Level* and this book. Wilkinson and Pickett attempt to show by statistical methods that income inequality causes other kinds of inequality, and their passion lies under the surface of cool statistical description. There is little attempt at prescription.

Dorling's book, on the other hand, is a passionate denunciation of inequality in all of its forms, a somewhat utopian desire for greater equality, and a clear prescription of what is required.

It is of the nature of such committed essays that argument is cumulative rather than linear, and that is the case here. We are treated to a 'multi-faceted' approach, and what we might call a holdall of a book. We are told that we are going to experience a positive exposition of equality rather than a polemic against inequality, but in fact we are treated to frequent oscillation between the disbenefits of inequality and the benefits of equality. On a single page (for instance, p.53) we find wide sweeps of history, the evolution of public schools, and how religions evolve, and such diversity of material is far from unusual. This all makes for an unnerving ride, but it isn't without its excitement. The book is divided into chapters: 'Why equality matters', 'What is equality?' 'Winning greater equality – and losing it', 'When we are more equal', 'Where equality can be found', and 'How we win greater equality'. But each chapter is in fact a somewhat random selection of inequalities and what's wrong with them, and of more equal countries and what's right with them – including the final chapter, which contains a clear prescription preceded and followed by yet more material on inequalities and the need for equality.

None of this is a criticism. The book is a compelling read, and you finish it utterly convinced of the damage done by inequality, and of the necessity for greater equality – for equality defined broadly as 'being afforded the same rights, dignity and freedoms as other people' (p.41).

The prescription? The book contains numerous carefully researched and argued denunciations of the damage done by educational segregation (- including a devastatingly cool description of how wealthier and more privately educated Bristol gets a lower proportion of its children into higher education than does poorer and less privately educated Sheffield), so we expect the final chapter to suggest that the abolition of private education, or at least the removal of its charitable status, would contribute to greater equality in the UK. But we don't. Instead we find several pages of advocacy for a Citizen's Income. (Dorling is right to suggest that children in the UK receive such a universal benefit, but mistaken to suggest that elderly people receive one – they don't: they receive National Insurance and means-tested benefits, though they will receive something closer to a Citizen's Pension if the recent Department for Work and Pensions consultation gives rise to legislation for a single tier state pension.) Dorling has previously been somewhat less convinced

about the usefulness of a Citizen's Income, but his passionate exploration of inequality, his longing for greater equality, and his reading of Callinicos, have persuaded him of both the desirability and the feasibility of an unconditional, nonwithdrawable income for every individual as a right of citizenship – though he remains well aware of the political obstacles in the path of its implementation.

I've called *The No-Nonsense Guide to Equality* a book. Yes, in some ways it is a book, but it might be better to call it sustained, well-argued and passionate journalism. Whether or not you find yourself sympathetic to the political stance represented by *The New Internationalist*, the publisher, if you are concerned about growing inequality and would like to see greater equality then you will enjoy this book and will find it an inspiration.

The publisher is to be commended on the price.

Malcolm Torry, *Money for Everyone: Why we need a Citizen's Income*, Policy Press, 2013, xiv + 300 pp, 1 44731 125 6, pbk, £24.99, 1 44731 124 9, hbk, £70

From the book:

The structure of the book

Following some notes on terminology and on graphical representation, chapter 1 sets the scene by asking the reader to imagine themselves trying to solve the financial crisis, to imagine some representative people trying to cope with our tax and benefits system, and to imagine themselves creating a tax and benefits system in a country without one. The second chapter offers a historical sketch, because it is helpful to know where we have been before we set off into the future; and chapter 3 discusses existing schemes similar to a Citizen's Income and also some Citizen's Income pilot projects. Chapter 4 discusses the changing labour market and the changing family in order to locate our discussion of benefits reform in its context, and asks whether people would be more or less likely to seek paid employment if they were in receipt of a Citizen's Income; and chapter 5 establishes a set of criteria for a successful benefits system and judges both the current system and a Citizen's Income against those criteria. Chapter 6 discusses poverty and inequality and asks whether a Citizen's Income would tackle them; chapter 7 explores the notion of citizenship in order to decide who should receive a Citizen's Income; chapter 8 asks whether it would be ethical to pay a Citizen's Income; and chapter 9 explores a variety of political ideologies' possible

responses to a Citizen's Income in order to discuss whether a Citizen's Income is ever likely to happen. Chapter 10 asks whether we can afford a Citizen's Income and discusses funding mechanisms; chapter 11 discusses a variety of other reform options, and some issues not tackled in the rest of the book; and a brief chapter 12 offers a summary argument for a Citizen's Income. (p.viii)

A review by Professor Bill Jordan

This is a very important contribution to current debates about tax-benefits systems. In his carefully-argued and comprehensive examination of the case for and against Citizen's Income, Malcolm Torry presents an updated and extended review of the state of play in the UK and worldwide. Even as some developing countries are experimenting with versions of the idea, ours seems as far from doing so as ever, despite its obvious advantages.

We are living through the most recent of a series of missed opportunities for the principle of state payments to all citizens to be accepted. Whereas the others (such as the introduction of contributory National Insurance benefits and National Assistance after the Second World War, and of Family Income Supplements for low earners in 1973) were innovations in income maintenance systems, the present one combines financial and fiscal crisis with the consolidation of means-testing and coercion through 'Universal Credits'. As Torry points out at the start of the book, 'money for everyone' could have been an alternative approach to both the bail-out of the banks and the Duncan Smith reforms

The early chapters of the book set out the processes through which our present mix of universal, contributory and selective benefits was established, how universality as a principle was accepted in the case of Child Benefits, and how a CI scheme might be implemented (for specific groups first, or at a low initial level). There follow four chapters on criteria for a benefits system, demonstrating that CI scores well for coherence and simplicity, adaptability to changing family patterns, supplying incentives, efficiency and dignity, and appropriateness for a flexible labour market.

He analyses with care the issues of work motivation and the responsibilities of citizens raised by the proposal, acknowledging that prejudice and timidity have influenced political responses to the idea, even in the face of strong evidence. For instance, despite the finding from a CI experiment in a district of Namibia that people engaged more in work and education, the government still expressed fears that a wider

introduction of the scheme would make people lazy. Yet even in the face of these barriers, CI has continued to gain wider attention.

Above all, these chapters show how what was originally seen as an outrageous idea, espoused by a handful of outsiders, has gradually come to be accepted by a wide range of philosophers, sociologists, political theorists and members of the social policy community. With impressive scholarship, Torry assembles the arguments and research findings by which scoffers and nay-sayers have been converted (or have converted themselves) over the past 40 years.

Finally, he demonstrates that all the major political traditions support goals that would be served by CI – individual enterprise for the New Right, equality and solidarity for Socialists, inclusion for One Nation Conservatives, personal freedom for Liberals, efficiency with justice for Social Democrats, and modernisation for advocates of the Third Way. It could also be introduced in affordable ways. So why is it still marginal to politics in the UK, USA and almost all of Europe?

Although Torry does not say so, the answer seems to be that – with capital in the ascendant over organised labour, and globalisation extending its strategic options – it is the disciplinary role of the state that all political regimes seek to uphold. Instead of improving incentives for work, enterprise and savings, they scrutinise and sanction those with low earning power; instead of enabling family formation, they police parenting; and instead of promoting equality, they divide and rule.

Malcolm Torry's book shows that the introduction of a CI could be rational, ethical and efficient, if combined with other measures to promote sustainability and the common good. It could also be afforded under several different taxation regimes. Unfortunately, none of this makes it likely to happen, so long as power over societies is exercised for the benefit of the few.

Professor Bill Jordan, Plymouth University