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A Basic Income (BI) scheme would phase out as many reliefs and allowances against personal income tax, and as many existing state-financed cash benefits as practicable; and would replace them with a basic income paid automatically to each and every man, woman and child.

Basic Income would enhance individual freedom, and would help to:—

- Prevent poverty
- End the poverty and unemployment traps
- Reduce unemployment
- Create a less divided society

EDITOR: Hermione Parker
ASSISTANT EDITOR: Susan Raven

APPEAL FOR SPONSORS

In earlier editions of the Bulletin we appealed for support from all organisations and individuals who share our belief that there must be far-reaching changes in social security and personal taxation. Hundreds of individuals and voluntary organisations have become BIRG subscribers. If you are not on our mailing list, why not consider joining us by completing and returning the application form on page 32. Subscribers are not committing themselves to support a Basic Income. They are encouraging informed debate about the desirability and feasibility of reform along these lines.

THE BASIC INCOME RESEARCH GROUP was set up in 1984, under the auspices of the National Council for Voluntary Organisations, to research all aspects of reform along the lines of a basic income. In 1986 it affiliated to the BASIC INCOME EUROPEAN NETWORK (BIEN), which it helped to found.

BIRG is not a pressure group, nor is it aligned to any political party.
**EDITORIAL**

For more than ten years, that is to say since Mrs Thatcher first became Prime Minister in 1979, tax and benefit changes in the UK have been based on the theory that the best way to help the poor is by helping the rich — the so-called ‘trickle down’ effect. How it would come about was always beyond most people’s imaginations, yet the Government produced figures to prove it. Between 1981 and 1985 real net incomes after housing costs were said to have gone up by 8.4% for the lowest 10% of the population, compared with 4.8% for the population as a whole.

Then suddenly, in May 1990, the myth exploded. Determined prodding by the House of Commons Social Services Committee revealed that the increase in living standards at the bottom had in fact been just 2.6%, compared with 5.4% for the population as a whole.¹ As the Committee’s Chairman, Frank Field MP, commented at the time, there is no hidden hand that will automatically direct more resources to the poor. Only governments, through Parliament, can do that.

Having demonstrated the perverse effects of existing tax and benefit systems, the Committee should now examine alternative strategies for the reform of both, including radical proposals like Basic Income (BI) or the Liberal Democrats’ very similar Citizens’ Income (CI). In 1983 a Sub Committee of the House of Commons Treasury and Civil Service Select Committee recommended that government put work in hand to examine the economic and administrative feasibility of Basic Income Guarantee schemes and the then Liberal Party’s Tax-Credit proposals.² Unfortunately the Sub Committee’s report was overtaken by the 1983 General Election, and was never agreed by the full Committee. But it is still available for reference purposes and it contains much useful material, including a clear preference (within the Sub Committee) for Basic Income or Tax Credits, as opposed to Negative Income Tax.

The Social Services Committee’s revised figures refer to the bottom 10% of the population. Figures for the bottom 5% would almost certainly be worse. Until May 1988 the Department of Health and Social Security published regular estimates of low income families, which showed — among other things — how many were living on incomes below Supplementary Benefit levels. (Until April 1988, when it was replaced by Income Support, Supplementary Benefit was Britain’s safety net of last resort.) The last published figures, which refer to 1985, showed 2.5 million persons (about 5% of the Great Britain population) dependent on net incomes below the Supplementary Benefit guaranteed amounts. Some families were entitled to benefit but not claiming, whilst others had neither money nor entitlement.³

One of the attractions of Basic Income (BI) is that virtually no one would be left out. Like child benefit, with its 98% take-up rate, BI would give automatic protection to the entire population. The need to claim would be removed, and working-class people would get that small degree of financial independence (so conducive to further education, training and risk taking) that the

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¹ Comment made during the Select Committee’s Public Hearing (8 September 1988).
middle classes take for granted. Exactly how much independence would depend on the BI amounts, but as a start almost anything would be better than nothing. For instance even $10 a week adds up to $40 for a couple with two children.

Of course working-class people have always taken risks and continue to do so. The difficulty at the moment — as Bill Jordan and Simon James explain in their article for this Bulletin about life on an Exeter council estate — is that benefit regulations no longer match the labour markets in which people are trying to work, hence they discourage and even criminalise risk taking. So does the tax system. Small businesses have to pay national insurance contributions (and now the uniform business rate) regardless of whether or not they are making any profits. Workers have to pay income tax, national insurance contribution (and now the poll tax) on earnings below the benefits payable when they are out of work. With a BI system this would change. National insurance contributions would be abolished, the BI would be paid automatically — in advance — whether or not the individual was in paid work, and the first slice of earned income would be tax-free.

So powerful is the case for BI that Britain’s third largest political party — the Liberal Democrats — has come out in its favour. Because of Britain’s weird voting system, the Liberal Democrats have only 19 Members of Parliament, yet at the last election about 20% of the electorate voted for them. Philip Vince describes their reform proposals in this Bulletin. Although BIRG is not happy about some of the detail — for instance the decision to pay an old age pension of $48 for single people but only $75 (much less than double) for married couples — we greatly welcome the unanimous decision by Party members to move in this direction.

"I believe that some form of BI is a fundamental thing we owe to older people", says Sally Greengross (Director of Age Concern) in her interview with Susan Raven. "It must also", says Charles Hall, "be unconditional". But at present the tide seems to be moving in the opposite direction. Partly under the influence of Charles Murray — the Manhattan Institute’s ‘guru’ extraordinary to Britain’s New Right — the war against poverty is becoming a war against the poor. Poverty is now perceived as a self-inflicted wound, largely behavioural and closely correlating with deviance.

Some of the Government’s closest advisers — for instance David Willetts of the Centre for Policy Studies — argue against BI on the grounds that, like Negative Income Tax (NIT), it would encourage behavioural poverty. More families would split up and more workers with low earnings potential would quit the (regular) labour force. To substantiate his case, Willetts quotes the results of the North American NIT experiments, but his argument is flawed because he assumes that BI and NIT are the same — which they are not. A NIT system that tops up the incomes of low-income families in arrears, that takes households instead of individuals as the assessment unit and has guarantee levels that are lower (proportionately) for couples than for single people, can be expected to result in more ‘poor’ people claiming welfare benefits and more lone parents — certainly at the margins. But Basic Income — as Philippe Van Parijs points out in his major contribution to this Bulletin — is not ‘any old’ minimum income. It is a universal benefit, credited in advance, on the basis of citizenship or legal residence, with no differences on account of sex or marital status.

BI, unlike NIT, is likely to reduce welfare dependency, by increasing work incentives and strengthening the relative economic position of two-parent families. On this point BIRG would disagree with the classification used by Roebroek and Hoogenboom, in their report for the Dutch government that NIT is a form of BI.

Of course the effects of BI are uncertain, because it has never been tested. The only BI we have is child benefit, and no one (not even its worst enemies) claims that child benefit leads to ‘deviant’ behaviour. On the contrary most groups concerned with the family, whether on the Left or Right of politics, want higher child benefit. Most BI schemes increase child benefit and they also provide an automatic, tax-free, non-withdrawable income for non-earning spouses — most of them mothers. This would be far more welcome to mothers of young children than the child tax allowances proposed by Lord Joseph in a recent paper, because the child benefit would go direct to the mothers (instead of the fathers), and could be used as an earnings replacement benefit or to buy childcare. Also, with BI — but not with child tax allowances — there is no danger that some families may have insufficient incomes to set against it.

In the void left by the collapse of Soviet-style state socialism, the need to beware of American gurus and American-style unrestrained capitalism has never been more acute. Were it not for the limitations of ‘laissez-faire’ capitalism, socialism would not have been invented. Adam Smith’s ‘invisible hand’ always did have a reflex action in the direction of well-heeled males — nor does it protect the environment against the depredations of capitalists trying to maximise profits and of poor people trying to stay alive. What the world needs now — urgently — are tax and benefit systems that temper the economic efficiency of capitalism with the redistributive, caring functions of democratic socialism. Above all it needs systems which are ‘planet friendly’ — which do not require exponential economic growth rates to sustain them, and which would help third-world countries to stabilise their populations.

So far, BI is the only option that aims to do just that.

Along with other subscribers in the London area, BIRG’s telephone number has been changed. Please note the new one, which is: 071 639 9838

Please also note that, as a registered charity, BIRG is now able to accept deeds of covenant. Covenants for £30 or more would be particularly welcome.

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1. Low Income Statistics, House of Commons Social Services Committee, Fourth Report, Session 1989-90, HMSO.
The Third Age

Charles Handy

It has never happened before, at least not on this scale. A whole new generation is coming into being, a generation free of full-time work and parenting, in their middle to late fifties and living on into their mid-seventies with health and vigour relatively unimpaired: twenty years of life of a kind denied to earlier generations. My own father, for instance, retired at 72 and died at 74, giving him a Third Age (which he much enjoyed) of a mere two years.

The Third Age is preceded by the First Age, of growing and learning, and the Second Age, of working and parenting, and is followed by the Fourth Age, of dependency and growing senility. The boundaries of these ages are never precise and are always changing. For most people the Second Age lasts from 18 to 58, but is now contracting at both ends as more people stay longer in education or retire earlier. The average retirement age in big firms like IBM is now 55, while many, perhaps too many, are pushed into early retirement at 52 with little chance of finding another job. Today, some 20% of our total population is aged between 55 and 75. It is a figure that is going to grow as the bulge of the sixties grows older.

‘Retired’ is the wrong word to describe these people. They still want to contribute to society, they still want to work, they still want and need to earn money. Many would be very happy to stay in full-time employment until their sixties or even seventies, but this is still a privilege denied to most unless they are doctors, judges or politicians. Business and other organisations don’t need them; there are hordes of younger, mostly better-educated, people behind them and, despite a dearth of teenagers, this situation will continue. The population of working age will continue to rise slightly over the next twenty years. With 20% of the population finding themselves as fit at 60 or even 70 as their fathers and mothers were at 50, with full-time employment behind them, there is a new situation in society. It begs the question ‘what will they do?’ and ‘what will they live on?’, the last being of particular interest to readers of this bulletin.

For some, no doubt, tending the garden, entertaining the grandchildren and watching the television will be enough. I suspect, however, that this will be a small minority. For all that we lament the passing of the work ethic, that ethic still seems to be deeply ingrained in the generation that grew up during and after the war. Work, however, will be redefined. No longer, for this Third-Age generation, will it mean mostly, or even often, a full-time job. It will be self-employment, as consultant (the grey advisors) or craftsman (clock or antique repairer); it will be part-time worker in office or supermarket, it will be temporary helper in peak periods in the hotel and tourist industries, it will be para-professional in schools, surgeries and lawyers’ offices, doing the counselling and help-out jobs which do not need fully-trained professionals.

This is still paid work. Work for nothing, or for expenses only, will also become more common among this age group, provided it is seen and regarded by all as proper work. Sitting on committees, joining small task groups to organise a show or exhibition, running community care schemes, delivering meals or other forms of personal care – all these will be increasingly formalised so that they are seen as proper jobs, with contracts, even if no money changes hands for that sort of gift work.

Then there will be study work. Let no one think that education for this age will be all fun and leisure. Many will use the opportunity to make up for a lost youth, to gain credentials they had always yearned for, as well as to study English Literature or Renaissance Art as a form of self-enrichment. It will be work for most of them, not leisure, and they will make sure that it is seen as such by those around them.

Next, there is home-work. Technology makes household chores more tolerable, more user-friendly, less sex-determined. More men in this age will turn cook, or chef as they will think of it. Men may even find that the immediate evidence of improvement that comes from hoovering a room is preferable to the empty feedback that goes with many office jobs. In other words, they may come to enjoy it and even to boast of their culinary and ironing skills.

Lastly, but never least, there will be caring work. Many nests will not be empty for long. Departing children will soon be replaced by arriving parents, or, increasingly, step-parents. For most people, their Fourth Age will not be lived in an institution but in the home of their Third-Age offspring. Sometimes more troublesome than children, these ageing parents will provide a lot of real work for many people in the Third Age.

It is against this background of five sorts of real work that we need to examine the income requirements of the Third Age. The Geneva Association, which is funded by the insurance industry to research into such matters, talks intriguingly about the Four Pillars of financial support in the Third Age. The First Pillar is that of state support, be it in the form of pension, income support, or other forms of welfare payment. The Second Pillar is an occupational or personal pension, available on current form to about half of those entering this Age. The Third Pillar is personal savings, or, increasingly, inheritance. As Britain becomes a house-owning society, arguably Margaret Thatcher’s most lasting claim to fame, more people in their fifties are inheriting homes which they do not need from their parents. These surplus funds are, in effect, savings made for them by their parents. The Fourth Pillar is part-time work or self-employment.

If all four pillars exist then the individual or, better still, the couple will not be badly placed financially. Indeed, they should be in a position to price what work they decide to do at marginal cost, thereby not only guaranteeing themselves some customers but also reducing the average cost of labour in society. Happy are those whose order book is long and who only have to cover their costs. They can pick and choose and truly enjoy their work.

Unfortunately there will be many who lack all but the first pillar, who have no pension scheme, occupational or personal, who have inherited no house and saved no
money and whose skills are unlikely to be in demand on a part-time basis. Who, for instance, wants a self-employed, part-time foundry worker? For these people the first pillar, of state support, is essential. It must also be unconditional so that if they decide to try their hand at mini-cabs they do not, by starting their fourth pillar, automatically lose their first one.

For the Third Age an unconditional Basic Income scheme is imperative, even if it should masquerade for a time under another name. Inevitably it will be a Partial Basic Income, although I would have preferred, for this group at least, that it be as full as possible and be withdrawn by applying income tax to all other sources of income. In this Age, after all, sufficiency is the goal, not optimisation. As long as there is enough to live on in comfort, there is no point in seeking to maximise income. It is a time for disposing of things, not for acquiring them.

The Third Age, in fact, provides an opportunity for pilot testing. It is a discrete section of society but one which will increasingly set norms and fashions for the rest. These will be, or could be, the admired elders, the ones with the disposable income, the ones with the time to do what they want to do, the ones who have stopped pretending. What they do the rest will soon imitate or at least pay heed to. We could experiment with them, at moderate cost, and so make the idea workable and practicable to the rest. Instead of starting with a very partial Basic Income for all we might want to start with a Full Basic Income for a proportion and see how it works, because they will set a trend.

It will, for instance, soon begin to dawn on those in their Second Age that that Age will not continue forever and that there will be another whole chunk of life ahead. They will move into it sooner, and with more confidence, if they know that their world is underpinned financially by a Basic Income and that they can therefore afford to use their Third Age to experiment, to do what they were not able to do before, to seek out new areas of work and develop in themselves new areas of expertise.

The Third Age could in fact be the flowering of our age. Peter Laslett of Cambridge, in his book on the Third Age¹, sees it as the time of personal fulfilment. Undoubtedly it could be so for some. If it is to be so for many, then the assumed guarantee of an adequate First Pillar is essential. With that guarantee people would have the self-confidence to explore all their talents and live life to the full. This would not only be good for them but would postpone the onset of the Fourth Age.

It is that Fourth Age of dependency which is so expensive for society. In 1900 there were only 61,000 persons over 85². No wonder old age was revered and well looked after. There were so few of them. By the year 2000 the comparable figure will be 1 million³. If these very old people are not to be a massive drain on our resources they will need to be as active, as healthy and as self-supporting as possible — still in their Third Age in their nineties. The best preparation for this is a successful earlier Third Age, and the best underwriting for that is some form of guaranteed Basic Income.

The Carnegie UK Trust has invited a three-year inquiry into the Third Age, which started in April 1990. They will be considering many aspects, from health through wealth to education and work.

The object of the inquiry is to put the Third Age on to the social agenda, so that more people can understand it, can accept it, can plan for it and can enjoy it. If some form of financial independence can be guaranteed to all — to the Welsh miner as well as to the former stockbroker — we may yet see an enrichment of our whole society. If not, it may be impoverishment for too many.

Professor Charles Handy is the author of many books, including: The Future of Work (Blackwells, 1984) and The Age of Unreason (Hutchinson Business Books, 1989). He is currently visiting Professor at the London Business School.

References
In 1989 Bill Jordan, Simon James and Helen Kay, all of Exeter University, set out (with funding from the Economic and Social Research Council) to fill a resounding gap in academic and official knowledge about poverty, by asking 36 couples in two-parent households and 8 lone parents about their recent job decisions. All those interviewed had dependent children and all were living on the most deprived council estate in Exeter. They were asked how they had decided which jobs to take, for what hours, at what pay and with what prospects of training or promotion.

BIRG is extremely grateful to the authors for this preliminary account of their research. If it can be shown that existing benefit regulations no longer fit the way people live, the case for changing them is strengthened. Under present law a claimant receiving National Insurance unemployment benefit may not earn more than £2 a day and his/her spouse/partner may not earn more than £23.05 a week. Claimants receiving Income Support may not earn more than £5 a week (each spouse or partner). BIRG argues for replacement of this system by a Basic Income system, in which case all earnings rules would be abolished, and the black economy of welfare (claiming and earning) would be decriminalised.

It ought to be compulsory for academics, politicians and lobbyists who write about poverty to spend some time every few years interviewing people who are poor. Our pronouncements — glib or sophisticated, crude or computerised, judgemental or sympathetic — probably say more about ourselves than about the reality of their lives. Remarkably little British research evidence is available about the context and content of the world behind the statistics, theories and political rhetoric.

For example, there has hitherto been no comparable detailed, qualitative study of the impact of the unemployment and poverty traps on labour-market decisions. The aim of our interviews was, as far as possible, to let the respondents speak about their experiences in their own way, and not to confront them with a predetermined set of categories and experiences in the form of a questionnaire. This approach makes analysis a great deal more difficult, of course, than the more usual type of survey by questionnaire, but it does allow other important factors to emerge which might otherwise have been overlooked.

The interviews varied a great deal in length, but ideally lasted about an hour with each partner individually, followed by a joint interview. The interviews were taped and the support of the Economic and Social Research Council is gratefully acknowledged. The respondents were all living in the same small area of Exeter and hence had approximately the same access to employment and transport. However, they did not form a statistically-designed sample and we are in no way claiming that our findings can be generalised. As will become clear, there are difficulties in defining the employment status of the respondents, but broadly speaking, among the 36 couples, 21 of the men were in employment, 4 were self-employed and 11 unemployed. Of the female partners, 3 were in full-time employment, 15 were in part-time employment and 18 did not have paid employment. Of the lone parents, all 8 were women, of whom 4 had part-time, paid employment and 4 had no paid employment.

**Them and Us**

In presenting the results of our study, our first problem will be to bridge the yawning gap between the comfortable audience we shall be addressing in print, and the life experiences recounted by our respondents. We have still to complete the analysis of the interviews, but it is already clear — from the few informal papers we have already given to academic audiences — how difficult it is to present these accounts within the conventions of social science discourse, or to address theoretical and ideological issues which are the stuff of the debate about poverty, yet are seldom discussed by the poor themselves.

One part of our discomfort concerns our interviewees' frankness about breaching the social security regulations, particularly by working for cash while claiming, and to a lesser extent by not declaring cash work to the income tax authorities. These are not casual incidents or furtively opportunist occasions; rather they are part of the way of life of this community, which appear in a matter-of-fact way in their accounts. They are included, along with other more orthodox actions and omissions, in respondents' constructions of their ways of matching available economic opportunities to personal and household needs within their particular constraints. Each respondent constructs an account in which some such breaches are accepted (or taken for granted) as legitimate, while others are rejected as unacceptable.

This requires us to see our interviewees as actors in their own social world, and creators of it, rather than as passive victims. In this respect, it contrasts with the view of poor people portrayed through government administration and in the literature of the poverty lobby, both of which tend to convey those in 'genuine need' as suffering and helpless, differing mainly in their estimates of the extent of this condition. Instead, poor people's own accounts represent them variously as resourceful, frustrated, active, resigned, contemptuous of the dominant lifestyle, conventional, mutually supportive, competitive, preferring their own way of life, angry, defiant, depressed, and so on; but in general not marginal or excluded from the mainstream. They are very much at the centre of their own world, as members of a lively community struggling, with some excitement and some pain, to sustain itself.

**Labour-market categories**

From an early stage of our study it became apparent that another issue for our analysis of the interviews would
be how to classify respondents' work experiences. Our questioning reflected the administrative categories used by government departments regulating employment, tax and benefits, but the labour market for our interviewees did not fit this scheme. Many of the men had experienced frequent or prolonged unemployment in the early and mid-1980s, and since then had done a variety of paid work which is often hard to classify. Frequently it does not present itself in the form of a "job" advertised in a newspaper or at a Job Centre, with a regular wage, hours and fringe benefits, for which there is an application form and an interview. It is more likely to present itself as a knife on the door and the offer of a day, a week or an indefinite period of paid work for cash.

Because of the fragmentation and casualisation of employment, our male respondents could not easily provide adequate regular incomes for their households within the rules governing benefits and income tax; some of them even had difficulty answering questions framed in terms of those administrative categories. Men who described themselves as "self-employed" were sometimes talking about a form of unprotected employment (mainly in the building industry), and sometimes denoting an attempt to produce a reliable income from a number of part-time or short-term contracts.

For the women we interviewed, available work was expected to be compatible with what they defined as their primary role — childcare — and also to "fit" with their partner's employment. In practice, available employment usually took the form of part-time employment or casual work, often constructed by employers to pay wages at levels below the income tax threshold and Lower Earnings Limit for National Insurance Contributions. Consequently they faced a treble set of constraints — their child-care obligations, the administratively-structured limits on their earnings, and the often unpredictable employment patterns of their partners.

Of the 36 couples, 13 had a man in full-time work and a woman in part-time work; 3 both in full-time work; 2 both in part-time work; 7 with the man only in work; and 11 with both out of work. However, in some cases the man's employment status was confused or contested, or had very recently altered, indicating that in some ways women's employment provided potentially more regular and predictable family income.

Men and women

These irregularities and constraints in the labour market raised issues for our respondents around the definition and performance of gender roles. They started from fairly traditional expectations of these roles, the men defining themselves primarily as economic providers, the women primarily as carers for the children; yet men's earnings were neither regular nor high enough to yield a 'family wage', and women could not easily "fit" their work around such fluctuating employment patterns. As a result, there was a good deal of potential tension around these issues in many households, and this was often reflected in the accounts given in joint interviews (which tended to be rather bland, and to evade contentious issues between partners), or in refusal or avoidance of joint interviews.

Alan Carling has recently argued that, under certain conventional economic assumptions, household formation will be a rational choice for individuals only where there is a marked wage differential between them, and where the person with the higher wage rate then uses earnings from the labour market to 'employ' the other to do both shares of housework, at a 'wage' between the two rates. It might be argued that traditional gender roles reflect such a model, and that, depending on movements in the ratios between the wage rates and the quantities of paid and unpaid work to be done in a given lifestyle, these roles will alternate between 'dual-earner' and 'breadwinner' patterns, and could produce role reversal. However, the model would lead us to expect considerable tension around role expectations during periods of rapid economic change, and perhaps especially when men's and women's wage rates are at or near the same (low) level, as may have been the case near the bottom of the labour market in the 1980s. These issues will have to be more fully explored in our data.

Decision-making

Linked with this issue of tension over the dissonance between role expectations and available work is the question of decision-making. There are many thorny theoretical issues in this area, and our analysis of our respondents' accounts must try to shed light on these, but at first sight our data looked unpromising. There is little to suggest that couples have a coherent 'strategy' over labour supply, as is implied by Ray Pahl's work. This is hardly surprising, given the ad hoc and short-term nature of the choices presenting themselves to the partners, and the hand-to-mouth nature of much of their budgeting. However, it may well be easier to interpret their accounts in terms of work on 'income strategies' developed by poor people in Third World countries. Here studies such as those by Keith Hart in Africa may be instructive.

As already argued, labour supply decisions are clearly made under assumptions relating to gender, and reconciling those decisions with family responsibilities is a central topic in the women's accounts. Here Janet Finch's authoritative analysis of kinship obligations provides a potentially valuable framework for considering the way our female respondents justify their decisions to work or not to work. What is usually missing from their accounts, however, is a detailed history of negotiations between partners about these issues. It seems that either the roles themselves are strictly non-negotiable, or the conflicts around achieving a 'fit' between men's and women's responsibilities are too painful to be shared with an outsider.

Tax and benefits

We wanted to see whether poor people constructed their decisions over labour supply (to work or not to work) in terms of marginal tax rates, and how conscious they were of benefit factors in moving between unemployment, employment and self-employment. We were not surprised to find that they seldom spoke of these issues in their accounts. Sometimes the issues were implicit, as when women spoke of their part-time hours and pay (usually just below the thresholds for tax and NI contributions) or when men said that a job did not pay enough to be
worth taking (usually this would by implication take the benefit rate as a baseline). However, the fine calculations over loss and gain illustrated in much econometric and social policy modelling of responses to tax and benefit changes were well beyond the ability of our interviewees.

This was not because they did not understand the systems (for the most part they did), but because their earnings were too unreliable and unpredictable, and the tax and benefits machinery too slow and fallible. Even if they had tried to work out the exact theoretical consequences of their decisions, these would have been disrupted by subsequent unforeseen contingencies, or by the delays and mistakes characteristic of benefits administration — in several cases, couples had got quite severely into debt as a result of these.

Under these circumstances, however, certain responses not predicted by overly-abstract modelling became understandable. For example, some men seemed to regard working for cash while claiming benefit as legitimate, within a far wider range of earnings than those prescribed by the benefit regulations. (This might be compared with the legitimate reclassification of income from employment to self-employment for tax purposes.) In a few such cases, their partner taking employment seemed to be the trigger for changing their status from 'unemployed' to 'self-employed'. Given the uncertain duration of such work, the likely delay in adjustment of benefits (for example, a claim for Family Credit) and the different risks of detection between one and two members of the household working, these practices are rational and prudent.

Conclusions

At first sight, evidence like that summarised in the last paragraph appears to have obvious (and positive) implications for Basic Income. But these are only a few accounts among many, only one of which can be read as a direct endorsement of BI principles. Ironically, the couple in question were the least representative of the culture of this community — in some ways the most sophisticated and 'middle class', the most scornful of the work ethic and the government’s ideology on benefits, the most willing to acknowledge their evasion of attempts by the authorities to drive them into unskilled, low-paid work, and the most articulate in their construction of an account which claimed rights to unconditional benefits and unrestricted earnings.

In our analysis and presentation of poor people’s accounts of working and claiming, we are trying to be as true as possible to their own legitimations of their decisions and ways of life. This means resisting temptations to present them as 'lobby-fodder', whether for those who want to denounce the depravity and degeneracy of the underclass, or for those who seek support for changes in the benefits system. All this is very salutary for me, as a writer who has moved further and further from my roots as a social worker and activist in poor people’s movements. It means going back to listening to them, instead of putting words in their mouths.

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Basic Income
Alternative Benefit or New Paradigm?

Joop M Roebroek and Erik Hogenboom

This article summarises the research project Basic Income: Alternative Benefit or New Paradigm undertaken by Joop Roebroek and Erik Hogenboom under the authority of the Commission for Research into Social Security (COSZ) of the Dutch Ministry of Social Affairs and Employment. The purpose of the project was to analyse the international and national (Dutch) discourse on Basic Income (BI), and to assess its potential as a future social security option. It was completed in Autumn 1989.

Alternative benefit or new paradigm?

At the root of our project were questions concerning the relationship between existing social security systems and possible new arrangements if Basic Income (BI) were introduced. These questions were thought to be more important than the detail of specific schemes.

Are those who advocate BI arguing for a simple, easy-to-understand benefit to replace existing benefits — in all their variety and complexity? Or does the BI solution go further? Are BI advocates pleading for a much broader approach to social policy — a new paradigm for the ordering of society, with economic, social, political and ecological implications?

Or, and this was a third option, is BI a mixture of both?

These questions were answered by a series of analyses:

1. Theoretical examination of the BI concept
2. Survey of the arguments for and against BI
3. Analysis of the international debate
4. Analysis of the Dutch debate

1. What is BI?

In order to analyse the BI concept (and concrete proposals for it) we started with three main variables:

- Its central (or hard core) characteristics, that is to say its unconditionality in relation to labour-market status, other income, household type and personal characteristics (e.g. sex, race or age).

- Its implementation, including BI amounts and methods of delivery, financing and administration, and whether it would be introduced all at once or gradually.

- Its underlying goals, for instance economic, social, political, institutional and ecological goals.

We then developed a more detailed typology of BI models, based on their central characteristics, i.e. the degree of conditionality in terms of labour market status, other income, household type and personal characteristics. Contrary to the theory that BI is always unconditional, in the concrete proposals all sorts of conditions are reintroduced. By setting out the different rules of entitlement (see diagram) we were able to distinguish five main BI prototypes: full BI, partial BI, household BI, negative income tax and contractual BI. And in line with the international debate on BI, we allowed for varying amounts of conditionality.

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<th>MODELS FOR A BASIC INCOME</th>
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<tr>
<td>CONDITIOnAL OR UNCONDITIONAL</td>
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<td>Full/Partial</td>
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<td>Basic Income</td>
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<td>Labour market status</td>
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<td>Household type</td>
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<td>Personal characteristics (Un)conditional</td>
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Only full BI is completely unconditional, all the others contain several conditions:

- **Full BI (FBI)** is defined as an income provided unconditionally by the state to every citizen, and sufficient to live on.

- **Partial BI (PBI)** is defined as an income provided unconditionally by the state to every citizen, but insufficient to live on.

- **Household BI**, which in the Dutch debate has been proposed by De Beer and Salverda, means a BI amount that is determined by household composition. For instance, starting with a couple as the reference point (= 100%), a single person gets 70% and a lone parent gets 90%. For each child there is an additional 20%.

- **Contractual BI** is one in return for which each citizen undertakes to work, either in industry or in the social services. This approach is in the tradition of Edward Bellamy, Jozef Popper-Lynkeus, Jacques Duboin, Juliet Rhys Williams and more recently Gunnar Adler-Karlsson and André Gorz, all of whom look upon BI as part of a contract between the individual citizen and society. Gorz refers to 20,000 hours of work per lifetime.

2. Arguments for and against BI

A long list of economic, social, political, institutional, and ecological arguments used in the international discourse for and against BI was examined. On the basis of this exercise we made two general observations.
Firstly, that most of the argument in favour of BI comes from the left of politics — but with a large diversity of participants. In terms of political parties and social organisations BI advocates come mainly from small left-wing parties, some small trade unions, new social movements and claimants' organisations. Although some BI advocates have also been formulating arguments against it, as have representatives of right-wing political parties and organisations, the main critics have been representatives of social democratic and green parties, trade union federations and large trade unions. That is easy to explain. Minority groups (sometimes large, sometimes small) within these parties and organisations have, through their advocacy of BI, been stimuulating debate about it.

Secondly, within the debate for and against BI, certain broader issues can be observed. Despite some common ground, for instance the struggle against poverty and bureaucracy, and the need for greater efficiency, two very different approaches can be distinguished — one market oriented and the other collectivist.

The market-oriented argument rests on two main themes — one economic, the other institutional. The economic case is argued at macro and micro levels. BI is said to create more room for free operation of the market concerning innovation and the introduction of new technology, unit labour costs, mobility and flexibility, the application of new forms of labour, the structure of the labour market, industrial relations and wage determination. The institutional case for BI emphasises the need to streamline existing tax and social security systems, not just in the interests of efficiency, but also to create a space for 'private' arrangements at 'above-basic' level. Some social and political arguments also accompany this approach, which sees BI as a means of strengthening social cohesion and countering dissatisfaction and unrest.

The collectivist approach takes in a broad range of arguments. The economic case for BI focuses on the redistribution of work, the ending of distinctions between formal/informal and paid/unpaid work, and improvements in working conditions. The social case for BI emphasises the autonomy of the individual, equality between the sexes, increased financial independence (especially for women), and social solidarity replacing social division. The political case is couched in terms of far-reaching democratisation, more political participation by citizens and a strengthening of the power of workers and claimants. In terms of administration BI is described as simpler, less repressive and more client-friendly. There is also a broad range of ecological arguments.

3. The international discourse

The roots of the recent international discourse on BI date back to the 1960s, when the idea of a negative income tax (NIT) crossed the Atlantic from North America. During the early 1970s the NIT concept received support mainly from Europeans of the new right (neo-liberals). However, in the course of that decade the interest in NIT waned. It was in the course of discussions on the future of the welfare state that the BI concept re-emerged during the 1980s.

This revival had several novel features. Firstly, the idea was discussed in more countries than before. During the 1970s it had been debated in the United Kingdom, the German Federal Republic and the Netherlands, but in the 1980s it spread to Austria, Belgium, Denmark, Finland, France, Ireland, Italy, Sweden, and finally (through the European Parliament) to the European Community. Secondly, the number of organisations, parties and individuals becoming involved as advocates or opponents of BI greatly increased.

In the 1980s advocates of BI as a negative income tax, and in its partial form, can be found on both the right and left of politics. By contrast most of the proponents of other BI variants (full, household or contractual) are to be found in the new social movements, claimants' organisations (especially the unemployed), alternative movements around production, work and income, some Green parties (in Belgium, Ireland and the United Kingdom), and as minorities in social-democratic parties, trade unions and again Green parties (in Austria, the German Federal Republic and the Netherlands).

The Green parties are split between advocates and opponents of BI. Some have made formal declarations in favour of BI, others are critical of it. To their left there are new social movements, claimants' organisations, alternative movements around production, work and income, who are in favour of BI. To their right most organisations are critical of it. Occasionally (in Denmark, Ireland and the Netherlands) the idea has also won the support of smaller trade unions, and significantly these have been unions of unskilled and relatively low paid workers.

All along the line established organisations and parties — especially social democratic parties and trade unions — have felt it necessary to be critical of BI. There are several reasons why the 'traditional left' should be critical of BI. Initial interest in BI came more from the centre and right of politics than from the left. Moreover it seemed to offer little in the way of concrete solutions to the 'traditional left' as it faced up to future challenges. Nevertheless, within social-democratic parties and trade unions, smaller and larger minorities have been pleading for some time for the introduction of BI.

To date, however, BI has nowhere reached the political agenda as a concrete policy option. Moreover the social and political bases for it differ between the different European countries. Once again, two factors are important: first unemployment levels, and second the character of each nation's social security system (Bismarck or Beveridge).

In general terms four groups of countries can be distinguished:

- Spain, Portugal and Greece, with their somewhat under-developed social security systems and relatively weak economies. In these countries the BI concept has got nowhere in recent debates.
- Norway, Sweden and to some extent also Finland, with their tradition of active labour-market policies, resulting in high labour-market participation rates and low unemployment. Here the emphasis is on paid work, and the clear relation between income and work has delayed discussion about BI.
Belgium, the German Federal Republic, France, Austria and to some extent Italy, with social security systems that derive mainly from Bismarck, relatively high unemployment (with the exception of Austria), and social assistance systems (the basic safety net) that are poorly developed. Here discussions have focused on improvements within existing systems, especially the guarantee of a minimum level of subsistence for all citizens. This provides opportunities to launch the BI idea, but the debate is relatively new, the social and political platform for it is limited, and the number of concrete BI proposals is restricted.

Denmark, Ireland, the Netherlands and the United Kingdom are all countries with a more or less solid Beveridge tradition and high unemployment. Here the breeding ground for BI seems more favourable. The relative weakness of the link between income and work, as a result of high unemployment (and in the Netherlands also low labour-market participation rates), the tradition of flat-rate (as opposed to earnings-related) benefits, central government financing and unified administrative structures — all serve to narrow the gap between existing practice and a BI option. Although the social and political platform in these countries remains weak (as elsewhere), social and political organisations and parties seem more receptive to alternatives in the direction of BI.

4. The Dutch debate

It is in the Netherlands that the debate about BI is most promising, having experienced a gradual evolution. Social and political organisations and parties are heavily involved, high unemployment and low labour-market participation rates lead rather naturally to an uncoupling of income and work; moreover both the quality and quantity of the debate has been high. Between 1975 and the late 1980s the debate became a genuine social discourse, with an abundance of proposals, commentaries, critiques and other publications.

After an initial period of interest in negative income tax (1971-75), the debate has gone through four stages:

- **Socio-ethical phase (1975-80).** The number of BI advocates was still quite small and their pleas for introduction of BI were based on arguments for the humanisation of labour. With the exception of the PPR (Politieke Partij Radikalen/Radical Political Party), all the advocates were individuals.

- **Socio-economic phase (1980-83).** Some (smaller) trade unions and political parties presented their first proposals. There was a growing awareness that labour market problems were no longer merely cyclical. The debate became more profound and the nature of the proposals more explicit.

- **Techno-institutional phase (1983-85).** This was the climax of the debate. Two major political events gave it impetus. In May 1983 the Lubbers government launched a plan for far-reaching reform of the social security system, and in spring 1985 the leading advisory council of the Dutch government (Wetenschappelijke Raad voor het Regeringsbeleid/Netherlands Scientific Council for Government Policy) produced a report recommending introduction of a Partial Basic Income. This was the first time BI was discussed in terms of a (radical) alternative to existing social security arrangements. Above all the administrative arguments for BI gained importance. With hardly any exception, social and political organisations felt bound to take positions either for or against BI.

- **Political-strategic phase (1986-).** Around 1986 efforts were made to revive the debate, which had stagnated after reaching its peak in mid 1985. This was done through the introduction of ‘realistic proposals’. For instance, the PPR (Radical Political Party), which during the early 1980s had been pleading for FBI, now proposed the introduction of a PBI, as a means of revitalising the processes of work-time reduction. At the same time left-wing organisations and parties felt the need to define their ideas more sharply, in opposition to the rather market-orientated (and selectivist) proposals of the Netherlands Scientific Council.

Although the number of organisations and parties (trade unions, political parties, women’s movements, churches, new social movements and claimants’ organisations) that advocate BI has grown over time, they have so far not succeeded in making a breakthrough. The official position of the major social and political organisations remains reluctant.

Conclusion: BI as a tool for social change

How about the question raised at the beginning of this article: BI as an alternative benefit, a new paradigm, or even both? In order to answer it, a more general observation from welfare state and social security research needs emphasis. Campaigns for reform of welfare state arrangements or social security systems should not be isolated from the broader processes of social and political change. Instead they are best seen as part of much wider changes in the way society is ordered, especially the role of the state. In Dutch we use the term maatschappelijk project (‘societal project’), by which we mean a more or less coherent package of demographic, economic, social, political, cultural and institutional change.

This wider context certainly holds for the debate about BI. In the international discourse on BI two more or less consistent ‘societal projects’ can be identified — the first market-orientated and selective, the second collectivist and universal.

- **Alternative benefit.** The early proposals for BI were brought forward mainly in terms of negative income tax or PBI, they were promoted using market-oriented arguments, and they were intended to harmonise with existing economic and social institutions. The chronology for the alternative benefit approach runs from Milton Friedman through James Tobin, the Heath government and individuals in right-wing parties, to the advisory committees of the Canadian and Netherlands governments. The ‘societal project’ behind this approach is market-oriented/selectivist — the former in the way it is
argued, the latter in its concrete elaboration (minimal, subsistence-level or even lower benefits, flat-rate taxes, household or family assessment units, selective target groups and other entitlement conditions).

- **New paradigm.** Later BL proposals were mainly for FBI, although some favoured contractual and household BIs and even negative income tax. These were promoted using collectivist arguments, and were directed towards new forms of (ecologically accountable) production and distribution, and more egalitarian social and personal relations (between generations, social classes and sexes). The chronology of the *new paradigm* approach runs from Jozef Popper-Lynkeus through Clifford Douglas, Jacques Duboin and Robert Theobald, up to Green and radical political parties, some smaller labour unions, churches, new social movements, organisations of unemployed and other claimants, individual politicians and academics throughout Europe. The 'societal project' behind the approach is *collectivist/universalist*. It is collectivist in terms of its argument and universalist in its proposals. Social participation becomes the criterion for the BI amounts, which are fully indexed (to earnings and prices). Financing is through ecological and capital taxes, and the beneficiaries participate in decision making and administration. Coverage is universal and highly redistributive.

Both these options can be identified in the international discourse on BI, for there is no single BI option, either as an alternative benefit or as a new paradigm. Where concrete proposals have been put forward, it is the nature of the underlying 'societal project', the choice between full, partial, household or contractual BI (or negative income tax) together with its elaboration along selective or universalist lines, that determines their final character.

More recently, the third option (alternative benefit and new paradigm) has emerged — namely the introduction of BI as alternative benefit and as an instrument for taking the first step on the road towards more radical change. In 1986 the Dutch PPR produced such a proposal. In the UK David Purdy has recommended PBI as a transitory project. And in the German Federal Republic there is talk about incrementalist reform of the social security system (*Sockelung des Sozialsystems*)

So the question is not really 'for or against' BI, because there seem to be BI options to fit every 'societal project'. Two considerations will probably dominate the scene: first, what forms of BI will be proposed (full, partial, household, contractual or a negative income tax), and above all what sort of society we want to live in.

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Joop Roebroek and Erik Hogenboom are political scientists working at the University of Tilbury.

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16. *Popper-Lynkeus, J, see Note 3.*


Can it happen?

Susan Raven talks to Sally Greengross and Sue Slipman

In Bulletin No. 9 we published interviews by Susan Raven with three Members of Parliament: Frank Field (Labour), Archy Kirkwood (Liberal Democrats) and the Rt Hon David Howell (Conservative). In this Bulletin the questioning continues, this time outside Parliament. Sally Greengross is director of Age Concern and Sue Slipman is director of the National Council for One-Parent Families.

Sally Greengross: Age Concern

Age Concern certainly wants to investigate the merits of BT; some aspects of it would be very attractive. We would like the government to explore it further. At the moment we have a far too complicated social security system which involves many means-tested benefits — Income Support and so on. Every year we have to update our booklet Your Rights for elderly people, to help them find their way through the maze.

In the long term we've got to think of a new way of looking at work and non-work. The whole basis will have to change. I think education is going to be life-long; people will re-train, take sabbaticals, do a portfolio of jobs and courses. The forty-year unbroken working life is no longer going to apply. So the idea of a pension that is based on contribution record will become, if it is not already, rather outdated. It may be that the basis of entitlement should be changed from contribution record to legal residence.

Everybody needs some form of income on which they can rely. We have to come to terms with the fact that the present big gap between paid and unpaid work ought to be blurred. For instance voluntary work — which is socially very valuable — doesn't count towards a contribution record. Nor does looking after dependents, whether children or adults. It will be a difficult change of attitude for most of us. People who have always earned their living do think of their pension as something they've paid for all their lives. But more than half the population — women — do not necessarily have good contribution records. That doesn't mean they haven't worked; just that their sort of work has been unfairly denoted. We have to think of work more globally. It is out of date to restrict it to wage-earning activity.

Older people, as a group, dislike asking for means-tested benefits. They have direct experience and also remember what they heard from their parents about the Poor Law Relief Officers. Until the Poor Law was abandoned (in 1948), you had to be entitled and you had to be worthy of help. Everything you owned, and everything your family earned, was taken into account. It's not quite so bad for the young having to justify a claim, but for their elders it is still very painful. Many people don't apply because they hate the procedures they have to go through.

For the purposes of income tax, everyone is means tested all the time. So if we had an integrated tax-benefit system, at least all of us would be assessed on the same basis. It would not be as demeaning as the present system. Unfortunately nearly 1.8 million pensioners are still dependent on Income Support, and a further 2.5 million are in receipt of means-tested housing benefit. It's a help that the pensioner earnings rule has been abolished. Age Concern had campaigned against it for many years, as it was a very big disincentive to those who wanted to supplement their basic pension. Its abolition makes the move to flexible retirement much easier — and choice is very important to all of us. The opportunity to work in later life if you want to is vital, as retirement is also a psychological blow — and it would be preferable for many people to ease into it via part-time work.

However, one in every four women between 45 and 54 is a carer. There are 6 million carers in this country — mostly women — and they are not able to do paid work. Yet if you stop work in order to care for someone, you stand to lose some — perhaps most — of your pension entitlement, you lose out on your state pension and the best end of your occupational pension as well.

There is another factor which contributes to poverty in old age. If a man on average earnings dies at 50, he is likely to leave behind a widow who gets progressively poorer as she gets older and her needs for heating and replacement household equipment increase. Paid work should not be the only criterion for older people to get a decent income. There are all the hazards of structural unemployment — illness — being a carer — bringing up a family: we must stop valuing people only by what they do for money. It must be better to stop differentiating between people — there's such an element of luck in whether we are able to work all our lives. There are also a lot of people who have no savings: they have spent everything they earned because they never earned enough to save. Further, not everyone is willing to be or capable of being a model citizen: they are only a small number, but they are a responsibility society has to accept.

It's a good idea to explore further a partial Basic Income. That's more realistic in cost terms than a full one. But a look at what is feasible in the way of radical change is definitely needed and the computerisation of social security across the country would make it possible. You secure for people an adequate amount of money while removing the stigma of claiming additional benefits. For those elderly people who are carers — of their spouses or of other relatives or friends — the care allowance could be added automatically.

The Government has been moving towards all these things; indeed so have all the political parties; they are moving towards pension entitlement based on non-gender-related citizenship. I believe that some form of Basic Income is a fundamental thing we owe to older people. Also, we have to have a commitment to keep it as a proportion of average earnings, so we'd need a mechanism to do that. Moreover it looks as though research is saying that people would be prepared to pay higher income tax in order to avoid poverty in old age. It would be interesting to start partial Basic Income with pensioners, even though it would not guarantee enough on its own to ensure an adequate standard of living.
Age Concern has argued for ages that pensions must be raised to a decent level. Adequate pensions would lift people out of the indignity, stigma and complications of being dependent on means-tested benefits. And they would also reduce the costs of administration. But there is one thing that has changed fundamentally. We are all beginning to involve older people themselves in all decisions affecting them. The concepts of personal choice, opportunity and status are much more significant now. Most old people are healthier and fitter than ever before and our attitudes are changing. We now realise we must do things with elderly people, not merely for them; they must be involved in determining their own lives. Basic Income would enhance that philosophy.

Older people — the grey market — are being wooed as consumers today; they have become more important to suppliers than teenagers, and employers are looking for older returners to the workforce. Abolition of the earnings rule suits the needs of the economy — we need older people’s contribution. But we must be sure to look after those who can’t earn: demographic change means that increasing numbers of old people are likely to suffer from chronic disability, particularly in extreme old age.

The same demographic change will also bring new political bargaining power. Although they tend at present to be satisfied with very little, older people do share other people’s increased expectations. It’s worth remembering there are 100 million people over 50 in Europe — where a lot of important legislation is coming from. In future they will demand their rightful place in influencing the way social policies develop.

Sue Slipman: One-Parent Families

I think lone parents present the social security system with its biggest problem. Basic Income wouldn’t overcome their poverty, because they don’t start at the same level as other citizens. They’re either women who probably never worked full-time during their marriage, as most married women used not to, or they’re women who got pregnant when they were very young … Neither group has many marketable skills.

So the numbers of working lone parents are very few. About 18 per cent work full-time, and only 24 per cent work part-time, compared with about 16 per cent of women in two-parent families who work full-time, and 36 per cent who work part-time. That’s because in two-parent families childcare can be supplied by the spouse, while the mother goes out to evening jobs, or whatever. So they don’t have to worry about childcare. Lone parents can only get respite care for emergencies or the odd day off. They just can’t work unless childcare is provided. And even if they had office skills once, since then office practice has been revolutionised. So they are virtually untrained and their earning capacity is likely to be very low.

Lone parents are not a uniform lot — and BI on its own is not, in any case, variable enough to meet the childcare costs they need. You’d need very sophisticated modifications to make it work. At present lone parents can earn only £15 a week if their benefit is not to be clawed back. One-Parent Families would like to see a much larger earnings disregard. Even then, without housing costs, BI wouldn’t work for most lone parents. On Income Support you get maximum housing benefit. Once you start earning, housing benefit is withdrawn sharply. Consequently, at the moment, to be better off at work than out of work a lone parent has to earn more than £150 a week. That’s manageable by comparatively few.

Hermione Parker’s suggested modifications to the BI concept, by way of childcare tax reliefs, are all welcome, but unless the mother has a reasonable level of earnings she cannot take advantage of a tax relief. A tax-free childcare voucher would be much better.

At One-Parent Families we believe that what will most help lone parents is free childcare and decent training — those are more important than anything. We’d also like to see lone parents have a portable income to take into work, i.e. an income that you continue to get when you come off benefit, so you can build on it.

By itself, BI would not do enough to overcome lone-parent poverty. It would have to be supplemented by childcare costs, which would have to be paid in cash or kind, not as a tax credit. At the moment most women don’t take the risk of coming off benefit, because of the unpredictability of the ‘profit’ of many women’s jobs.

As realists, we aim to work with the Government we’ve got, and we believe there are a number of things we can aim for. We support the Government in their campaign to get fathers to pay maintenance — that could be an important ingredient of a ‘portable’ income. Child benefit is, of course, another ingredient. And we’d like to see the Government increase the earnings disregard enough to cover the cost of childcare (for which, of course, the lone parents would have to be in work). If childcare is sorted out, it immediately becomes worth while for most lone parents to take a 35-hour job as, for instance, a cashier in Sainsburys.

There’s obviously a difficulty with the fringe element — women working on the side while keeping their benefits — but perhaps that’s understandable because of the precariousness of women’s jobs. They tend to be in and out of temporary work (or have a couple of very part-time jobs). But that will probably change as female employment becomes better paid and more stable: demographic changes mean that women will be needed increasingly in the labour force. Lone parents are the biggest untapped source of female labour — and they will become more important, because there’s a limit to the number of married women who want jobs.

There’s another point, though. Just making life better for people on benefit doesn’t overcome the isolation and depression suffered by lone parents. That’s another reason nearly all of them are keen to work.

Meanwhile the State has a choice. Either it can keep mothers economically inactive and pay them benefit; or it can put that same money to good use, and actively subsidise lone parents into work. I think we’ve convinced the Social Security ministers of this; and we’re beginning to convince ministers at the Department of Employment.

But there’s great ambivalence in government circles. Witness Kenneth Baker (at the May 9th Centre for Policy Studies conference on crime culture) saying that lone
parents' children and the children of unmarried mothers are more to blame for rising crime rates than the children of two-parent families — a statement for which there is absolutely no evidence. What they normally are, of course, is very poor — and we know that the greatest number of crimes is committed by poor people.

The Department of Employment think that they're doing enough to get more women into the labour market with their campaign addressed to potential women returners in general. They don't understand the added difficulties experienced by lone parents. Meanwhile the Government is trapped in its view of perverse incentives — the Charles Murray thesis that if you make life easier for lone parents, you create more of them. Actually what people seem to want is a happy partnership, not lone parenthood.

I think we'll win bits — we've already won some. The employment training scheme which was tried out originally in ten pilot areas, whereby lone parents were paid $50 per week per child while they trained, has now become general policy. But it's not been followed through. Once they're trained, the $50 just stops; and without that, and the freedom to pay for childcare, lone parents can't afford to take a job. So you can train for a job, but you can't actually do it!

Ministers do realise that childcare is the problem. Their solution is to encourage employers' nurseries. But that's helpful only to executive workers, not the poorest women. Banks only open creches for executives whom they've already trained and can't afford to lose: they don't open them for the tea-lady. And are Sainsburys going to supply creches for their cashiers? They might decide it costs less to compete for younger, childless women and pay them more.

So we're asking for money paid directly into working lone parents' pockets. If the money is there, the market will provide the necessary childcare.

Our objective is for lone-parent families to achieve an income that is 75 per cent of that of the two-parent family. Currently — in 1987 — it was only 36.7 per cent. It's been sliding downhill since 1980. Between 1980 and 1987 the incomes of two-parent families virtually doubled; the incomes of one-parent families went up hardly more than 50 per cent. According to the Henley Centre for Forecasting, that is the trend for the next ten years too. It shows that Mrs Thatcher's famous trickle-down effect is simply not working. But we would be very happy to help make it do so — through a work-based strategy. We're very keen on getting people back on the road and financially independent. But for that, real help with childcare costs is essential.

If child benefit were large enough, it could be a portable income round which women could plan their lives. Unfortunately Conservative women no longer feel convinced that child benefit should not be means tested. I'm keen on getting a consensus on who is responsible for children. The Government is trying to privatise the child, so we have to find a balance between personal responsibility — which is very important — and State responsibility. We must accept that children are first and foremost the responsibility of their parents — both of them. The Welfare State has led to men being let off the hook. But the State must take a share of that respon-
Getting paid for doing nothing: plain justice or ignominy?
The ethical foundations of a basic income

Philippe Van Parijs
Translated by Hermione Parker

Why bother about philosophy?

In the face of all our current problems — poverty, unemployment, the humiliation of claimants and social divisions — why on earth should we waste time philosophising? Why not get down to business and show how a universal benefit would help resolve those problems? But philosophy is not a waste of time, says the Norwegian philosopher Jon Elster. On the contrary it is essential. For a reform on the scale of a universal benefit has no chance of being introduced if the case in favour rests only on consequential arguments. The social sciences cannot provide reliable estimates of its effects, nor should we rely on experiments. To be viable a reform must have more things going for it than alleged consequential advantages. It must above all be widely regarded as fair.

And this is precisely the difficulty. Whether one listens to the man (less so the woman) in the street, or to the academics (Elster included), or to the clamour from the Right or Left of politics, time and again one hears variations of the same refrain: there are few things more unfair than giving money to those who are able-bodied without expecting something in return, and it is morally repugnant to cut the link, even partially, between income and work, and pay people for doing nothing. If, therefore, the truth is that there is nothing unjust about giving everyone an unconditional income, if on the contrary it is unjust not to do so, then the onus must be on those who want to introduce a universal benefit to present an adequate argument — if one can be found.

Hillel Steiner and common ownership of the Earth

One possible source is the libertarian tradition in America. For writers within this tradition, each person has the absolute right to do what s/he wants with her/himself and with those things of which s/he is the lawful owner. At first glance libertarianism seems a million miles from BI, but that is not the opinion of Canadian libertarian Hillel Steiner. In a series of writings, culminating in his paper for the Louvain-la-Neuve conference, Steiner, in the tradition of Locke, Fourier and Nozick and above all Thomas Paine and Henry George, pursues all the implications of the fact that the world and its natural resources belonged initially to no one, and that everyone has an equal right to them. True, each person is the full owner of goods he has legitimately acquired. Hence these cannot be taxed — least of all for purposes of income redistribution. But all material things contain natural resources, to which every man and woman has an equal moral right.

Moreover in a world where most natural resources have been privately appropriated (or destroyed), the idea of taxing and redistributing between everybody that part of total income which corresponds to the value of the natural resources incorporated in it is, according to Steiner, fully in accordance with libertarian principles. Which is almost exactly what Thomas Paine told the French National Assembly in 1796 — the earliest recorded formulation of the idea of a universal benefit.

But Steiner does not stop there. A tax on natural resources (in the usual sense) is not the only tax he ex-
pects libertarians to swallow. There are two more. All the possessions of someone who has died (unlike gifts in
ter vivos) count as natural resources, and are therefore
tirely taxable. Likewise genetic information — a
necessary condition of all our skills — also counts as a
natural resource, that can be taxed and redistributed to
all. These two taxes raise some additional difficulties, as
Steiner himself recognises. But even supposing that only
the first tax is defensible, we still have a libertarian
justification for BI. In a world where, as a result of
private property rights and/or destruction, there is
scarcely any access left to the universal benefits of
nature, it is only right to substitute a universal benefit
in money.

As Paine emphasised, this is a question of rights, not
charity. It is justice which requires that each person be
given an unconditional income. The alternative is to
leave those who have gained from the process of ap-
propriation (or destruction) with exclusive rights over
the resulting product, and the right to dictate conditions
to the ‘also-rans’ of the process.

John Baker and the egalitarian
compensation of work effort

Changing perspective, we can look now at the implica-
tions of egalitarianism. As a first and very rough approx-
imation, egalitarians are looking for equality of both ef-
fort and incomes. Having decided on the level of ag-
gregate income and the amount of effort necessary to
produce it, all that society has to do is to distribute both
equally — which once again seems a very long way from
a universal benefit. However, some people might wish
to work less and earn less than the norm, whilst others
might wish to work more and earn more. Is it not possi-
bile to remain faithful to egalitarian principles while also
letting people satisfy their preferences — whether in the
cause of individual freedom or for the sake of maximis-
ing human welfare? In no time at all, by going down that
road, we come back to the universal benefit and we also
discern a criterion for deciding its amount.

The argument put to the conference by the Dublin-based
American philosopher John Baker takes its inspiration
from (without endorsing) the idea of equalisation of net
advantage set out by Adam Smith in a celebrated passage
of The Wealth of Nations. Assume an economy where
labour is the sole factor of production, assume also that
for every potential worker it is possible to construct a
set of curves (Baker calls them ‘compensation curves’),
each of which shows, for a given job and a given number
of hours worked, how high the wage needs to be for the
net advantage of working (including pay) to remain un-
changed, in other words the wage at which the worker
is neither more nor less happy than if he were not
working.

For difficult or burdensome work the slope of the curve
is steeper, because each hour worked needs to be
rewarded more highly than an hour of easier work —
moreover whatever the nature of the work the angle of
the curve gets steeper with time, because (shall we say)
the twelfth hour of work is more burdensome than the
first. On the basis of these individual curves, it is possible
to construct average curves, representing the wages
necessary to ensure that the average worker is indif-
ferent whether he works or not (see Figure 1). It is curves
like these, according to Baker, which determine the
wages it is fair to pay people doing different sorts of work
for different lengths of time. With wages based on
average indifference curves, unlike wages based on
individual curves, it is not possible to equalise the net ad-
antage that each worker gets from his work. But the
egalitarian ideal is not compromised so long as the ine-
quities of reward reflect the degree to which different
jobs are considered to be more burdensome by the
average citizen.

What has this to do with universal benefit? It is absolutely
central to it. For the reference point for each curve
is the income one would get if one chose not to work at
all (the starting point of the curves in Figure 1), i.e. a
universal benefit.

**Figure 1: Compensation curves**

<table>
<thead>
<tr>
<th>Earnings</th>
<th>Burdensome work</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enjoyable work</td>
<td></td>
</tr>
<tr>
<td>Hours worked per day</td>
<td></td>
</tr>
</tbody>
</table>

Thus the quest for a fair wage (the very attempt to
reward work fairly and take fully into account values
based on the burdensomeness of work), far from leading
to rejection of a universal benefit, becomes a justifica-
tion for it. In any reasonably productive economy there
is a substantial gap between total production and the in-
come necessary to compensate those who produce it.
This residue, or surplus, which the very concern with
rewarding work appropriately forces us to distribute
equally amongst all, provides the universal benefit with
its egalitarian foundation.

Karl Marx and the capitalist road
to communism

Moving on again, from Paine (refined by Steiner) and
Smith (amended by Baker), we arrive at Karl Marx (re-
vamped by van der Veen). According to one interpreta-
tion, based on certain passages in the Critique of the Pro-
gramme of Gotha, socialism — defined as collective
ownership of the means of production — was not for
Marx an end in itself, but a means of reaching com-
munism, with the latter defined as a type of social
organisation where each person contributes voluntarily
according to his abilities and receives according to his
needs, regardless of his contribution. Moreover when
Marx recommended socialism as a staging post, he did
so because he thought socialism would take us faster
than capitalism in the direction of the communist ideal.
Today, with the benefit of hindsight, many who once
shared Marx’s empirical assumption have now lost it. But
rejection of his means does not necessarily involve rejection of his ends. If it is true that capitalism is economically more efficient than socialism, then a consistent Marxist must prefer capitalism.

Of course one has to use the instrument in such a way as to reach the goal. How best to move towards it? Precisely by introducing a guaranteed income without contribution conditions — a universal benefit — which can eventually be adjusted to take into account people's special needs, for instance the extra needs of people with disabilities. Full realisation of the ideal can be described as the moment when the whole national product is distributed according to need, in other words when each person's income consists entirely of his universal benefit. At present, as at the time of Babeuf or Marx, this ideal is impossible, because if the link between income and work were completely broken, production would collapse and it would be impossible to guarantee subsistence. But there is nothing to stop us from getting as close to the ideal as possible, by maximising the percentage of national product that is distributed according to need — in other words the relative level of the universal benefit — provided only that subsistence for all can be assured (see Figure 2).

![Figure 2: Rawls or Marx?](image)

Figure 2 is based on the assumption that all taxes are hypothecated to the universal benefit. At nil tax the universal benefit is also nil, because there are no revenues by which to finance it. Up to a certain point (the top of the 'Laffer' curve), the higher the tax rate the higher can be the rate of the universal benefit (the point marked 'Rawls' in the diagram). Beyond that point tax revenues start to fall, as workers become increasingly discouraged and/or switch their efforts to the underground economy. Average net incomes (in the official economy) and the level of the universal benefit both start to fall and the economic viability of the system is at risk.

It follows that the route to the communist ideal does not necessarily lead through what are commonly referred to as 'communist regimes'. On the contrary it requires whatever economic system functions best — plus a universal benefit at a level expressing the maximum degree of communism consistent with everyone receiving at least a subsistence income.

**John Rawls and the 'maximin'**

Those in whose view Marx is obsolete, even after this dusting down, may wish to turn to John Rawls instead. His two famous principles of justice require, in effect, that socio-economic advantage be distributed in such a way that those with the smallest share get nevertheless as much as it is possible to give them — without infringing fundamental liberties or equality of opportunity. That is the meaning of Rawls' *maximin*. Put another way, socio-economic inequalities are only justifiable if it is impossible to reduce them without making matters worse for the victims — subject to the double constraint that fundamental liberties and equality of opportunity must be protected.

It is immediately plausible that such principles may justify the introduction of a minimum guaranteed income at the highest, economically sustainable level. But why should the minimum guaranteed income be in the form of an unconditional, universal benefit? The argument becomes clearer as soon as one asks Rawls what he means by 'socio-economic advantages'. These, he replies, are income and wealth, power and prerogatives, and above all the social conditions necessary for self-respect. With the first, any sort of guaranteed minimum income will do, but not with the others — especially the last, which for Rawls is also the most important, that is to say self-respect or dignity.

The pertinence of dignity was emphasised with particular clarity at the conference by Ronald Dore. Even assuming it were technically possible, he said, to distinguish between those who cannot and those who will not provide for themselves, a selective benefit system is still not the right answer — not, that is to say, for those who care about the dignity of claimants. The shaming thing *is not to be able* to provide for oneself (and one's family), and to be labelled as such. From which it follows that the better the benefit system is 'targeted' that is to say the more accurately it distinguishes between those who are unable to provide for themselves and those who are merely unwilling — the more humiliating it becomes for those it claims to serve.

If the socio-economic advantages that one is trying to distribute include self-respect, then there is a strong presumption in favour of a minimum income that is non-discriminatory, i.e. a universal benefit. No matter how good the intentions — "by targeting better we will be able to give more to those who really need it" and so on — selective benefit systems run counter to Rawls' theory of justice. *What the Rawlsian approach requires us to maximise is not 'any old' minimum income, but a minimum income paid in the form of a universal benefit.* Thus, in Figure 2, the Rawlsian criterion requires us to maximise the absolute level of the unconditional income.

**Ronald Dworkin and equality of resources**

Finally, let us take a quick look at the (still incomplete) theory of distributive justice elaborated by Ronald Dworkin, another eminent representative of Anglo-American liberalism. In order to explain what the idea of economic equality implies, Dworkin starts by imagining a group of people with similar talents who are shipwrecked together on a desert island. What division of the island's resources would conform best to the ideal of equality? Not, surely, one that gives each person exactly the same, even if that were possible, since it would
be absurd to ignore individual preferences. Nor by trying to equalise the well-being of all, which would mean privileges for the grousers and greedy at the expense of the cheerful and easy-going. Rather, says Dworkin, by giving each person an equal number of clams and auctioning each of the island's resources to the highest bidder.

What are the implications of this parable for the real world? Let us start by estimating the current value (in a completely free market) of all the resources received by members of the present generation (besides their talents). These resources include inheritance and gifts, and also (if my interpretation is right) the incomes associated with paid work. If other people are prepared to take your job for a lower salary than you get, that means that your job (defined as a 'package' of obligations and rights) is a scarce resource, in the same sense as part of the island. In order to reach the ideal of equality, the current value of all external resources would have to be taxed at 100%, and then redistributed equally between all. Which brings us back yet again to the universal benefit.

Liberty, equality, generosity

Even if each of these different viewpoints provides justifications for a universal benefit, they do not all have the same implications. Each approach generates its own criterion for determining the right benefit level. Which is the most generous? Almost certainly the Rawlsian approach, which stipulates that benefit be fixed at the highest level (in absolute terms) that is economically feasible. Once that maximum exceeds subsistence level, it becomes more generous than the communist ideal, according to which the relative level of benefit should be as high as possible, within the limitations imposed by the guarantee of subsistence for all. The Rawlsian approach is also strictly speaking more generous than the benefit justified by the egalitarianism of Baker, because it does not impose any constraints on the distribution of incomes other than the universal benefit. It therefore has more room to manoeuvre and is better able to maximise tax revenues.

What is a fair society?

The fact that all the justifications we looked at have this feature in common clearly does not mean that the choice between them is unimportant. As already noted, benefit levels can vary considerably. Moreover it is very possible that some of the implications noted above would turn out to be incorrect if subjected to more rigorous examination. (I have repeatedly left aside complications which, if taken into account, could upset the conclusion). Above all, the fact that each approach justifies the universal benefit does not make them all equally defensible. Beyond the intellectual gymnastics, what we are really trying to do is to clarify our ideas regarding the characteristics of a society that is fair, one that gives every man and woman their due.

To do this we have to consider different responses to the question of what constitutes a just society, we have to compare them, draw out their different implications, and decide which generates the most acceptable implications. This process is difficult, arduous, demanding and often abstract, but it is necessary — because for many people the strongest and most fundamental objection to universal benefit is not that it would be too expensive, but that it would be unfair.

In this article I have not proved that a universal benefit would be fair. I did not even try to do so. I simply represented a collection of positions all of which combine a concern for freedom with a concern for equality, and end up justifying the introduction of a universal benefit. I hope I have shown that it is not manifestly absurd to claim that a completely unconditional income — paying people for doing nothing — accords with basic justice. But to justify it fully, one cannot stop there. To do that one would also have to show that one of the theories from which the justification of a universal benefit can be derived is also able to accommodate our well-considered judgements about what constitutes
'fairness' — a task far faster than my present undertaking, which was only to echo (in a very selective way) the discussions at Louvain-la-Neuve.  

Phillipe Van Parijs teaches philosophy and economics at the Université Catholique de Louvain, Belgium. He is the author of Evolutionary Explanation in the Social Sciences, London 1981; Le Modèle Économique et ses Rivaux (Geneva 1990), and Qu’est-ce-qu’une Société Juste? (Futuribles, June 1990). He was also co-editor of L’Allocation Universelle (Brussels, 1985). He organised the conference in 1986 at which BIEN was founded, and is currently a member of BIEN’s Executive Committee.

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4. Including authors like Robert Nozick (Anarchy, State and Utopia), Murray Rothbard, Israel Kirzner and (more ambiguously) James Buchanan and Friedrich Hayek.
5. Three just taxes. See also his Essay on Rights, forthcoming from Blackwells.
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Citizen’s Income

Philip Vince

Britain’s Liberal Democrats, under the leadership of Paddy Ashdown MP, have approved a draft policy statement on reform of the tax and benefit systems, including proposals for a transitional BI, which they call a Citizen’s Income (CI). The details are set out in the Liberal-Democrat Green Paper Common Benefit, written by a working group chaired by Baroness Seear. The objectives are to reduce poverty and make personal taxation and benefits fairer and simpler. This will involve increased expenditure, especially on behalf of children and pensioners, as well as appreciable income redistribution. Priorities for increased expenditure on this and other policies will be defined nearer the time of the next General Election. Meanwhile the proposals are grouped into a first stage, to be implemented as soon as possible, and a second stage to take effect a few years later.

1. FIRST-STAGE REFORMS

Abolition of the contributory principle. National insurance, and the contributory principle that goes with it, will be abolished. Employees’ national insurance contributions (NICs) will be consolidated with income tax, of which they have in practice become a part — albeit with the complication of different thresholds and collection mechanisms.

Income tax at 34%. Unification of NIC with income tax results in a standard income tax rate of 34%, compared with 25% income tax plus 9% NIC at present. The new personal income tax allowance will produce a tax threshold between the present income tax and NIC thresholds. However, the new allowance will be deducted from tax liability instead of taxable income, so it will no longer be worth more to higher-rate taxpayers.

Citizenship pensions. Pensions will be paid to everyone from age 65 (without reference to contribution records) and will be set slightly above existing Income Support levels. Together these two changes will end the need for anyone aged 65 or over to claim Income Support. Extra income, eg from savings or other pensions, will be taxed above a low threshold, but not confiscated as it is now. Unfortunately it is too expensive, at this stage, to go the whole way towards introducing a BI for this age group, which would involve increasing the BIs for pensioner couples to twice the rate for single pensioners. But we will make the citizenship pension tax free and we will retain an income tax rate of 25% on other income up to about £17,000 a year, with age allowance abolished. Income tax thresholds will be set so that most single pensioners are about £4 a week better off and couples nearly £6 a week better off. The State Earnings Related Pension Scheme (SERPS) will be ended, but with accrued rights preserved (for instance the existing contributory rights to extra pension of married women over 60 and of single women and widows between 60 and 65). Although the standard pension age will go up to 65 for women as well as men, anyone over 60 will be allowed to draw a reduced pension until they are 75, after which the full pension will be payable. Pensions will be increased in line with earnings, not prices.

Child benefit will be increased at once by £1 a week and then uprated annually in line with the Retail Prices Index. Employers will be allowed to offer tax-free childcare vouchers, to be used, at the parent’s choice, to pay for workplace or local authority nurseries, or registered childminders. Other immediate benefit changes include raising the Income Support rate for claimants under 25 to the same as for those over 25, and ending the obligation to pay 20% of poll tax (pending its abolition). Invalid Care Allowance will be converted into a more generous, less restrictive Carer’s Benefit.

Earned and unearned income to be taxed alike. The 34% income tax rate will apply to all income, including benefits in kind, capital gains, gifts and legacies, but with separate thresholds for the latter categories. This will end the anomalously low marginal rate of 25% for unearned income and for earnings between the present NIC upper earnings limit and the threshold for 40% income tax. But invalidity and retirement pensioners (including those who take early retirement) will still pay tax at 25%. Mortgage interest tax relief will be restricted to 25%.

2. SECOND-STAGE REFORMS

Citizen’s Income (CI). After a period of about five years, which is necessary to allow for consultation, legislation and computer programming, we would introduce two major reforms: a Citizen’s Income paid as of right to everyone between the ages of 16 and 65, and a Low Income Benefit, replacing existing Income Support, Family Credit and Unemployment Benefit. The CI would initially be about £10 a week, at 1989 prices. After some years of operational experience, we would consider increasing this to about £25 a week, and reducing Low Income Benefit accordingly, but as yet there is no commitment to taking this further step. In addition to the CI each person’s earned or unearned income up to £20 a week will be disregarded for income tax purposes, but all other income (except benefits) will be taxed. Child benefit would cease to be payable from the age of 16 (having been replaced by the CI).

Low Income Benefit (LIB). Unlike the CI, which takes the individual as the assessment unit and is paid unconditionally, the LIB takes the family as the assessment unit and is income tested. At 1989 prices the LIB would be £26.90 for single people and £46.80 for couples, with an income disregard in each case of £20 a week (single and married alike). Thereafter it will be withdrawn at 70% of net income, like Family Credit (but not 100% like Income Support). There would also be additions of £11 for the first child, £7.30 for each other child and £5.60 extra for each child aged between 11 and 16. This new benefit would in all cases be more favourable than existing unemployment benefit, except where one spouse is unemployed and the other in paid work. To deal with that exception, the whole of a spouse’s income would be disregarded instead of just £20 a week, for those currently entitled to unemployment benefit.

Child benefit will be increased to £9.50 a week (at 1989 prices) and will be uprated (like the CI and the new pensions) in line with median earnings.
3. COSTS AND REDISTRIBUTIVE EFFECTS

The cost of the two-stage increase in child benefit is about £1,500 million a year. A similar sum will be needed for the improvements to pensions, and there will be appreciable costs, yet to be quantified, for childcare vouchers, the new carer’s benefit and various improvements to benefits for the disabled, which we need to review in the light of the Government’s recent White Paper.²

We would have to decide, in the light of prevailing economic circumstances, whether extra spending on able-bodied adults under 65 was justified, but at this stage all our calculations assume revenue neutrality for this age group. The amount of the CI and the disregard of the first £20 a week for income tax are set to be approximately equivalent to the present tax allowance for single people earning up to £17,000. By comparison with the existing system, non-earning wives with no investment income will gain by the amount of the CI. We intend to phase out the new Married Couple’s Allowance (MCA) over about six years in the second stage. By the time that change is completed one-earner couples will be about £2.50 a week better of (at 1989 prices), but two-earner couples will lose, and this will allow about £2,000 million to be redistributed.

Families with children will be at least partially compensated for the loss of the MCA by increased child benefit, by the new tax-free childcare vouchers and, in some cases, by the new Low Income Benefit. Overall, this will result in families with children receiving more help when they need it most, in return for some reduction when both husband and wife are at work and have no children to care for.

A further £2,000 million will be available for redistribution to low-income families, as a result of abolishing the upper earnings limit for employees’ NICs, limiting tax allowances to the standard rate of tax and mortgage interest relief to 25%, and charging tax at 34% on investment income.

4. A FULL BI IS NOT FEASIBLE

Child benefit is the only BI we have at present and we are determined to preserve its universality and prevent its erosion. In our first-stage reforms we are going a long way towards a BI that is just enough for subsistence during retirement. Up to the time of this reform, women who have paid NI contributions will have their pension entitlements preserved. Thereafter various policy options have been put forward and are still being considered. The long-term objective – but it could take forty years – is a ‘unisex’ citizenship pension from the age of 65 at the same rate for all.

It is never going to be feasible to pay a full BI (ie one that is sufficient for subsistence) to all adults of working age. Partial BI requires supplementary, income-tested benefits, but these would have to be administered separately, because the assessment unit for BI is the individual whereas income-tested benefits would be assessed on the income of the family or household.

We have left open the question of whether to pay Low Income Benefit through the PAYE system. This would achieve better take-up, but the benefit might often not be transferred by a husband to his wife and children. There are also serious complications if, as is frequently the case, more than one employer is involved at the same time, or at different times in the tax year. Either way everyone would be required to make an annual tax return (in order to implement local income tax in place of poll tax) and this would provide a longstop for detecting cases of unclaimed benefit.

Some people think that the present tax and benefit systems unduly favour lone parents. We decided not to take a moral position on this in the reforms we are advocating. Instead we tried to preserve existing relativities.

At this stage we have not made any proposals to change housing benefit, which will still need to be paid to pensioners and others. It would be calculated so that the beneficiaries of these reforms would not have their gains clawed back by reduced housing benefit. We are studying proposals for far-reaching reform of housing finance as a whole. It is in any case essential to complete the administrative upheaval of introducing the CI and the LIB before attempting more changes to housing benefit.

To sum up, this policy statement is a thorough attempt to replace the present haphazard system by a coherent policy on personal taxation and benefits. It recognises the need for Basic Incomes as a major element in the new structure, and goes as far as is practicable in that direction.

Philip Vince was a member of the Liberal-Democrat working group which prepared the Green Paper.

References
Four good reasons for a guaranteed Basic Income

Georg Vobruba

There has been no concentrated discussion about BI in Western Germany or Austria for the past three or four years. But this diagnosis sounds more pessimistic than it really is. In my view there are two main reasons for it. First that the issue has spread into various academic and political debates, for instance on biotechnology, sociology of work in industry, feminism, social services, social policy and new technologies, European integration, theory of social differentiation, and the theory of society in general. Secondly because discussion about income security has become more in touch with existing institutions. At present all the political parties are talking about minimum income and, to some extent, about some sort of guaranteed basic income (e.g., a negative income tax or a BI). That is why more and more people are advocating step-by-step strategies. And consequently the political — though not the analytical — distinction between a guaranteed Basic Income (garantiertes Minimum) and a minimum income (soziale Grundversorgung) has become less and less dramatic.

In this article I shall present four arguments in favour of a guaranteed Basic Income (BI). These are the ones that seem to me the most important.

1. Minimum justice

For some people our existing insurance-based benefit system provides adequate income security, but for others it has serious security gaps; indeed for them the alleged justice of the system (Versicherungsgerechtigkeit) is deceptive. The closer the link between earnings-related contributions and social benefits (and in Germany the link is much closer than in the UK) the more likely it is that discrimination in the labour market will be mirrored in the benefit system. Low-paid work, casual work, part-time work and long-term unemployment often lead to poverty, especially among the elderly.

In Germany a lot of research has been done on the logic and empirical effects of this type of selectivity in the social security system. As a result of recent changes in the labour market, the gaps in the social security system are getting bigger. Poverty, which used to be peripheral, is spreading. A safety net is needed to stop the dynamics of poverty, and BI is discussed as a way of doing so. It's a necessity for minimum justice.

2. Ecology

Here is a sad but good example of what is going on. In Austria the owner of a high-polluting cellulose factory in Villach (Carinthia) claimed 615 million Austrian schillings in subsidies to preserve 200 jobs. Up to now the public authorities have spent even more than that, and the jobs are not at all secure. Moreover the factory continues to pollute the local river.

Now we can make a counter calculation: 615 million Austrian schillings is enough to pay a BI of 8,000 a month for 200 people over 32 years. And this figure is based on the assumption that none of the 200 would get paid work during those 32 years.

Within the currently fashionable political logic of 'job preservation at all costs', and a social-policy system centred on waged labour, trying to reorganise that sort of economic and ecological nonsense is a politician's nightmare. Government is caught between conflicting social and ecological requirements. A guaranteed BI could loosen the knot that ties the material interests of workers to existing methods of industrial production. It could make room for modernisation along ecologically-friendly lines. A guaranteed BI would also give workers the opportunity to take non-financial considerations into account when deciding whether or not to work. For instance it would enable them to accept lower-paid work in preference to senseless work. The BI concept is not a contradiction of the right to work, but a precondition for achieving a right to the kind of work one prefers.

3. Support for the trade unions

But it can't be right for our members! The trade unions have their own special difficulties with a minimum or basic income. But there are exceptions. The late Alfred Dallinger (former leader of Austria's GPA, or union of white-collar workers, and also a former Minister of Social Affairs) encouraged discussion about BI in Austria. Despite cautious proposals for a minimum income (Leistungsgewährleistung) in several German trade unions and in the German trade union federation (Deutsches Gewerkschaftsbund, or DGB), the predominant position is one of scepticism. Why?

With regard to BI the trade unions are in a difficult position. So long as the earnings of their members remain high and stable, the unions are bound to be mainly interested in social security benefits that are earnings related. So they support a social policy centred on waged labour, to which everyone contributes for himself. Anything resembling BI is perceived as unwelcome redistribution. On the other hand, if the trade unions tolerate growing poverty and the threat of poverty, they undermine their own position, by accepting a gradual, uncontrolled collusion between their members and those threatened by poverty. The latter cannot insist that employers comply with workers' labour legislation and collective wage agreements. Today the resulting deregulation from below is intensified by immigrants from East Germany and other East European countries — people with a high motivation to work and low consumption standards. Consequently the monopoly position of the trade unions is coming under pressure. This is against the trade unions' own interests, and against the interests of the core groups of trade unions (whose members are mainly male, with secure and well-paid jobs).
It follows that the trade unions, in their own interest, would do best to stop promoting the short-term interests of their members against basic security for all.

4. Autonomy

Roll back the boundaries of the state! One of the basic misconceptions of today’s conservatives is that deregulation (pure and unrestrained) is the only route to economic efficiency. Pure deregulation leads to the decline of social security and provokes the opposition of its potential victims, which makes its success doubtful. But there are nevertheless several fields where deregulation can be useful, notably where it increases economic efficiency and supports individualised life styles. Increased labour market flexibility which did not result in socio-political discrimination would increase people’s opportunities. But the new autonomy must be founded on material security; otherwise it will remain a privilege for the few and empty words for the majority.

A guaranteed BI puts the processes of deregulation, increased flexibility, and autonomy on solid ground. It makes deregulation feasible. That is the “economic significance” of a guaranteed BI. It follows that BI is a precondition for socially enlightened modernisation.

Georg Vobruba is Professor of Sociology and Senior Research Fellow at the Hamburger Institut für Sozialforschung.

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UNITED KINGDOM

BIRG labour market study group

Hermione Parker writes: Starting in October 1989 BIRG has organised a series of structured discussions about the labour-market implications of BI. Members of the study group are: Sandy Anson (Institute of Directors); Anne Gray (economist); Professor Charles Handy (author and visiting Professor at the London Business School); Bill Jordan (BIRG); Ken Mayhew (Economic Director, National Economic Development Office /NEDO); Mark Mindford (Low Pay Unit); Bill More (claimants); Trevor Mawer (Trade Union Congress /TUC); Hermione Parker (BIRG); and Tony Walter (BIRG). A discussion paper summarising the results of these meetings will be published before the end of this year. Bill More, if you read this, please contact BIRG.

Manchester Forum

Bill Jordan writes: The Manchester Forum is a series of monthly public meetings in the Town Hall, which started in 1988 and are dedicated to the promotion of dialogue between all parts of the democratic opposition to the present government. Its theme during the session November 1989 to June 1990 was Questions of Citizenship. On 7th February, Bill Jordan was due to debate A Basic Income for All? The Social Rights of Citizens with Peter Grosvenor of the Trades Union Congress (TUC) Social Insurance and Industrial Welfare Department. In the event (ie the weekly hurricane, landslip and railway line closures) only Bill Jordan, as the more fortitudinous traveller, turned up. He argued that the BI principle was the only way, under modern economic conditions, to preserve the social rights of citizens established through the post-war welfare state. The meeting of some fifty (mainly youthful) people was chaired by David Purdy. At the end of a lively discussion, one member of the forum proposed a straw poll on the BI principle which most of those attending had not heard of before that evening. The result was that all but one declared their support.

Liberal Democrats choose Basic Income

Philip Vince writes: On 10th March 1990, the Liberal-Democrat Party Conference at Cardiff gave unanimous approval to a motion welcoming the new Green Paper on tax and benefit reform, Common Benefit, as an interim policy statement and a basis for further consultation. During the debate an amendment rejecting the proposed Citizen's Income in favour of a withdrawal, low-income benefit was defeated by a large majority. Other amendments calling for a higher and more flexible carer's benefit, and for re-instatement of entitlement to Income Support for young people in the 16-18 age group were also carried. The Green Paper was prepared by a working group of party members chaired by Baroness Seear. For further details, see Common Benefit, by Philip Vince, in this Bulletin.

Manchester workshop, April meeting

Kevin Donnelly writes: On 21st April BIRG's North-West workshop again brought people together to discuss their work situation and how BI might affect them. Participants included Keith Argyle (a minister at Salford Urban Mission), a local government official trying to deal with poll tax problems, voluntary workers and unemployed Young Christian Workers (YCW). As a result of the meeting the group will put together a sound cassette recording their ideas about BI.

Family Budget Unit

Hermione Parker writes: Question: How much income do UK families, of different sizes and different composition, need to reach a 'modest but adequate' living standard? Answer: Nobody has the slightest idea ... but one day, before too long, they may have. At long last the UK has a fully operational Family Budget Unit (FBU). Since May 1990, following the receipt of a major research grant from the Joseph Rowntree Memorial Trust, the FBU will be undertaking a full programme of research into the development of a budget standard for six types of family. The project is multi-disciplinary and will be carried out in a number of research centres, coordinated by Professor Jonathan Bradshaw at the University of York. The figures will use normative data (how much people need) as well as empirical data (how people spend the money they have). For further information write to: Audrey Rose, Family Budget Unit Chairman, Sheffield City Polytechnic, Totley Site, Sheffield S17 4AB.

UNITED STATES

Alaska's dividend distribution program

Philippe Van Parijs writes: Since 1977, the State of Alaska has been receiving royalty income from oil produced at Prudhoe Bay. About 20% of these funds are held in a state savings account called the Alaska Permanent Fund, and since 1982 the interest on this account has been distributed to every Alaskan resident in the form of a uniform dividend. The dividend amount has varied between $300 and $1000 a year. Further details are in BIEN Newsletter No 7 (Spring 1990). See Books and Papers received.

Wisconsin BI conference

Philippe Van Parijs writes: A three-day conference, 6-8th April 1990, in Madison, Wisconsin had the title: Basic Income Guarantees. A new welfare strategy? Speakers included Philippe Van Parijs (Université Catholique de Louvain), Robert Haveman and Irwin Garfinkel (University of Wisconsin), Sam Bowles and Ann Withorn (University of Massachusetts), Kevin Lang (Boston University), and Fred Block (University of Pennsylvania). The conference showed that there is significant interest in BI in at least two groups in the US. Left-of-centre social welfare reformers who are interested in a fairly low BI, and more radical social thinkers who see a generous BI as part of a viable and desirable future society. But the prospects for BI in the USA seem far worse than in Europe. Further details of this conference are in BIEN Newsletter No 7. See Books and Papers received.
Citizens' Britain

Paddy Ashdown

Fourth Estate, price £5.95, 159 pages

Lesley Abdela writes:

Paddy Ashdown's paperback is worth £5.95 for the quotable quotes alone, not least a rueful one from Machiavelli that:

"There is nothing more difficult to take in hand, more perilous to conduct, or more uncertain of success than to take a lead in the introduction of a new order of things ..."

This should strike a chord among members of the Basic Income Research Group. As the Americans say, pioneers get all the arrows!

When Paddy Ashdown took on a Liberal Democrat Party lure on to rocky shores by the Lorelei call of the two Davids, it must have seemed like accepting a poisoned chalice. As he says in the preface to Citizens' Britain:

The dream we shared about bringing a new kind of politics to Britain was smashed.

In such circumstances it's always a useful exercise to turn out a book and get a legend to write the Foreword. In it, Lord Grimond — ever 'Jo' to the now-grown up Liberals of the '60s — writes:

Mrs Thatcher's Cabinet does not believe in small government, less regulation, lower taxation, the spread of wealth and power and competition. On the contrary, under her, corporatism (a polite word for fascism) has spread deep and wide. Statutes and regulations pour out in ever greater quantity. Taxation and the percentage of the national wealth taken by the public authorities are higher than ever. Wealth and power are concentrated. Monopoly capitalism and inflation flourish.

In other words, just what Machiavelli — and Hobbes — would have wanted. Grimond ends ruefully:

The Press are not as a rule interested in new political ideas, least of all from small Parties.

He may be right about the 'least of all from small Parties', but as a political journalist myself I find the first assertion less and less true. The media and particularly the Press are increasingly interested in a Bill of Rights which would protect the individual against the overweening and ultimately arrogant power of the State, especially a Bill that incorporated the equivalent of the United States' First Amendment, i.e. that the right to free speech 'shall be absolute'.

Press freedom would lead naturally to other freedoms, including freedom from poverty and freedom from a general arrogance of power. Citizens' Britain is a series of papers with inviting titles, some as snappy as Making Small Businesses Big And Big Businesses Small, based on the author's experiences with an Enterprise Agency in Yeovil — "One of the things I am proudest to have done since I was elected an MP".

Adaptation and change is the Ashdown message. Basic Income, he believes, would significantly help fringe workers and contract workers with variable earnings, by offering them a secure, regular income for their basic needs. It would improve incentives for low-paid and part-time workers, because it is non-withdrawable and tax-free. A BI would also help workers in transition between employments, or during re-training, by providing them with a regular source of income — thus encouraging mobility and adaptability. For core workers it would discourage job hoarding whilst encouraging job sharing.

BI would also undermine any case for workfare by protecting the poor and vulnerable from the threat of obligatory labour. And, 'probably most important of all', a BI would provide a real stimulus for self-employment and enterprise.

Ashdown discusses A New Industrial Settlement and The New Patterns (of employment). Under Women he says that "Men have much to learn from women in the techniques of adaptation". With The State (and Margaret Thatcher) in mind he offers another good quote, this time from Tolstoy:

I sit on a man's back, choking him, and yet assure myself and others that I am very sorry for him and wish to ease his lot by any means possible, except getting off his back.

In a one-page Chapter 5, titled The Choice, Ashdown admits:

Some people may prefer Citadel Britain. After all, the idea of a citadel has associations of achievement, personal security, power and wealth ... For some the danger and conflict in that scenario give it more spice and savour. They feel the sense of their own worth most keenly when they can compare their success with others' failure, their possessions with others' poverty, and their status with others' stigma.

He nevertheless prefers his Citizens' Britain:

It is the way to deliver the two qualities to which I am dedicated so passionately in politics — individual liberty and social justice.

Like Ashdown's well-scrubbed face on Party Political Broadcasts, classical liberalism shines through the chapters. A New Constitution; A Statute of Rights; Freedom of Information; A Human Rights Commission; Parliamentary Reform. Nevertheless, it's not easy for a new leader who is necessarily fond of the word 'new' (which salesperson is not?) to develop wholly new concepts in a political philosophy that was truncated by the hubris and loss of power of another senior Liberal, Lloyd George. Much of Citizens' Britain continues themes that were developed by other Liberals as far back as the two
Mills in the 19th century and even further back into the 17th century. In many respects the last gasp of the 20th century seems to be a replay of battles not yet decided, between the heavy horse of Hobbes and the subtler sword-play of Locke.

At the end of this readable and 'dip-able into' book, Paddy Ashdown sums it all up:

... a society cannot be free and is very unlikely to be successful for long unless the men and women in it have real power to determine their own destinies.

He ends with a quote from Apollinaire which must as aptly apply to this fresh and honest politician as to his Party:

'Come to the edge', he said.
They said 'We are afraid'.
'Come to the edge', he said.
They came. He pushed them. And they flew.

In 1980 Lesley Abdela founded THE 300 GROUP, which seeks equal representation of women in Parliament and in public life. Abdela's paperback on women in British politics Women With X Appeal is published by Macdonald Optima (see Books and Papers received).

Books and Papers Received

Women With X Appeal, Lesley Abdela, Macdonald Optima, $6.99. Also obtainable by post (add $1.70 for post and packing) from: Purnell Distribution Centre V 38, Paulton, Bristol BS18 5LQ. The personal stories of thirty women in British politics.

Poverty and Social Security, A B Atkinson, Harvester Wheatsheaf, 1989, pp 400p, hardback £45, paperback £12.95. The persistence of poverty in industrialised countries and its abolition through social security programmes remains one of the most vital issues addressed by economists. This book is a selection of essays on the topic, some previously unpublished or not readily available. Of particular interest to readers of this Bulletin are essay No 16: The cost of social dividend and tax credit schemes; essay No 17: Analysis of a partial basic income scheme; and essay No 18: TAXMOD. The latter explains the computer model used to cost tax and benefit reform proposals, including the PBI scheme in essay No 17.

Newsletter of the Basic Income European Network, No 7, Spring 1990. Essential reading for anyone who wants to keep up-to-date with BI developments outside the UK. Published three times a year. Subscription (including BIEN membership): Belgian Francs (BF1000 for two years (BF2000 for institutions and BF500 unwaged). For further information, write to: Walter Van Trier, BIEN Secretary, Bosduifstraat 21. B-2080 Antwerp, Belgium.

The Reform of Direct Taxation, Report of the Fabian Society Taxation Review Committee, Fabian Society, 11 Dartmouth Street. London SW1H 9BN, March 1990. Clearly written analysis of Britain's personal tax system, together with well presented proposals for reform. Basic Income is not among them, but is referred to as "the main alternative to social insurance".

Critique of Economic Reason, André Gorz, Verso, 1989. The last section of this book deals with BI, a "leftist" version of which, the author argues, must be coupled with compulsory social service. Author's address: F-10130 Vosnon, France.

Starting even. An equal opportunity program to combat the nation's new poverty, Robert Haveman, Simon & Schuster, 1988. In this book from America, the author argues for a "universal demogrant, integrated with the personal income tax", to replace such programmes as AFDC and food stamps. There is also a "universal personal capital account for youths". Author's address: The Director, La Follette Institute of Public Affairs, University of Wisconsin, 109 Observatory Hill, Madison, Wisconsin 53706, USA.

Common Benefit: Liberal Democrat policies for reform of the tax and benefits systems (Federal Green Paper No 11), December 1989, obtainable price £4.20 (incl postage) from Hebden Royd Publications Ltd, The Birchcliffe Centre, Hebden Bridge, West Yorkshire,HX7 8DG. This important document by Britain’s third largest political party recommends the phased introduction of a partial BI, or Citizen’s Income. The proposals are carefully costed and generally feasible. (See Philip Vince’s article in this Bulletin and AT HOME AND ABROAD.)

The Emerging British UNDERCLASS, Charles Murray, with Commentaries by Frank Field, Joan C Brown, Alan Walker and Nicholas Deakin, IEA Health and Welfare Unit, The Institute of Economic Affairs, 2 Lord North Street, London SW1, May 1990, price £5.95. “Who are Britain’s new poor and are they victims or merely feckless? Are they evidence of an ‘underclass’ in the making? What indeed is an ‘underclass’? And if one exists, will it devastate Britain’s cities as it has done in the United States?”


The Alaska permanent fund and dividend distribution program, J Patrick O’Brien and Dennis O Olson, in Public Finance Quarterly 18(2), April 1990, pp139-156. Alaska’s social dividend explained.

Ensuring a Basic Income for older people, Hermione Parker, in Action Pack 2, The Economic Equation, published by Age Concern, Bernard Sunley House, 60 Pitcairn Road, Mitcham, Surrey CR4 3LL, June 1990, as part of their Coming of Age debate on the issues likely to affect older people over the next fifty years. An introduction to the implications of BI for older people, together with some costings.

The second marriage of justice and efficiency, Philippe Van Paris, in Journal of Social Policy 19(1), January 1990, pp1-15; or from the author: ECOS, 3 Place Montesquieu, B-1348, Louvain-la-Neuve, Belgium. To be acceptable BI must meet the criteria of both justice and efficiency, which is impossible unless we change the ways we usually think about them in connection with social policy.

Arbeiten und Essen: Politik an den Grenzen des Arbeitsmarktes (Working and Eating: Politics at the Edges of the Labour Market), Georg Vobruba, Passagen Gesellschaft, 1989. “He who will not work shall not eat”. A timely study of questions raised by a work ethic that no longer matches the societies in which it operates; and of alternative options.


Redistribution work and income in the crisis: actors’ problems of working-time reduction and a guaranteed basic income, Georg Vobruba, 1990, Hamburger Institut für Sozialforschung, Mittelweg 36, D-2000 Hamburg 13, FRG. An enquiry into the feasibility of combining BI with work-time reduction, in order to redistribute work and income at a time of mass unemployment.

Work for a Secure Future, Young Christian Workers (YCW), Roman Catholic Diocese of Shrewsbury, tel 061 998 1115. This report, produced as part of the Secure the Future campaign identifies three areas where the insecurity of young people is felt to be acute: training schemes, short-term contracts and the underground economy. Because See — Judge — Act are key words for YCWs, the conclusions of the report are hard-hitting. Employers, educators, trade unions and politicians alike are called on to respect the rights, dignity and opinions of young workers.
Viewpoint

Basic Income and Industrial Development
An employer’s viewpoint

Victor Oubridge

Politics in industry

In Great Britain the polarisation of political thinking between the two main parties reflects the historical confrontation between advocates of capitalism and socialism. The ebb and flow of political power over the years has left us with an economic system that is not completely based on either, but upon an illogical and unsatisfactory mixture of both. Opinions vary on how the fruits of industry should be distributed to citizens: whether according to some state system of social justice, or to the extent that each person’s work or property has contributed to them — in which case social justice is left to individual conscience.

Within industry attitudes have become polarised between trade unions and employers’ associations. Managers are often assumed to identify with the latter, yet many of them, up to and including members of boards of directors, are more likely to see themselves as holding the ring between the interests of the capitalists and the interests of the employees they manage, rather than taking sides themselves. They would claim simply to be working within the system as it exists.

To enter a market system at all it is necessary to have spare cash, assets in demand, or work potential with a market value. Following the industrial revolution — with a surplus of persons seeking jobs — many workers had none of these things, so a minimum of state assistance had to be provided to bring them within the system. Unions were also formed, so that by collective bargaining wages could be prevented from falling below poverty levels. These measures made the situation more acceptable, but they also reduced the effective working of free markets. Further, they did not address the root cause of the problem, namely the weak bargaining position of many individual workers.

In this article I shall suggest that there is a basic flaw in the existing market system which, once technology has developed beyond a certain point, causes it to produce an increasingly inequitable distribution of incomes.

Knowledge as an economic resource

Knowledge, particularly scientific and technical know-how, increases our understanding of how things work, and is an important economic resource. Although a product of the mind, if properly recorded it can be preserved indefinitely. Moreover it does not lessen with use — on the contrary it is more likely to increase. Since there is no evidence that mankind has become more intelligent or more hard-working during the last few hundred years, the manifest achievements and improvements in our material living standards over this time must be attributed overwhelmingly to the growth and spread of knowledge.

Thus it is that the prosperity of industrially developed countries depends very largely on the extent to which each has been able to apply published scientific and technical knowledge to the training of its workforce and to the assembly of its natural resources, infra-structure, buildings, plant and machinery.

It is the task of industry to acquire and convert raw or partly converted resources into consumable products. Many resources are owned by individuals or corporate bodies who can influence the use to which they will be put and the price at which they will be sold. Published knowledge — no longer protected by letters patent and freely available to all who can make use of it — is a notable exception.

These facts have an important bearing upon the kinds of economic system appropriate for industrially developed countries.

The ethical case for BI

Clearly something to which access cannot be denied, such as the air we breathe or published knowledge, cannot have a price in a competitive market. But this in no way diminishes its value. Rising material living standards in the developed world bear witness to increased industrial production through application of rapidly growing scientific and technical knowledge.

No one person, I suggest, has the right to more of the benefits of public knowledge than another. Yet, having no market price, the value of knowledge is ignored by the market system and all the benefits of its contributon diverted in consequence to those who own the marketable resources — in proportion to the market prices of their contributions. It is only through taxation that an equitable proportion of those incomes can be recovered for redistribution to the rest of the community.

Taxation is first employed to meet the normal expenses of governments (administration, defence and so forth). To this may be added taxation for the relief of poverty, implying a redistribution of incomes from rich to poor. Poverty prevention is the aim of all BI proposals, and a ‘Full’ BI is defined in Instead of the Dole as an income sufficient to meet all basic living costs, which is then calculated to require massive redistribution of incomes.

The considerations discussed above imply that an equitable redistribution would need to proceed further even than a ‘Full’ BI (FBI), to a theoretical level which is probably impossible to calculate and certainly unattainable in practice. For the purposes of discussion we might describe a level above ‘Full’ BI as an FBI+. The point is that whatever level of BI may be found politically and economically practical, redistribution to provide it would, to my mind, be fully justified ethically.
From collective bargaining to individual bargaining

The ethics of income redistribution — either for its own sake or for the prevention of poverty — is not the sole ethical consideration presented by BI proposals, which also have to be reconciled with the ethics of a free society.

A BI achievable in our present situation could not be sustained unless the effectiveness of industry were simultaneously sustained or increased, and this requires human cooperation. Unless we force people to cooperate against their will we have no option but to provide sufficient incentives instead. So it is important to consider the effects of a substantial BI on industrial incentives.

The pattern of demand would certainly be greatly altered. The effects on wages and employment would be critical, but very difficult to forecast. On the face of it the removal from large numbers of people of the necessity to work for money would be bound to make labour a scarce commodity and force up wages. Coupled with the disincentive effects of very high taxation, it is difficult to see how industrial prosperity could survive.

But perhaps incentives to work would not have to be so high if people were not expected to do any job offered to them, but could afford to wait for the ones they wanted to do. With the advent of a BI economy the way would be opened for sweeping changes in the field of industrial relations which just might, in the long run, more than compensate for any adverse effects of the new economic freedom.

Ours is a mixed rather than a free market economy, partly because the terms under which employees are engaged to work depend to a large extent upon collective bargaining rather than upon negotiations with employers in conditions of free competition. Under this system, decisions crucial to the economy as well as to the two sides of industry, are taken not upon the merits of each case, or on genuine free market evaluations, but upon the relative power of organised labour to threaten or carry out industrial action, and of employers to resist it. I believe this is an inefficient and objectionable way of running industry, and the cause of much deplorable social tension in society.

Although I am a great believer in the merits of free competitive markets (when conditions are suitable) I also recognise that they are not suitable when agreement is a vital necessity for one of the negotiating parties. For this invites exploitation by the other, and then there can be no real freedom in negotiation. It was for this reason that the trade unions were formed. But collective bargaining, while removing free competition between workers, does not prevent exploitation. It merely extends the opportunity for it to both parties, where it becomes the norm. Because one of them, sooner or later in any dispute, faces the vital necessity of reaching some agreement.

A related problem is that there are too many square pegs in round holes in industry. This is largely because the blunt instrument of collective bargaining assumes that every worker will put the same value upon a given job and that every worker on that job is worth the same to an employer, when in fact this is by no means the case. By contrast, the fine tuning of individual bargaining which a BI system could bring about, coupled with real freedom for both employers and employees to revise or terminate a contract, could make employment more efficient and attractive — and industrial relations could be very greatly improved.

To say this is not to belittle the important services that trade unions can (and would continue to) offer their members, including representing their individual interests in negotiations with employers. But unionism (as currently practised) turns the emphasis around so that it is the individual member who serves the collective will of the union, in order to maximise its power.

Economic consequences of a free labour market

Freedom to bargain individually and competitively cannot be restored while workpeople do not possess a sufficient degree of financial independence. Conversely, employers could not withstand that independence if unions were still in a position to enforce collective bargaining.

In our present situation it is possible that wages and salaries are distorted throughout the range by pressure to pay, as a minimum, a socially acceptable living wage while simultaneously maintaining differentials. An FBI, or FBI+, would eliminate the need for such a minimum, and wages in a free market would depend entirely on what people would willingly and freely accept. It is not unthinkable that some might actually pay to work at relatively attractive occupations. Consequently while some wages would increase, others would fall. But finding or keeping a job would become an option, rather than a necessity, for everyone. Employers would have greater freedom to make changes in the interests of more effective performance, but would be well aware that harsh or anti-social behaviour, or unattractive terms, would make it difficult for them to recruit or retain their best employees.

Finally, I do not think it is altogether a disaster that we have to look for an alternative to Beveridge’s assumption that we could and should maintain a situation of ‘more vacant jobs than idle men’. For reasons of efficiency industry must be able to respond quickly to changing circumstances. Full employment makes this very difficult and I think it is worth paying the cost of maintaining a pool of unemployed people content to stay out of the labour market unless and until conditions become attractive enough for them to re-enter.

The way ahead

For all these reasons I believe an unconditional BI, as full as possible, is desirable — provided the system of forced collective bargaining can be eliminated as part of the deal, thus restoring a free market in employment. A partial BI, as a first step towards an eventual FBI or FBI+, would give time for the many problems which would show up to be identified and tackled before they became disasters. It would also allow economic growth (planetary conservation permitting) to contribute to the financing of an FBI. But our system of determining the pay and conditions of large numbers of people by power
confrontation, rather than the regulation of market forces, only works at all if the power of each side is kept more or less in balance. Even a partial BI might disturb that balance, and it would be necessary to have agreement from the beginning that collective power bargaining was to end as the BI level rose sufficiently. Without such an understanding, not only would an opportunity to make very great improvements to the industrial scene be wasted, but the introduction of a BI scheme would, in my opinion, be disastrous.

It is impossible to say in advance how the various consequences of a competitive free market in employment would work out. How would overall industrial activity respond? For which occupations would wages fall and for which would they rise? What would happen to prices and the return on capital? How would our international competitiveness be affected?

To me the crucial industrial question is: how high would the BI have to go for it to be politically possible to get acceptance of the abolition of collective bargaining?

Step by step

Whatever the answers to these and other questions, there would clearly be — under any BI scheme — a drastic revolution in economic and social life. This revolution would affect everyone and the problems of the transitional period would do no less.

In the circumstances there is no real alternative to beginning cautiously and finding out the reactions to a small move in the right direction. Even that will require an immense act of faith which may well prove too daunting. On the other hand, if we can see through to the kind of society we could eventually create, it would surely have a vastly more attractive face than it has today.

Victor Outridge is a former managing Director in the mechanical engineering industry. He has also served in central government as an industrial adviser to the Department of Economic Affairs in the Wilson administration, in politics as Chairman of a constituency Conservative Association, and in education as a visiting Professor of Industrial Administration at Aston University.

Notes and references


2. On page 6 of BIRG's leaflet Basic Income, a distinction is drawn between Full Basic Income (FBI), Partial Basic Income (PBI) and Transitional Basic Income (TBII), Basic Income, BIRG 1989, available free from BIRG 102 Pepys Road, London SE14 5SG.

We welcome your letters, queries and comments, but please restrict them to one side of A4, and type them if possible.

From S H Allen, Australia

Substitution of a sustainable for a growth economy (a must if mankind is to survive) will make introduction of a BI scheme essential. But the insistence, in all the BIRG Bulletin articles I have read, that the BI be funded from taxation exasperates me. What is money other than a man-made means of exchange, the supply of which is man-manipulated?

The citizens of Britain are not going to be allowed to starve or go naked. If the goods are available, then the money to buy them must be made available — within environmental limits. An equitable distribution of an adequate income to each citizen for a satisfactory life style should not be beyond man's ingenuity, especially in an age of computers.

The function of taxation should be to limit the spending power of the wealthy, thus preventing them from making too great an impact on the environment — from being extravagant and using resources unnecessarily. See How to Stabilise the Economy by Herman E Daly, The Ecologist, Vol 3, p 90, 1973. I suggest also that BIRG contact Professor John H Hotson, Department of Economics, University of Waterloo, Waterloo, Ontario, Canada. N2I 3G1, who is associated with the Committee on Monetary and Economic Reform (COMER).

Whatever is physically possible, and desirable on environmental grounds, must be made financially possible.

Yours sincerely,

S H Allen, 10 Eton Street, Malvern, South Australia, 5061.
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Basic Income Research Group

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Malcolm Torry, secretary
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Bien Conference

"Economic democracy and citizenship income"

The 1990 BIEN Conference will be held in Florence, Italy, from 19th — 22nd September, 1990. For details about the programme, accommodation, registration etc please contact the organising committee:

Edwin Morley-Fletcher: Lega Nazionale delle Cooperative e Mutue, Via Guattini 9, I-00161 Roma, Italy.
Telephone (39)(6)844391
Fax (39)(6)84439216

Guy Standing: International Labour Office, CH-1211, Geneva, Switzerland.
Telephone (41)(22)7996455
Fax: (41) (22) 7988685

Alexander de Roo: De Groenen, European Parliament, 97-113 rue Belliard, B-1030 Brussels, Belgium
Telephone (32)(2)2343052