

# Citizen's Income *newsletter*

2017, issue 1

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### Citizen's Income Newsletter

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## Editorials

### The state of the debate

In the second edition of the *Citizen's Income Newsletter* for 2016 we published an editorial that suggested that the debate in the UK had shifted from discussion of the desirability of a Citizen's Income to discussion of its feasibility, and that it was now shifting towards questions of implementation. Two recent events conform to that suggestion.

In October, the Institute for Policy Research at the University of Bath held a seminar on Citizen's Income. Much of the discussion was about feasibility, and two blog posts published after the seminar

concentrated on issues of political feasibility. (We publish the blog posts in this edition of the *Newsletter*.) And in November, the Institute of Chartered Accountants in England and Wales published a report about implementation options for Citizen's Income, and held a consultation about those options.

Another event represents what might be a new phase in the debate: the question of timing. The occasion was a seminar (date?) at the London School of Economics on 'Citizen's Income: Rights and Wrongs'. Emeritus Professor David Piachaud offered numerous arguments for the undesirability and infeasibility of what he called a 'full' Citizen's Income, and suggested that a Citizen's Income of a smaller amount would require means-tested benefits to continue and would therefore not represent the 'simplicity' and 'efficiency' often claimed for Citizen's Income. It is a pleasure to see some of the country's acknowledged social policy experts engaging with the Citizen's Income debate in this way, offering both relevant critique and avenues for further research (for after all, the concepts of 'simplicity' and 'efficiency' are interesting and complex ideas, and could certainly do with rather more careful examination in the context of the Citizen's Income debate). The debate that followed Professor Piachaud's presentation passed through issues relating to desirability and feasibility and then turned to issues relating to timing, with two particularly significant interventions from Polly Toynbee, of *The Guardian*, and Donald Hirsch, Director of the Centre for Research in Social Policy at the University of Loughborough. Both of them suggested that while Citizen's Income might not be an idea whose time had come, it is an idea whose time might well come as increasing automation continues to change the employment market: the argument being that if employment no longer provides the normal route to a subsistence income, then another route will have to be found. David Piachaud had suggested during his presentation that if a full Citizen's Income was not desirable, then we ought not to take steps towards it. We might add: If a Citizen's Income will become increasingly necessary, then it is important to take steps towards it as soon as possible, and to be ready to roll it out when we need it.

This suggests that while the debate will continue to be about the desirability and feasibility of Citizen's Income, it will need to turn increasingly towards discussion of precisely what kinds of Citizen's

Income schemes might be required, how such appropriate schemes might be implemented, and how implementation can be timed so that it responds to our changing economy, society, and employment market. If this stage of the debate is to be intelligent then we shall be needing more of the kind of detailed costings work that we have already seen in UK, and to which an increasing number of academics are now contributing; and we shall also need close examination of the policy process and of detailed administrative considerations.

The phase of the debate that we might see after the 'timing' phase might already have been signalled in an article by Paul Mason in *The Guardian* (<https://www.theguardian.com/commentisfree/2016/oct/31/paul-mason-driverless-cars-uber-artificial-intelligence-unemployment>). As he says, in relation to the changes that we are seeing in the employment market: 'The most heavily touted solution is the universal basic income ... .' He also goes on to ask how other public services will need to be configured in order to cope with the changes that we shall increasingly see (for instance: the advent of driverless cars will require the implementation of an efficient, automated public transport system if the roads are not to become overloaded with driverless cars). So the next stage of the debate might well be: 'We need a Citizen's Income, and we're working out how to do that: but what else do we need?'

Developing countries have already held Citizen's Income pilot projects, so it would be no surprise if developing countries were the first to implement Citizen's Income and reap the rewards of doing so, and were also the first to move on to appropriate configurations for public services. One or two developed countries are experimenting with benefits that might look a bit like Citizen's Incomes – or might not. One day a developed country will implement a Citizen's Income scheme, will find itself with a benefits system more fitted to the world of driverless cars and the world of increasingly diverse individual portfolios of paid and unpaid work – and will then be able to concentrate on the other changes that will be required. Other countries will then follow. The UK used to be an innovator in such matters. Might it be able to rediscover that ability?

### **Mending an unequal society**

It is in no way a party political statement to suggest that the UK's referendum vote to leave the European Union, and the USA's election of Donald Trump as president, are responses by divided and unequal societies. In relation to one of those characteristics, any Citizen's Income scheme would offer a positive

response, because a Citizen's Income, by definition, would give to the society in which it was implemented an additional means of cohesion. Everyone would receive a Citizen's Income.

However, there are some Citizen's Income schemes that would reduce inequality, and some that would exacerbate it. It is therefore incumbent on researchers to ensure that one of the criteria by which Citizen's Income schemes are evaluated is the extent to which they reduce inequality. The scheme contained in a recent Institute of Social and Economic Research working paper would reduce inequality. We reprint that scheme in this edition of the *Newsletter*.

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### **A new book**

*Citizen's Basic Income: A Christian Social Policy*, by Malcolm Torry, was published by Darton, Longman and Todd on the 29<sup>th</sup> September 2016  
**Price: £5.00**

The publisher says this about the book.

Citizen's Basic Income – often called 'Universal Basic Income' or simply 'Basic Income' – is an act of grace. It is an unconditional income paid automatically to every individual as a right of citizenship and operates on a similar principle to the National Health Service – free at point of use for every legal resident.

As a national social policy, reforming the UK's benefits system, Citizen's Basic Income would recognise God's equal treatment of every person while recognising individuality and celebrating God-given abundance. It would provide for the poor, be non-judgemental and recognise our mutual dependency. It would facilitate liberty, the duty to serve and a more just society, while both relativising and enhancing the family and inspiring us all to be co-creators.

The idea of an unconditional payment for every citizen has been around at least since the eighteenth century. In the modern day Malcolm Torry and the Citizen's Income Trust have promoted debate and understanding of its feasibility. In this book Torry explains the models by which Citizen's Basic Income could work, and demonstrates the association between Citizen's Basic Income and Christianity. He calls for greater Church involvement in a wide-ranging debate on the subject.

To order the book, go to <http://www.darton-longman-todd.co.uk/titles/2179-9780232532609-citizens-basic-income>

## Main article

### Debate at the Institute for Policy Research

*On the 10<sup>th</sup> October, the Institute for Policy Research at the University of Bath hosted a seminar, 'Money for everyone: The state of the Basic Income / Citizen's Income debate'. You can view the seminar and slides in full on the Institute's online lectures page at <http://www.bath.ac.uk/ipr/events/ipr-online-lectures/>, or listen to the podcast on its Soundcloud playlist at <https://soundcloud.com/uniofbath/dr-malcolm-torry-money-for-everyone-the-state-of-the-basic-income-debate?in=uniofbath/sets/institute-for-policy-research>*

*After the seminar, the institute published two blog posts, one by Luke Martinelli, Research Associate on the IPR's universal basic income project, and one by Malcolm Torry, Director of the Citizen's Income Trust. The two blog posts are reprinted here with the Institute's permission. (The blogs contain website links. To see the links, go to the website version of the blogs at <http://citizensincome.org/news/institute-for-policy-research-seminar-and-blog-posts/>*

### Exposing a fragile coalition: The state of the basic income debate

by Luke Martinelli

Is it time to move beyond the polarised views that characterise the basic income debate? Universal basic income (UBI) may be an attractive solution to a host of policy problems – but advocates must recognise that moving from abstract concept to reality will involve significant trade-offs and political barriers.

#### *Gaining traction, growing support*

In recent weeks, there have been a number of developments which appear to demonstrate the movement of UBI towards the political mainstream: in the UK, the influential Trades Union Congress (TUC) has endorsed social security reform that embodies the principles of basic income; in Canada, the Government is moving forward with concrete plans for a basic income pilot, adding to those upcoming in Finland and the Netherlands; the French region of Aquitaine is consulting on the idea; and in Germany, the single issue party *Bündnis Grundeinkommen* (Basic Income League) has just been established. These trends seem to suggest that UBI is gaining traction that will lead inexorably to widespread implementation.

After all, UBI is not just a good idea; it is an *increasingly* good idea in a world in which the nature of work, family and society is rapidly changing.

Automation of production processes, both in manufacturing and, increasingly, services; large and growing wage gaps between 'lousy' and 'lovely' jobs (Goos and Manning, 2007); the growth of zero-hour and temporary contractual arrangements; and long-term unemployment among disadvantaged groups are all problems which urgently need addressing. Nuclear families have given way to the emergence of complex and unstable family structures, and the 'new social risks' of lone parenthood and gaps in the provision of care for children and the elderly threaten vulnerable sectors of society.

All of these factors are feeding into the widespread failure of existing social security systems to achieve equitable and efficient settlements for growing numbers of people – exactly what UBI claims to be able to provide.

Yet despite (or perhaps because of) intensified interest in basic income, the debate has become more polarised than ever. It is an elegant balance of justice and liberty; it is the worst of all possible worlds. It is the saviour of the welfare state; it will destroy it. It can be implemented tomorrow; it is a vague and distant utopia.

#### *A family of proposals*

When considering these polarised views on basic income, it is worth noting that UBI is best considered as a family of proposals, rather than a specific policy *per se*.

The core characteristics of UBI as an idea are that payments should cover the entire population, and eligibility cannot be conditional on income, work history, or behavioural requirements. Beyond this, there is a great deal of variation between plans in terms of a number of important aspects – including, crucially, the level at which payments should be made, and how the basic income fits into the wider constellation of welfare and tax policies.

These design features vary in relation to the precise goals that basic income is intended to achieve, which themselves are contested. Although it can be seen as a prosaic way to simplify a complex welfare system, alleviating administrative costs and bureaucratic intrusion while reducing marginal tax rates – and thus eliminating the poverty and unemployment traps that pervade means-tested systems – it has also been touted as having the potential to fundamentally alter how we think about 'work'. Releasing individuals from the compulsion to enter paid employment – and the exploitation and domination this entails – in order to survive, and liberating them to pursue a variety of socially valuable and creative activities, UBI has

been mooted in radical terms as “a capitalist road to communism” (Van Der Veen and Van Parijs, 1986).

*Multi-partisan support*

The protean nature of basic income helps to ensure that the concept appeals across traditional party lines. One of the striking things about this idea is the wealth of favourable theoretical arguments which appeal across the political spectrum, leading to the popular description of UBI as 'not right or left, but forward'. In isolation, these arguments apply to other ways of organising social security – but few if any such systems so effectively marry the priorities of the social democratic left (equality, solidarity and redistribution) with those of the libertarian right (small government, freedom and efficiency). By both left- and right-wing proponents, UBI is viewed as the saviour of a broken welfare system which is stigmatising and intrusive yet unfit for purpose.

For basic income advocates on the left, the focus is on the failure of the system to provide security for all in an adequate and dignified fashion, as socio-economic conditions have made the Beveridgean system increasingly untenable. Gone are the days – if they ever existed – when male breadwinners provided for their families with stable, well-paid jobs. The *Trente Glorieuses*, that period of yet unmatched growth and prosperity following WWII, gave way to deindustrialisation, structural unemployment, rising wage inequality, and the increasing prevalence of precarious employment.

For the right, the welfare system is seen as the cause of dependency and societal breakdown, as the complex array of means-tested benefits reduces work incentives and discourages family formation. The bloated government bureaucracy which administers the intrusive work tests and financial conditions creates higher taxes, which act as a drag on the efficiency of the economy as a whole.

Basic income, perhaps miraculously, seeks to balance these competing goals and priorities. But does this congregation of political views mean that it is universally and normatively desirable? Clearly not.

*Cross-party opposition*

There is an equivalent (and possibly more significant) meeting of minds across the political spectrum that finds basic income a deeply discomfiting notion. Social democrats believe that welfare should be generously available for all, and those on the right that it should be a residual safety net – but both agree that the right to an income comes with a responsibility to work (however this responsibility is actualised). Notwithstanding the claims of political

philosophers such as Philippe Van Parijs that “even surfers should be fed”, Bowles and Gintis (2000) demonstrate that people “support the welfare state because it conforms to deeply-held norms of reciprocity and conditional obligations to others”. Of course, this goes beyond the simplistic equality of contributions and receipts – but the belief that everyone has an obligation to contribute to society if they can, and that only those unable to work through incapacity, involuntary unemployment or caring responsibilities are deserving of state support, provides a philosophical foil to the arguments of basic income advocates (Anderson, 1999). Bay and Pedersen (2006) show that support for universal welfare drops when respondents consider the possibility of foreign immigration. Data on attitudes to welfare, which have hardened in recent years, appear to uphold these insights – as analysis of the British Social Attitudes Survey by Eleanor Taylor and IPR Director Professor Nick Pearce serves to demonstrate.

For progressive opponents of UBI, welfare should be restricted to those most in need, since the wealthy do not need it; if you are going to spend more on welfare, why not make payments more generous for the poor? Thus, basic income is likely to be seen as ineffectual by the progressive left, as demonstrated by reactions to Compass' UBI proposals stating that “a powerful new tax engine will pull along a tiny cart”, and that feasible UBI schemes are “not generous enough to achieve the aim of replacing wages in an increasingly automated world; or they are not funded properly; or both”. The concept of uniform benefits also appears to conflict with the principle that levels of support should correspond to the needs of claimants – which are complex and varied, and therefore might be seen to justify an equally complex range of benefits.

At the same time, conservative opponents argue that UBI would be prohibitively expensive, require huge tax rises, and significantly damage work incentives. Although the unconditional nature of UBI leads to lower marginal effective tax rates (as the benefit is not withdrawn as income rises), if payments were pitched at subsistence level or higher, there would be a significant negative labour market response as individuals opt for more leisure.

Thus, while basic income has supporters across the political landscape, it also has detractors – and the large family of basic income proposals provides a wide target at which to direct criticism.

*A fragile coalition*

The multifaceted nature of basic income enables detractors to criticise the least desirable type of basic income (from their particular perspective). Thus, basic income's association with 'undesirable' political views permits left-wing opponents of basic income to attack UBI as an alternative to decent public services and a project to dismantle the welfare state, while simultaneously allowing right-wingers to criticise it for inflating the role of government in welfare provision and dampening incentives for self-provision.

Exacerbating the political challenge of UBI is what De Wispelaere (2015) calls the "problem of persistent political division" among *supporters*. While agreed on the general principle, UBI advocates on each side of the political divide have different ideas about the key parameters. When UBI is operationalised in a specific scheme, divisions appear; as De Wispelaere observes, a residual scheme such as that proposed by Murray (2006) is "entirely unacceptable to anyone supporting basic income on progressive grounds". At the same time, libertarian UBI advocates would only support basic income schemes that sought to replace the entire welfare system. Thus, support from the 'opposite' political side may taint the concept of basic income by association: progressives cannot get behind a policy supported by right-wingers, and vice versa.

Although steps to realise basic income show signs of progress, therefore, this ultimately hinges on the extent to which meaningful coalitions of interests can be built and sustained around concrete proposals. This prospect is a lot more distant than appears at first glance; the apparent unity of the basic income movement masks a multitude of deeply divided actors, and a highly fragile coalition.

To end on a more positive note, these political difficulties are not necessarily intractable – but it may be that advocates have to sacrifice their broad coalition in favour of congregation around specific schemes. This would give lie to the idea that basic income is 'all things to all people', but it might garner new and more enthusiastic supporters as well.

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**Citizen's Income: the long history of an inevitable idea**

**by Malcolm Torry**

On Tuesday 11 October the Institute for Policy Research hosted a seminar on the desirability and feasibility of a Citizen's or Basic Income: an unconditional and nonwithdrawable income for every individual. An account of the seminar is available on the IPR's website. I shall not here repeat what was said at that seminar: instead, I shall begin with a different seminar.

Following the publication of its report on Citizen's Income, the Royal Society of Arts hosted a seminar in September on the history and prospects of the Citizen's Income debate. In his presentation Karl Widerquist, Co-chair of BIEN, the Citizen's Income international umbrella group, recounted the history of the idea from the 18th Century onwards, and made suggestions as to the different ways in which the debate might now develop.

The subsequent discussion recognised that the more intense debate of the past two or three years has a variety of causes: think tank engagement with the issue, represented by the RSA's and Compass's reports, and interest at the Adam Smith Institute; successful pilot projects in Namibia and India; planned pilot projects in Finland and Holland; a referendum in Switzerland; political party interest in the UK (with the Green Party and the Scottish National Party supporting the idea, and Labour interested) and in other countries too; new trade union interest; and perhaps even the Citizen's Income Trust's 30 years of research and publications.

The current debate already has its own history, constituted by three phases: discussion of whether giving everyone a Citizen's Income would be desirable, interest in whether it would be feasible, and discussion of which would be the best way to implement the policy. There are no firm boundaries between these three phases (if a Citizen's Income could not be implemented, for example, then it would not be feasible – and if it wasn't felt to be desirable then it wouldn't be feasible either), and each new phase has been in addition to a previous phase or phases, rather than being a replacement – but the progression is significant because it is evidence for the increasingly serious nature of the current debate. The think tank reports listed above belong to the 'feasibility' phase, as does my own recent Institute for Social and Economic Research Euromod working paper and recent book. A significant contribution to the new focus on implementation will be an Institute for Chartered Accountants consultation on the subject on 15 November.

*Where will the debate go now?*

Luke Martinelli's recent Institute for Policy Research blog discusses the diversity of the current debate in terms of, firstly, the diverse political ideologies of some of the players, and secondly the diversity of Citizen's Income schemes discussed. A Citizen's or Basic Income is always the same thing. It is always an unconditional and nonwithdrawable income for every individual. But there are of course a wide diversity of different *schemes*, with each scheme specifying the levels of Citizen's Income for different age groups, and the changes that will be made to the existing tax and benefits systems when the Citizen's Income is implemented. Compass called a scheme that retains means-tested benefits a 'modified' scheme. It is not. The Citizen's Income is a genuine Citizen's Income, so the scheme is a genuine Citizen's Income scheme.

There is a history to this diversity. As with the three phases of the current debate, so the longer-term debate has evolved by addition rather than by replacement. Thomas Paine's suggestion, that those who no longer have access to expropriated commons should be paid compensation, has been a continuing theme, represented today by Guy Standing's campaigning scholarship. Today's most high-profile representative of the libertarian argument for a Citizen's Income is Philippe Van Parijs, and Charles Murray represents well the extreme version of this tendency, which would like to scrap all other welfare provision on the implementation of a Citizen's Income. But this is to suggest – as Martinelli's blog post does – that arguments for Citizen's Income, and

accompanying preferred Citizen's Income schemes, can be located in clear ideological categories. I suspect that this is less and less the case. There are no longer clear categories, and there are no reliable spectra on which positions can be located. Our age is increasingly one of radical diversity.

My first book on Citizen's Income, *Money for Everyone*, discussed political feasibility in terms of identifiable political ideologies. The following book, *101 Reasons for a Citizen's Income*, simply offers 101 different reasons, recognising that for each individual a particular bundle of reasons might be significant. A handful of the reasons offered are framed in terms of political ideologies, because for many people those are still salient – but most of the reasons are simply listed in such broad categories as 'economy', 'society', 'administration', etc. My most recent book, *Citizen's Basic Income: A Christian Social Policy*, recognises that we are a community of communities, and that particular communities might have their own distinctive reasons for supporting or rejecting Citizen's Income.

As the Citizen's Income debate becomes increasingly mainstream, we shall find the same tendency that we find with other current issues: that they will become political footballs – that is, they will be pushed around by political considerations, rather than in relation to their own characteristics. The Shadow Chancellor, John McDonnell, has for a long time recognised that we shall one day need a Citizen's Income, and that the idea needs to be carefully studied by government. He spoke at the Citizen's Income Trust's conference in 2014, invited the Trust to organise one of his People's Parliament events, and since becoming Shadow Chancellor has reiterated his interest. Jeremy Corbyn, Leader of the Labour Party, has also been clear about his support. During the recent Labour Party leadership campaign, Corbyn's opponent Owen Smith stated his view that Citizen's Income wasn't credible. Whether he had read any of the research I don't know – but it certainly appeared that the motive for his objection was that his opponent had supported it. It is regrettable when positions are taken for reasons proceeding from a personal political career, or for factional advantage, rather than on the basis of evidenced and reasoned argument – but incidents such as this are useful because they signal the fact that an idea is understood, and that it is understood to be significant. What is then required is a sustained emphasis on the idea's feasibility.

*The Feasibility of Citizen's Income* understands feasibility as multifaceted, and recognises that specifically political feasibility is just one aspect of

feasibility. In order to be implemented, a Citizen's Income scheme would need to pass two kinds of financial feasibility test, with regard to both the feasibility of paying for it and the need to avoid imposing losses on low-income households at the point of implementation; it would need to pass psychological, behavioural, and administrative feasibility tests; and it would need to be able to negotiate the complex policy process from idea to implementation. The book concludes that there are Citizen's Income schemes that could achieve all of that. A conclusion that might have been more explicit is that conformity of the scheme to a political ideology or ideologies might be fairly unimportant. A conclusion that *is* drawn matches one that Martinelli draws: that deeply embedded convictions, relating to reciprocity, deservedness, and so on, will need to be recognised at the implementation stage, because only those implementation methods that could achieve public approval can be regarded as feasible.

The popularity of both the NHS and Child Benefit suggest that unconditional benefits fit the British psyche just as much as ideas of reciprocity and deservedness do; so as long as age groups generally felt to be 'deserving' are the first to receive Citizen's Incomes, psychological feasibility should not be too difficult to achieve. Governments can move ahead of public opinion if they are moving in the same direction – recent examples are the ban on smoking in workplaces and public places, and the legalisation of same-sex marriage – and legislation can sometimes shape public opinion (as equalities legislation has done). This suggests that any government that saw good reason for implementing a Citizen's Income scheme would be able to do so, as long as it started with age groups generally believed to be deserving – that is, children, retired people, the pre-retired, and the 16+ age group.

Martinelli suggests that the Citizen's Income debate will exhibit a variety of different Citizen's Income schemes, with each kind relating to a different set of political convictions. I'm not so sure. It is a reasonable assumption that for the foreseeable future any initial Citizen's Income scheme in a developed country will need to be funded from within the tax and benefits system. Microsimulation research at the Institute for Social and Economic Research has shown that a financially feasible Citizen's Income scheme can only avoid imposing unacceptable losses on low-income households if current means-tested benefits are left in place and are recalculated to take account of each household's Citizen's Income and changes in net earnings. It might one day be possible to plan for Citizen's Incomes high enough to enable

means-tested benefits to be abolished without households suffering losses at the time of implementation, but in today's circumstances such schemes would require infeasibly high Income Tax rates.

Recently updated figures show that a working-age adult Citizen's Income of £60 per week could be paid for on this basis. This is not large, but neither is it insignificant. Compass's recent report takes a similar approach. The RSA report does not – but neither has it tested its proposed scheme for low-income household losses at the point of implementation. We look forward to the results of current IPR microsimulation research. We are now more aware than before that although it is possible to construct a wide variety of Citizen's Income schemes in theory, in practice only a narrow range of that diversity could ever be financially feasible in both senses of that term. If the debate about Citizen's Income remains mainstream, and if it becomes increasingly so, then any infeasible scheme will be put under considerable pressure (as the Green Party's proposed scheme was before the 2015 General Election) – and the result will be convergence on a narrow range of revenue-neutral schemes that would not impose losses on low-income households at the point of implementation.

The increasingly flexible and diverse nature of the employment market, family structures, and society and the economy generally, and the way in which the proceeds of production will continue to accrue to capital rather than to labour, mean that sooner or later we shall need a Citizen's Income – and that we shall need to find some means of paying for it. But that could still be a very long process. Maybe by this time next year everybody will have lost interest, and the idea will have to await another upsurge in interest in a generation's time; or maybe there will be both developing and developed countries taking the first steps towards implementation. More likely, we shall experience a situation somewhere between those two. Whatever the debate is like next year, it will have been important for high-quality research to have facilitated it. For this reason it is a pleasure to see the Institute for Policy Research contributing to the research that we shall need, and to the widespread debate that is now required.

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## News

The **Institute for Fiscal Studies** has published *Living Standards, Poverty and Inequality in the UK: 2016*: 'Median income for those aged 60 and over is now 11% above its 2007-08 level, for 31- to 59-year-olds it has returned to its 2007-08 level, but for 22- to 30-

year-olds it is still 7% below (despite growing by 4.5% in the last two years as the labour market has recovered). ... The ratio between incomes at the 90<sup>th</sup> and 10<sup>th</sup> percentiles in Great Britain fell from 4.4 to 3.9 between 1990 and 2014-15, but the share of income going to the top 1% rose from 5.7% to 7.9%. ... For the poorest fifth of children, the proportion of net income coming from employment is now 42%, up from ... 27% in 1994-95. The proportion coming from benefits has fallen from 73% to 61% over the 20 years. In contrast, middle-income children now get 30% of household income from benefits, compared with 22% in 1994-95, while the proportion coming from employment has fallen from 77% to 70% ... Eliminating household worklessness entirely would reduce child income poverty by no more than 5 percentage points, from 28% to 23% (and probably less than that). to the extent that the government wishes to improve the current living standards of children (as well as the 'life chances'), its heavy emphasis on worklessness looks somewhat narrow' (pp. 3, 16, 39, 55).

<https://www.ifs.org.uk/publications/8371>

On the 11<sup>th</sup> October 2017 the **Institute for Policy Research** at the University of Bath held a research seminar on the state of the Citizen's Income debate.

For further details, see

[www.bath.ac.uk/ipr/news/news-0256.html](http://www.bath.ac.uk/ipr/news/news-0256.html)

The **Institute for Social and Economic Research** has published research that 'disincentives arising when means-tested benefits are taken away from people who increase their earnings may be stronger than those implied by the financial losses alone. Low skilled, loss-averse individuals may be less inclined to take up paid work than their better off peers partly because the environment they face triggers different perception and behavioural cues. ... A radical approach would be to reconsider the prominence of means-testing in the British system in favour of a more universalistic and/or contributory system paid for by higher taxation', 'Losing benefits hurts more than paying taxes and this should be reflected in how we frame and design policy', an LSE blog, <http://blogs.lse.ac.uk/politicsandpolicy/losing-benefits-hurts-more-than-paying-taxes/>. For full details of the research, see Silvia Avram, *Benefit Losses Loom Larger than Taxes: The Effects of Framing and Loss Aversion on Behavioural Responses to Taxes and Benefits*, Institute for Social and Economic Research,

<https://www.iser.essex.ac.uk/research/publications/working-papers/iser/2015-17>

The **Work and Pensions Committee** has heard evidence about the way in which Concentrix, under

contract to HMRC to manage to fraud in the Tax Credits system, sent letters to claimants and stopped their Tax Credits if they did not respond. Concentrix is now to lose its contract. The Chair of the committee, Frank Field MP, said 'The Committee was astonished by the extraordinary evidence we heard. From Concentrix we saw a company desperately out of their depth and unable to deliver on the contract awarded to them by HMRC. From senior HMRC officials we saw a palpable disregard for the human implications of this gross failure of public service. From the tax credit claimants we saw dignity in the face of appalling and traumatic experiences'. For further details, see the article in *The Independent*: <http://www.independent.co.uk/news/uk/politics/disabled-single-mother-fights-back-tears-recalling-dealings-with-welfare-contractor-concentrix-a7359766.html>; and the committee hearing at <http://www.parliamentlive.tv/Event/Index/c7a299f0-96ca-436e-9e30-81216274cdeb>

### **An update on the Finnish Basic Income experiment**

The preliminary report from Kansaneläkelaitos Kela; Social Insurance Institution of Finland Kela, *From idea to experiment. Report on universal basic income experiment in Finland*, originally published in Finnish in March 2016, is now available in English at <https://helda.helsinki.fi/handle/10138/167728>. The Finnish government has now published a consultation document on a proposed Basic Income experiment (which can be downloaded here: [http://stm.fi/en/article/-/asset\\_publisher/sosiaali-ja-terveysministerio-pyytaa-lausuntoja-osittaisen-perustulokeilun-toteuttamisesta](http://stm.fi/en/article/-/asset_publisher/sosiaali-ja-terveysministerio-pyytaa-lausuntoja-osittaisen-perustulokeilun-toteuttamisesta)) and Olli Kangas, Research Director at Kela, has issued an article that discusses the differences between the recommendations in the preliminary report and the government's proposal:

<http://blogi.kansanelakelaitos.fi/arkisto/3316>. The experiment is due to begin in January 2017.

On the 15th November the Institute for Chartered Accountants of England and Wales (ICAEW) held a consultation on four Citizen's Income implementation methods described in their new publication, *How might we implement a Citizen's Income?* Three groups of policy experts created methods for scoring an implementation method; participants then voted on the scoring methods in order to choose one of them; and the groups then used that scoring method to score the four implementation methods described in the report. The three groups' scores were then combined to give overall scores. (Nobody is claiming that the groups were in any sense representative of anything other than themselves; and whether it is legitimate to



add feasibility and desirability scores to each other is of course debatable).

The results were as follows:

Implementation method	Feasibility score	Desirability score	Feasibility score + desirability score
1	41	62	103
2	45	62	107
3	38	33	71
4	34	23	57

The report can be found at: <http://www.icaew.com/-/media/corporate/files/technical/sustainability/outside-insights/citizens-income-web---final.ashx?la=en>

On Saturday 19th November, the **BBC World Service** broadcast an 'In the Balance' programme about Universal Basic Income: <http://www.bbc.co.uk/programmes/p04g1dm1>

On the 9<sup>th</sup> November, Professor David Piachaud led a **Centre for the Analysis of Social Exclusion** seminar at the London School of Economics on 'Citizen's Income: Rights and Wrongs'. To listen to a podcast, see the website: [http://sticerd.lse.ac.uk/case/\\_new/events/audio.asp?id=5614](http://sticerd.lse.ac.uk/case/_new/events/audio.asp?id=5614).

**Research note**

**An up to date evaluation of a Citizen's Income scheme <sup>1</sup>**

By Malcolm Torry

*This article is a shortened and amended version <sup>2</sup> of a paper that was first published as a EUROMOD*

<sup>1</sup> This paper uses EUROMOD version G3.0. The contribution of all past and current members of the EUROMOD consortium is gratefully acknowledged. The process of extending and updating EUROMOD is financially supported by the Directorate General for Employment, Social Affairs and Inclusion of the European Commission [Progress grant no. VS/2011/0445.] The UK Family Resources Survey data was made available by the Department of Work and Pensions via the UK Data Archive. All remaining errors and interpretations are the author's responsibility. Opinions expressed in this paper are not necessarily those of the Citizen's Income Trust

<sup>2</sup> The difference is that in the original working paper all Income Tax personal allowances were reduced to zero.

*working paper by the Institute for Social and Economic Research at the University of Essex.* <sup>3</sup>

**1. Scheme β (beta)**

The advent of EUROMOD G3.0 and the availability of new Family Resources Survey data <sup>4</sup> have made possible a more up to date and more thorough evaluation of a Citizen's Income scheme than has previously been possible. As with some of the schemes previously published in EUROMOD working papers and in this *Newsletter*, the scheme evaluated here – scheme β (beta) – assumes that Income Tax rates will be raised by no more than 3%, Income Tax personal allowances will be reduced to zero (apart from a small personal allowance reintroduced for individuals over the age of 65), and National Insurance Contributions will be equalised at 12% across the earnings range. It is assumed that no additional funds will be available from outside the tax and benefits system. The scheme leaves in place the existing social security structure, and reduces households' means-tested benefits by taking into account their Citizen's Incomes. Rather than replacing Child Benefit with a Child Citizen's Income, Child Benefit is retained up to the age of 16, and its level is increased; and a small Citizen's Pension is paid in addition to existing state pensions.

As well as revisiting the question of the financial feasibility of such a scheme, this new research project has enabled us to respond to suggestions made in relation to previous working papers and articles, and in particular to evaluate the ways in which the proposed Citizen's Income scheme might or might

For working age adults, their value was replaced by Citizen's Incomes. However, for elderly people, although a small Citizen's Pension was paid in addition to existing pensions, for pensioners still in employment this did not compensate entirely for the loss of the Income Tax personal allowance. This amended version of the paper therefore reintroduces an Income Tax personal allowance of £5,000 above the age of 65. This has eliminated the increase in elderly people's poverty discovered in the original paper.

<sup>3</sup> A longer version of this article was first published as a Euromod working paper, *An evaluation of a strictly revenue neutral Citizen's Income scheme*, Institute for Social and Economic Research Working Paper EM5/16, Colchester: Institute for Social and Economic Research, University of Essex, June 2016, [www.iser.essex.ac.uk/research/publications/working-papers/euromod/em5-16](http://www.iser.essex.ac.uk/research/publications/working-papers/euromod/em5-16)

<sup>4</sup> EUROMOD 3.0 employs tax and benefits regulations for 2015/16 and Family Resources Data from 2012 updated to 2015 values.

not reduce the number of households claiming means-tested benefits.

## 2. Enhancing Child Benefit rather than paying a Child Citizen's Income

It might be objected that Child Benefit pays more for the first child in the family, and less for the second and subsequent children, whereas a Citizen's Income by definition should pay the same for every individual of the same age. The Royal Society of Arts, in its report *Creative Citizen, Creative State – The principled and pragmatic case for a Universal Basic Income*, allocates a larger Child Citizen's Income for the first child of a family than for the second and subsequent children,<sup>5</sup> which has the same effect as increasing each of the two Child Benefit rates by the same amount and removing the Child Benefit extension for over 16s still in full-time education. The same objection applies: that this breaks the rule that every individual of the same age should receive the same Citizen's Income.

We might respond to the objection as follows: Every Citizen's Income scheme envisages Child Citizen's Incomes being paid to the child's main carer. This means that children do not in fact receive their own Citizen's Incomes, and a main carer of children would be receiving a larger Citizen's Income than someone who is not the main carer of children because they would be receiving their own Citizen's Income and the Citizen's Incomes or Child Benefit of their children. In this sense, the requirement that everyone of the same age should receive the same Citizen's Income has already been breached: and to pay more for the first child of a family than for the second and subsequent children does not cause more of a breach than already exists, because all it does is adjust the already diverse amounts of Citizen's Income and/or Child Benefit received by the main carer of one or more children.<sup>6</sup>

## 3. Scheme β, net cost, and household gains and losses

<sup>5</sup> Anthony Painter and Chris Thoung, *Report: Creative Citizen, Creative State – The principled and pragmatic case for a Universal Basic Income*, London: Royal Society of Arts, 2015, <https://www.thersa.org/discover/publications-and-articles/reports/basic-income>, p. 22.

<sup>6</sup> A review of Anthony Painter and Chris Thoung, *Report: Creative Citizen, Creative State – The principled and pragmatic case for a Universal Basic Income*, London: Royal Society of Arts, 2015, in *Citizen's Income Newsletter*, issue 2 for 2016, London: Citizen's Income Trust, 2016, pp. 20–21.

Table 1 summarises the results obtained from microsimulation of the scheme proposed here.<sup>7</sup>

*Table 1: An evaluation of Citizen's Income scheme β with the working age adult Citizen's Income set at £60 per week*<sup>8</sup>

<b>Citizen's Pension</b> per week (existing state pensions remain in payment)	£30
<b>Working age adult CI</b> per week	£60 <sup>9</sup>
<b>Young adult CI</b> per week	£50
(Child Benefit is increased by £20 per week)	(£20)
<b>Income Tax rate increase required for strict revenue neutrality</b>	3%
<b>Income Tax, basic rate</b> (on £0 – 42,385)	23%
<b>Income Tax, higher rate</b> (on £42,385 – 150,000)	43%
<b>Income Tax, top rate</b> (on £150,000 – )	48%
<b>Proportion of households in the lowest original income quintile experiencing losses of over 10% at the point of implementation</b>	1.56%
<b>Proportion of households in the lowest original income quintile experiencing losses of over 5% at the point of implementation</b>	2.38%
<b>Proportion of all households experiencing losses of over 10% at the point of implementation</b>	1.81%
<b>Proportion of all households experiencing losses of over 5% at the point of implementation</b>	21.51%
<b>Net cost of scheme per annum</b>	£2.79bn

<sup>7</sup> For the method, see Malcolm Torry, *An Evaluation of a Strictly Revenue Neutral Citizen's Income Scheme*.

<sup>8</sup> Calculations are on the basis of tax and benefits regulations and rates for 2015/16.

<sup>9</sup> The calculation is as follows: Income Tax Personal Tax Allowance in 2015/16 was £10,600. Removing the allowance would mean additional Income Tax of 10,600 x 0.2 = £2,120 being paid. The Primary Earnings Threshold for National Insurance Contributions was £155 per week. Reducing the threshold to zero would mean additional National Insurance Contributions of 155 x 52 x 0.12 = £967.20. The total additional payment would be 2,120 + 967.20 = 3,087.20, which translates as £59.37 per week: so a Citizen's Income of £60 per week would compensate for the loss of the Income Tax Personal Allowance and the reduction of the Primary Earnings Threshold to zero.

We can conclude that scheme  $\beta$  could be funded from within the current income tax and benefits system; that the increase in Income Tax rate required would be feasible; that the scheme would not impose significant losses on low income households; and that no households would suffer unmanageable losses.

We can therefore conclude that scheme  $\beta$  would be financially feasible.

**4. Changes to means-tested benefits claims brought about by scheme  $\beta$**

Tables 2 and 3 give the results of calculations based on microsimulation of the current means-tested benefits scheme and of scheme  $\beta$ .<sup>10</sup>

*Table 2: Percentage of households claiming means-tested social security benefits for the existing scheme in 2015/16 and for scheme  $\beta$ .*

	Percentage of households claiming benefits in the context of	
	the existing scheme in 2015/16	scheme $\beta$
Out-of-work benefits (Income Support, Income-related Jobseeker's Allowance, Income-related Employment Support Allowance)	15.4%	13.1%
In-work benefits (Working Tax Credits and Child Tax Credits) <sup>11</sup>	20.5%	15.5%
Pension Credit	12.1%	10.9%
Housing Benefit	21.9%	21.9%
Council Tax Benefit <sup>12</sup>	26.7%	24.4%

<sup>10</sup> For the method, see Malcolm Torry, *An Evaluation of a Strictly Revenue Neutral Citizen's Income Scheme*.

<sup>11</sup> The FRS data employed by Euromod G3.0 is updated 2012 data, and so is based on data collected before Universal Credit began to be rolled out. Given the slow pace of the roll-out, it will be some years before the FRS data reflects changes brought about by the transition to Universal Credit.

<sup>12</sup> The FRS data employed by Euromod G3.0 is updated 2012 data, and so is based on data collected before

*Table 3: Percentage reductions in total costs of means-tested benefits, and percentage reductions in average value of household claims, on the implementation of scheme  $\beta$*

	Reduction in total cost	Reduction in average value of claim
Out-of-work benefits (Income Support, Income-related Jobseeker's Allowance, Income-related Employment Support Allowance)	69.9%	64.6%
In-work benefits (Working Tax Credits and Child Tax Credits) <sup>13</sup>	26.7%	3.3%
Pension Credit	33.9%	26.8%
Housing Benefit	3.7%	3.7%
Council Tax Benefit <sup>14</sup>	12.1%	3.8%

These results show that scheme  $\beta$

- would reduce by 15% the number of households claiming the out-of-work benefits Income Support, Income-related Jobseekers' Allowance, and Income-related Employment Support Allowance; would reduce the total cost of these benefits by 70%; and would reduce by 64% the average value of these benefits received by households;
- would reduce by one quarter the number of households claiming in-work benefits Working Tax Credits and Child Tax Credits; and would reduce by one quarter the total

Council Tax Benefit became locally regulated Council Tax Support.

<sup>13</sup> The FRS data employed by Euromod G3.0 is updated 2012 data, and so is based on data collected before Universal Credit began to be rolled out. Given the slow pace of the roll-out, it will be some years before the FRS data reflects changes brought about by the transition to Universal Credit.

<sup>14</sup> The FRS data employed by Euromod G3.0 is updated 2012 data, and so is based on data collected before Council Tax Benefit became locally regulated Council Tax Support.

cost. (Average claim value does not change, so the reduction in cost is due entirely to the reduction in the number of households in receipt of these benefits.)

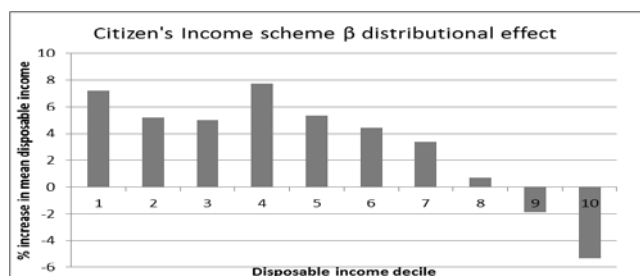
- would reduce by a third the total cost of Pension Credit. The average value of household claims would also fall by about one quarter. (The current transition from Basic State Pension to a Single Tier State Pension will change this picture by removing most elderly households from Pension Credit.)
- would not alter the number of claims for Housing Benefit, nor their average value, and so would not alter the total cost of Housing Benefit. This suggests that a Citizen's Income scheme of this type – i.e., that was strictly revenue neutral, and did not impose appreciable losses on low income households at the point of implementation – would not help to solve the problem of housing costs. A solution based on housing supply will need to be found.

(The changes in Council Tax Benefit claims are irrelevant. The locally regulated Council Tax Support has now replaced nationally regulated Council Tax Benefit, so whether a household's Citizen's Incomes would reduce the household's entitlement to Council Tax Support will now depend on the character of the regulations established by their Local Authority. )

**5. The poverty reduction and redistributive effects of scheme β**

Figure 1 shows the aggregate redistribution that would occur if scheme β were to be implemented.

Figure 1



The graph shows that scheme β would achieve manageable and useful redistribution from rich to poor, with those households often described as the 'squeezed middle' particularly benefiting from the transition.

Table 4 shows the changes that scheme β would bring about in a number of indicators:

Table 4: Inequality and poverty indices

	The current tax and benefits scheme in 2015/16	Scheme β
<b>Inequality</b>		
Disposable income Gini coefficient	0.292	0.266
<b>Poverty indices</b> <sup>15</sup>		
Children in poverty	10.88%	7.26%
Working age adults in poverty	12.45%	10.42%
Economically active working age adults in poverty	3.81%	3.19%
Elderly	10.63%	10.84%

We can conclude that

- scheme β would deliver a small reduction in inequality;
- more significantly, child poverty would fall by a third, and working age poverty would also fall.

**6. A feasible transition**

Because the only changes required in order to implement scheme β would be

- payment of the Citizen's Incomes for every individual above the age of 16 (calculated purely in relation to the age of each individual)
- increases in the rates of Child Benefit
- changes to Income Tax and National Insurance Contribution rates and thresholds
- easy to achieve recalculations in existing means-tested benefits claims

<sup>15</sup> Poverty is defined as household incomes below 60% of median household income (Paola De Agostini and Holly Sutherland, *Euromod Country Report: United Kingdom (UK) 2011–2015*, Colchester: Institute for Social and Economic Research, Essex University, 2016, [https://www.euromod.ac.uk/sites/default/files/country-reports/year6/Y6\\_CR\\_UK\\_final\\_13-04-2016.pdf](https://www.euromod.ac.uk/sites/default/files/country-reports/year6/Y6_CR_UK_final_13-04-2016.pdf), pp. 66–7).

the entire scheme could be implemented very quickly.

### 7. A feasible first step

If it were to be thought advisable to make the transition to a tax and benefits system based on a Citizen's Income rather more slowly than the 'all at once' method assumed in this working paper so far, then one option, already trailed in previous working papers and in *The Feasibility of Citizen's Income*,<sup>16</sup> would be to introduce a Citizen's Income one age group at a time. Because the cost of the first step in any multi-stage transition is understandably of particular interest, I here calculate the cost of a Citizen's Income payable just to 16 year olds.

For this purpose I assume that Child Benefit is no longer paid for 16 year olds still in full-time education, and that every 16 year old is paid a Citizen's Income of £50 per week.

The net cost would be £1.33 bn per annum.<sup>17</sup> Either this could be provided by raising National Insurance Contributions above the Upper Earnings Threshold, or for the first year it could be found from other government revenue.

By the time every single working age adult has a Citizen's Income, the fact that each new single year cohort will have had its Personal Allowances and NIC Primary Thresholds set to zero from the age of 16, and that they will be paying Income Tax rates at 3% above current rates, will mean that these methods of paying for everyone's Citizen's Incomes will automatically be in place. We know from the calculations above in relation to scheme  $\beta$  that the entire scheme would be strictly revenue neutral with National Insurance Contributions collected at 12% on all earned income: so we also know that slowly raising NICs above the Upper Earnings Threshold to 12%, along with the changes that would automatically be generated as each single year cohort became economically active, would cover the cost of each new single year cohort of 16 year olds.

So if a long transition were to be required, then giving a Citizen's Income to every new single year cohort of 16 year olds would be a useful way of slowly delivering an entire Citizen's Income scheme.

I suspect that once the first few single year cohorts had received their Citizen's Incomes, so many people

<sup>16</sup> Malcolm Torry, *The Feasibility of Citizen's Income*, New York: Palgrave Macmillan, 2016

<sup>17</sup> See Malcolm Torry, *An Evaluation of a Strictly Revenue Neutral Citizen's Income Scheme* for details of the method.

would know individuals for whom their Citizen's Incomes were an entirely positive experience that there would be a widespread call for the whole of scheme  $\beta$  to be rolled out: which could of course be done very quickly.

### 8. Conclusion

If scheme  $\beta$  had been introduced in 2015 then almost no additional public expenditure would have been required, low income households would have experienced very few losses, few households would have experienced unmanageable losses, and Income Tax rates would have increased by only 3%. The costs and average claim values for most means-tested benefits would have been reduced, and the number of households claiming in-work benefits would have dropped dramatically. Child poverty would have been reduced significantly, inequality would have been reduced, and manageable and useful redistribution would have been achieved.

The impact of this quite conservative and easy to achieve Citizen's Income scheme on both employment incentives and poverty would have been both positive and considerable.

If political anxieties necessitate a gradual transition then a viable slow transition is available that would eventually deliver scheme  $\beta$  and all of its advantages.

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## Book reviews

**Paul Auerbach, *Socialist Optimism: An alternative political economy for the twenty-first century*, Palgrave Macmillan, 2016, x + 522 pp, 1 137 56394 1, hbk, £85, 1 137 56395 8, pbk, £25.99**

The first part of this book, chapters 1 to 5, is a history of socialism understood as central planning and as state ownership of the means of production: a history that appears to have come to an end – unless Auerbach is correct to suggest that in the context of climate change ‘we may yet be forced to choose between the unpleasant prospects of living in a rigidly centrally planned economy and extermination’ (p.125).

Chapter 4 relates the history of state ownership of industry in the UK since the Second World War, and concludes that as a method for confronting the current state of global capitalism that strategy is now ‘defunct’ (p. 156). (This is not entirely true, of course. Auerbach might have mentioned state ownership of parts of the financial industry during the 2008 financial crisis.)

The second part of the book, chapters 6 to 10, shows that the ‘manifesto’ part of the book in part 3, which defines socialism in terms of a strategy for education and greater equality, has roots in the history of socialism. Auerbach shows that it is education (understood as a complex social and institutional process), and equity, that have fuelled economic development: ‘Educational opportunity, economic security, mobility and equality emerge not as gratuitous luxuries that rich countries might choose to indulge in, but as the very sources of material development itself’ (p. 159). Chapter 10 contains a thorough exploration of the causes of inequality (new technology and public policy), a discussion of the current difficult state of capitalism, and a suggestions that the short-term strategies being implemented to shore up the status quo need to be replaced by longer term strategies aimed at human flourishing.

The third part of the book is a manifesto that defines socialism in terms of human possibilities. The strategy has three elements: a broad education; more equal economic outcomes; and enhanced democracy. In chapter 12, the mechanism proposed for achieving more equal economic outcomes is full employment, with a Basic Income as a ‘measure of last resort, and at least a partial admission of a failure in the organisation of social and economic affairs: such schemes implicitly concede that a significant section of the population will be excluded from full economic and social participation’ (p. 369). Not so. A

Citizen’s or Basic Income would reduce marginal deduction rates, would improve employment incentives for individuals currently on means-tested benefits (including in-work means-tested benefits), would enable the employment market to function more like a classical market, and would therefore distribute employment more evenly across the population. Far from being an admission of failure, a Citizen’s Income would be precisely the kind of mechanism that Auerbach needs in order to achieve the full employment at the heart of his kind of socialism.

Similarly, a Citizen’s Income could deepen democratic participation in two different senses. If the electoral register were to be employed as the basis for distributing a Citizen’s Income, then electoral participation would improve; and Jane Gingrich’s research shows that to pay a Citizen’s Income, reduce personal tax allowances, and increase income tax payments (which does not necessarily mean increasing tax rates), would increase the extent to which people voted according to their convictions. A Citizen’s Income would also increase the choices that individuals and households would be able to make in relation to employment patterns and to their use of time, and would therefore improve participation in civil society: not to mention the encouragement that a Citizen’s Income would give to lifelong education.

Auerbach has written a fascinating and wide-ranging book, full of important insights, one of the most important of which might be this:

If a coherent alternative to the free-market model of society cannot be formulated, individuals and groups who find themselves repelled by the consequences of unrestrained capitalism will accept the latter’s claim to be coextensive with rational approaches to social affairs, and may embrace post-modern, religious or other critiques of rationality itself. (p. 275)

If this is correct, then a strategy for a viable alternative is essential, and whether we call it ‘socialism’ is irrelevant. Auerbach’s manifesto has provided us with a good basis for the strategy that we shall need, but the observations above suggest a means of improving it somewhat. So here is an amended Auerbachian strategy for the twenty-first century: education; Citizen’s Income; widespread employment; and participation in civil society. Each one of those four elements would enhance the others; the net cost of the strategy would be manageable; and the package as a whole could be electorally attractive.

**Mary Mellor, *Debt or Democracy: Public money for sustainability and social justice*, Pluto Press, 2016, vii + 215 pp, pbk, 0 7453 3554 4, £17.**

Mary Mellor's new book sets out from a question that is frequently asked: 'Why were private financial institutions being supported by public money while public institutions were being starved of funds or privatised?' (p. 1). Quantitative easing involves central banks creating money that buys government debt and enriches bondholders. Why can't governments create money and spend it on public services? And how come private institutions can create money, and central banks can as well, but governments apparently cannot? The way that we do things means that governments have to borrow: hence Mellor's 'debt or democracy' – significantly without a question mark. It is a political choice as to whether governments create money or borrow it from the private institutions that governments allow to create it. As Mellor points out, governments therefore choose to create public debt, and government deficits would not result in debt if they were financed by new government-created money. And as Mellor also shows, the way in which money is borrowed by governments is an important driver of inequality, and the justifiable perception that governments have lost control of money is driving a loss of faith in democracy.

This wide-ranging book explores the nature of money; studies the way in which governments create new money ('public money'); understands money as public and social – and that its creation should therefore be democratically accountable. It shows that public services could be funded by public money; suggests that central banks should reclaim money creation for the people rather than acting as banker to banks; and asks about international and global currencies. It theorises about the ways in which such a democratising of money could give birth to an entirely new postcapitalist economy. Whilst this last suggestion might be valid, it diffuses the book's message. Most of the book can be regarded as a do-able contemporary project with clear aims and outcomes. The more speculative future-oriented material belongs elsewhere.

Along the way the book demolishes a variety of myths – for instance, that money originated in precious metal, and that banks mediate between savers and borrowers (– they don't: they create the money that's borrowed); and the accounts of experiments in local currency are interesting and relevant. Material about non-money sustainable 'economies' is also interesting, but that too might belong in another book, because it detracts attention

from the main subject of the book, which is money, and from the point of the book: that the choice between debt and democracy is a political one. What Mellor does show to be relevant is that public money and privately created money have different relationships with debt-based ecologically damaging capitalist production, and suggests that public money would facilitate a more ecologically sustainable economy than privately-created money. Further exploration of these relationships would be useful, as it is not clear that public money would not contribute to an ecologically unsustainable economy. Mellor's rightly complains that 'while states spent huge amounts of money to meet the financial crisis, there is no indication that they are willing to put such a level of funds into the ecological crisis' (p. 50), and we look forward to more work on this.

As Mellor correctly points out, the kind of 'democratic provisioning by public money' that she envisages could well be achieved via a Citizen's Income (pp. 81-3): although her statement that a Citizen's Income could 'only be "afforded" if money creation and circulation was through the public money circuit' is inaccurate.

There is plenty in this book that its readers might wish to argue about, but it is a thought-provoking read. Its main argument, that there is a political choice to be made between democracy and debt, is surely right. What we now need is a road-map from privately created money to public money: a realistic map that takes into account the obstacles that will be encountered, and that takes fully into account that we live in a globalized world and that no one country's monetary reform can be insulated from a global economy hard-wired into privately created money.

The book has a good index. A pity about the boring cover.

**Peter Beresford, *All our Welfare: Towards participatory social policy*, Policy Press, 2016, x + 445 pp, 1 44732 893 3, hbk, £75, 1 44732 894 0, pbk, £23.99**

One of the most engaging characteristics of this book is the text boxes containing quotes from members of the author's extended family: 'The strength of the welfare state was that it was universal ... Charlie Croft, Brother-in-law' (p. 4). Another is the frequent expression of the author's own engagement with and feelings about the welfare state.

The first part of the book studies the history and present characteristics of the welfare state. The introductory chapter – largely based on Beresford's own lived experience – both affirms the 'values and

principles underpinning the welfare state' and recognises that sometimes the welfare state does not act according to those principles. Chapters 2 to 6 chart the history of social policy ('social policy' as implemented policy) from the Poor Law to the present day, and also explore public attitudes towards the welfare state: by 1956, National Insurance and National Assistance (means-tested benefits) were the least popular part of it (p. 107). Beresford's verdict on more recent attacks from the Right is that they have been easy to implement because the population as a whole has never been properly engaged in the construction of the welfare state; and in chapter 7 this verdict is applied in detail to the Conservative governments of the period 1979 to 1997: 'growing inequality, poverty, division, want and social problems – the conditions which ironically provided the impetus for the creation of and popular support for the welfare state' (p. 140). At the end of the first part of the book, chapter 8 explores the relationship between social policy as implemented policy and social policy as an academic discipline, and suggests that both the Fabian and neoliberal traditions were important roots of the non-participative and paternalistic nature of the UK's welfare state.

The second part of the book looks to the future. It charts increasing involvement of service users in service provision (a development not sufficiently recognised by the social policy academy); explores emerging new principles – 'nothing about us without us', and a rights-based approach rather than a needs-based one; discusses user-based research methods; and shows how participative innovations have been subverted. Chapters 13 and 14 offer the outlines of a new welfare policy for the twenty-first century: self-defined needs, and person-centred practice, with economic policy serving the individual's wellbeing rather than the other way round. Beresford concludes that if change is to occur then both staff and service users need to be in control.

While Beresford recognises that new kinds of organisation can be essential if change is to occur, he perhaps pays too little attention to the social and economic infrastructure that will best undergird the kind of participative welfare state that he wants to see. For instance: he knows that we need 'a benefits system and a labour market ... based on a notion of work and economy that support, rather than challenge our well-being ... .' (p. 280): but there is no discussion of the kind of income maintenance system that might best facilitate increased participation in society, the economy, and the welfare state. A Citizen's Income would do nicely, as it would provide a platform of financial security on which to

build, and a greater ability to take new decisions in relation to the employment market and engagement in civil society.

Beresford's book has the character of its message: participation. The ubiquity of personal experience makes it a really engaging book to read. I can't resist repeating one of the text boxes:

In the late 1980s, when I, my partner Suzy and our children were still living on poverty-level unemployment benefits, we bumped into the social policy academic Peter Townsend ... He ... asked us how things were with us, and I briefly told him that we were having a struggle. He replied, with no apparent sense of incongruity, that he understood, as his last two or three research grant applications had been unsuccessful. ... The author. (p. 155)

**Andreas Bergh, Therese Bilsson and Daniel Waldenström, *Sick of Inequality? An introduction to the relationship between inequality and health*, Edward Elgar, 2016, viii + 161 pp, 1 78536 420 4, hbk, £65**

In 2010, soon after Wilkinson and Pickett published *The Spirit Level*, the Citizen's Income Trust published a review essay<sup>18</sup> that pointed out that although Wilkinson and Pickett had shown that a correlation exists between income inequality and health, they had not proved a causal link. And now we have an entire book that asks the same question, amongst others:

How persuasive is the evidence of an inequality effect? If this effect exists, how large is it? Is the relationship causal, or are there other factors that explain why high inequality and adverse health outcomes tend [to] be associated? Does the relationship between inequality and health exist in every type of society, and what kinds of health issues are affected? Which mechanisms cause an unequal income distribution to lead to poor health? How is health affected in a society if everyone grows richer as income inequality increases? (p. 3)

Following an introductory chapter, chapter 2 asks whether health can be measured – 'different health measures reveal different developments ... health is multidimensional' (pp. 20-21); chapter 3 asks whether inequality (generally understood in this book as income inequality) can be measured – 'different

<sup>18</sup> Review article: *The Spirit Level*, by Richard Wilkinson and Kate Pickett: <http://citizensincome.org/research-analysis/review-article-the-spirit-level/>



inequality measures can produce different rankings' (p. 33); and chapter 4 asks 'How can economic inequality influence health?' (p. 38), discusses 'social structures, psychological phenomena, monetary factors, and political processes' (p. 47), and finds that sometimes a certain level of inequality can be helpful – for instance, higher economic returns to higher levels of education can inspire people to improve their education.

The heart of the book's argument is in chapter 5, in which the authors discuss the concepts of 'correlation' and 'causality', and tackle the question: 'Do higher incomes lead to better health or does poor health lead to lower incomes?' (p. 51). The authors find that natural experiments have enabled researchers to draw conclusions in both directions, they discuss the possibility that a third factor might be the cause of a correlation, and they give an account of methods for taking account of missing factors. Particularly important factors turn out to be country-specific ones: that is, 'all invariant observed and unobserved (or unobservable) factors that distinguish countries' (p. 65). The level of inequality related to these factors can be calculated: and when such calculations are made, we find that income inequality changes have little effect on health inequality (although GDP per capita, and the density of medical practitioners, do seem to affect health outcomes). Following a worked example, the authors draw the interesting conclusion that

to begin with, we have seen a fairly large negative correlation between income inequality and life expectancy in simple scatter plots. This correlation was reduced by one-half by accounting for differences in national income levels. However, as soon as we adjust for country-specific features that remain constant over time ... there is no link whatsoever between the level of inequality and life expectancy ... Increased inequality is not followed by a lower level of population health as measured in life expectancy. (p. 70)

This conclusion is not dissimilar to the conclusion in our review article that underlying social structures and processes might be affecting both income inequality and health inequality.

Chapter 6 suggests that aggregate data needs to be supplemented with individual-level data (which it recognises would be a mammoth task) if a truer picture is to emerge; and chapter 7 summarises current research (and finds that different studies come to some very different conclusions about direction of correlation and about causality, and also finds that

'very few studies offer a proper statistical identification strategy that allows the authors to make causal interpretations of their results' (p. 106)). Chapter 8 is a call for more research on the relationship between measures of inequality and the mechanisms by which income inequality and health might affect each other; finds that even though the Gini coefficient is generally employed to measure income inequality, different types of income might be being measured (disposable income, wage income, household income, individual income, tax unit income ...); and suggests that the Gini coefficient can miss important changes in inequality in parts of the population or in the whole of it. Here the authors have recognised a problem, and they suggest a solution:

that studies of the inequality effect on health should first define the relevant mechanism or mechanisms and determine how they can be detected empirically. Only then should the researcher select an appropriate measure that is able to capture these potential distributional outcomes, be it the poverty rate, top income share or, perhaps, the Gini coefficient. (p. 113)<sup>19</sup>

Chapter 9 sums up the authors' findings. The conclusion?

The conjecture that people living in rich, unequal countries have worse health than people living in rich, equal countries ... is not strongly supported by the data. (p. 115)

However,

support for the notion that subjective wellbeing suffers due to societal differences in income ... seems stronger than the support for the notion that we get physically sick from such differences. (p. 116)

This latter conclusion is particularly interesting because it suggests that the level of social cohesion might be a factor, and therefore that social policies designed to enhance social cohesion might improve health outcomes.

In a review article on *The Spirit Level* that we published in the 1<sup>st</sup> edition for 2010 of the *Citizen's Income Newsletter* we raised similar issues to the issues raised in *Sick of Inequality?* It is a pleasure to see a book that has pursued this discussion, and to find in it a model against which all future social research will need to be tested. What we still don't

<sup>19</sup> They might also have suggested the Palma: the ratio of the income share of the top 10% to that of the bottom 40%: <https://www.equalitytrust.org.uk/how-economic-inequality-defined>

have, of course, is any proof that the suggestions made in our review, relating to the possibility of deeper social structures that affect both income inequality and health inequality, have any substance. Because the suggested deeper social structures *could* produce inequality effects, they certainly do put in question any proposed causal link between income inequality and health inequality: but there are still no proven causal links. Perhaps there cannot be. What would of course be most interesting to see would be a constructed experiment, such as a Citizen's Income pilot project, that changed the structure of the benefits system for a representative sample of a population, and therefore changed the deeper social structures for that sample. As the authors of this book frequently point out, long time spans are required for such experiments to produce valid results. Whether a Citizen's Income pilot project with a sufficiently long time span might be feasible in the near future is the question that this book leaves us with.

**Kayleigh Garthwaite, *Hunger Pains: Life inside foodbank Britain*, Policy Press, 2016, xi + 195 pp, 1 4473 2911 4, pbk, £14.99**

If the Policy Press, the British Film Institute, and BBC films, can get their act together, then they should sell Garthwaite's book and Ken Loach's film *I, Daniel Blake* as a boxed set. They have the same aim – to open our eyes to what the benefits system is doing to us; they are both rooted in high quality research; and they both engage our minds and our emotions. The difference is that what we hear in Paul Laverty's script for *I, Daniel Blake* is a master craftsman's construction of believable but fictional individuals. What we hear in Garthwaite's book is the voices of foodbank users and volunteers themselves – and, importantly, her own researcher's voice.

*Hunger Pains* is ethnographic research of a particular kind. First of all it is action research: that is, the researcher is embedded in the situation being researched; and secondly, it is action research of the most engaged and expressed kind. A researcher conducting action research in a foodbank would have to become a foodbank volunteer, packing carrier bags with the required non-perishable food, and relating to the families and individuals bringing vouchers from referring agencies. What is distinctive about Garthwaite's research is that as well as recording the events and conversations in which she takes part, she records and expresses how her thoughts and emotions are deeply affected by those events and conversations. The technique is highly effective at drawing the reader into the situation in which the researcher is working.

One of the book's most important characteristic is its honesty, and not only in its recording of the researcher's own complex reactions to her foodbank experience. To take one particular example: it does not shy away from the fact that the foodbank system is sometimes abused (although it is also clear that the robust voucher system makes this a rare occurrence); and neither does it shy away from the fact that people in poverty sometimes make poor choices (at the same time as it emphasises that usually there are no choices to be made, and that what might look to an outsider like a bad choice might in fact be an inevitable consequence of previous events).

The book's introduction summarises research on recent welfare state reforms and on foodbank use. The first chapter records Garthwaite's introduction to working in the foodbank in Stockton-on-Tees: and subsequent chapters discuss what foodbanks do (including a useful summary of foodbank use in other countries); the diverse attitudes to foodbanks and their users found among politicians, the media, and foodbank volunteers; Garthwaite's research results and conclusions on why people use foodbanks. She finds that there are

many complex, overlapping, crushing reasons why people use a foodbank. ... foodbanks really are a last resort. (p. 95)

Chapters follow on foodbank use by people either in employment or constantly in and out of precarious employment; on the lack of choice experienced by people in poverty, and in particular the difficulty of maintaining a nutritious diet; and on stigma, shame, and the ambiguous effects of the second *Benefits Street* series, filmed in Stockton-on-Tees. In the final chapter, Garthwaite concludes that

Foodbanks would not need to exist if it weren't for the harsh benefits sanctions, precarious, low-paid jobs, and administrative delays that leave families without money for weeks on end: (p. 149)

and that

it is crucial that foodbanks are not seen as an extension of the welfare state. (p. 150)

Garthwaite makes a series of specific recommendations: for instance, in relation to gas and electricity consumption costing more if accessed via a coin-operated meter than via a quarterly direct debit. She asks for the 'nasty rhetoric' (p. 157) to cease; and that we should listen to the voices of people who use foodbanks.

On page 156, Garthwaite reiterates the 2015 Fabian Commission's suggestion of 'action to reduce acute household food insecurity caused by social security benefit sanctions, delays and errors'. The one thing missing from this book is the obvious: that it is the structure of our mainly means-tested benefits system that has enabled sanctions, delays, errors, stigma, and poverty, to take root.

As you read this book – and as you watch *I, Daniel Blake* if you haven't done so already – ask yourself this: Would all of this be happening if a substantial part of our means-tested benefits system were to be replaced by an unconditional, nonwithdrawable regular income for every individual? In particular: if there was money that just kept on coming, whatever else is going on in someone's life, would we need foodbanks? The answer is 'No'.

**Glenn Muschert, Brian Klocke, Robert Perrucci, and Jon Shefner (eds), *Agenda for Social Justice: Solutions for 2016*, Policy Press, 2016, 1 4473 3288 6, pbk, xiii + 134 pp, £9.99.**

At first sight this might not seem the most obvious book to review in the *Citizen's Income Newsletter*. The context is the United States and not the UK; and although numerous policy areas are discussed, benefits systems don't get a mention (and they don't appear in the list of omitted policy areas either). But as we shall see, there are at least two good reasons for publishing this review.

All of the book's chapters are written by members of the Society for the Study of Social Problems, which encourages research that addresses identified social problems. Most of the chapters contain four sections: a description of a social problem; a survey of relevant research results; a list of recommendations and solutions; and a list of resources. The ten social problems addressed are campus sexual assault, missing rights for sex workers, factory farming, food insecurity, healthcare, employment conditions in developing countries, homelessness, immigration, gun violence, and prisons. Two final chapters take a broader view. In chapter 11 Amitai Etzioni explores the relationship between sustainability and social justice – 'I see great merit in shifting the focus of our actions from seeing ever-greater wealth to investing more of our time and resources in social lives, public action, and spiritual and intellectual activities – on communitarian pursuits' (p. 114); and in chapter 12 Gary Marx argues that because social situations are complex and fluid, quick technical solutions to social problems might cause more harm than good. An afterward charts the rise of neoliberalism and the erosion of the social safety net, suggests that social

movements are necessary to both democracy and social justice, and asks for comprehensive structural change that will address inequality.

All of the chapters are worth reading: but perhaps the most relevant to readers of this *Newsletter* will be chapter 5 on healthcare reform in the United States. The first section shows that even with the passing of the Affordable Care Act, far too many people still find themselves without healthcare. The culprits are the complexity of the funding of healthcare provision in the United States, and a mismatch between state and federal legislation. Then comes the research evidence (for instance, on differences between health insurance policy premiums in different states). A number of detailed recommendations and solutions follow: 'Increase educational outreach ...', 'Address the Medicaid coverage gap', 'Avoid further politicizing the issue', 'consider changing the underlying design of the system itself'.

The reader doesn't get very far into this chapter before recognising the significant similarities between the US healthcare system and the UK's benefits system, and the similarity between the first three recommendations in the chapter and recommendations that are frequently offered in relation to problems with our benefits system: public education; repairing coverage gaps; and cross-party agreement. The chapter's final section contains a recommendation to change the US healthcare system into 'a system of socialized medicine, such as that in the UK, [which] utilizes taxes to provide health care to all without the need for a health insurance system' (pp. 55-6). A similar recommendation in relation to the UK's benefits system would be 'a system of socialized income maintenance, which utilizes taxes to provide an income to all without the need for means-testing'. Because such a solution would make it possible for many of us to 'invest more of our time and resources in social lives, public action, and spiritual and intellectual activities – on communitarian pursuits', it would fit nicely into Etzioni's chapter on sustainability and social justice; and although a *Citizen's Income* would be a 'technical solution', it would be one that recognised how complex our society and economy are, and that a radically simple solution would therefore be appropriate.

This is a good book, and well worth reading. What would be really interesting would be to see a book similar to this, but written for the UK context, and containing a chapter on income maintenance.

**Guy Standing, *The Corruption of Capitalism: Why rentiers thrive and work does not pay*, Biteback Publishing, 2016, xv + 352 pp, 1 78590 044 0, hbk, £17.99**

It would be easy to misinterpret the title of Guy Standing's new book, so it is important to understand what this book is *not*. It is not an anticapitalist tract: that is, it does not suggest that markets are in principle a flawed method for allocating goods and services. It is instead an angry, evidenced and reasoned exploration of the ways in which capitalism has been corrupted by a variety of individuals and institutions: and in particular it is a description of the ways in which markets that capitalism's advocates claim to be free are in fact highly controlled, to the benefit of those who control them.

Most of the book is a long list of the ways in which markets have been captured by the already wealthy. Owners of capital – whether that be land, property, or intellectual property rights – are the 'rentiers' of the book's subtitle, whose 'rental' income from their existing assets enables them to increase their wealth and exacerbate today's already high levels of inequality. The owners of capital have achieved financial deregulation, while workers have seen their freedoms in the labour market legislated away; and today's new technologies have benefited capital at the expense of labour; governments and global financial institutions have enforced privatisations that hand rent-generating assets to private interests. Standing is particularly angry about the patents industry. Patents have often been largely or partially the result of publicly funded research, whereas their rental income goes to the patent owner rather than to the public funder; and patents are often hoovered up to prevent competition rather than to encourage it. Neither are investment treaties what they seem. Far from being socially useful, they regard governments that attempt socially beneficial policies as just another set of suable contractors. Standing takes issue with Paul Mason's *Postcapitalism*. Information technology is not the birth of a new networked and enfranchising economy, because it has already been captured by the rent-seekers.

The list of corruptions continues: public subsidies that result in private profit; private debt, packaged and sold as an asset that generates rental income; plunder of such 'commons' as national and urban parks; the commercialisation of justice; the privatisation of public buildings such as schools and hospitals; and the bottling and sale of water – and now of mountain air. The migration of production from worker-employing firms to internet platforms that allocate tasks to doubtfully self-employed

workers has shifted rent-seeking from physical capital to informational capital, and is resulting in a 'precariat': a common theme in Standing's previous books. Standing's penultimate chapter shows how the media and governments have been captured by the rent-seekers, meaning that neither media nor governments will want to do anything about tax havens or any of the other structures of corrupted capitalism, and his final chapter identifies the precariat as the only possible source of revolt. Among that chapter's prescriptions are regulation of such labour brokers as Uber, and a Citizen's Income. We have recently seen a court case grant employment rights to Uber drivers, and similar cases will no doubt follow. Whether we shall see a Citizen's Income in the near future is an interesting question.

Throughout his book, Standing identifies a series of 'lies' that are being told about capitalism, and particularly the lie that markets are 'free' when they clearly are not. They never are, of course, and neither should they be – for their own good. Markets need to exist within a network of State and other institutions that regulate money, trade, contracts, and the environment, and that provide capitalist enterprises with educated and healthy workers. Those are the kinds of unfreedom that work both for markets and for the institutions and individuals working in them. The unfreedoms that Standing has identified are of a different kind, because they serve the interests of the few at the expense of the many – and at the expense of capitalism itself. A Citizen's Income would serve a similar function to the first kind of unfreedom: it would be a State intervention that would benefit society and its members, and that could at the same time benefit capitalism. We should try it.

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### **The next BIEN Congress**

The next BIEN (Basic Income Earth Network) Congress will be held in Lisbon from the 25<sup>th</sup> to the 27<sup>th</sup> September 2017. (This will be part of the Portuguese Basic Income Week, which will run from the 25<sup>th</sup> to the 30<sup>th</sup> September). For further information, go to <http://basicincome.org/17th-bien-congress-portugal/>