Citizen's Income *newsletter*

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Citizen's Income Newsletter
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Editorials

Increasing the Personal Allowance: consequences for voting preferences and disposable income

The 2015-16 Income Tax Personal Allowance is £10,600, for 2016-17 the figure will be £11,000, for 2017-18 £11,500, and in his recent budget speech the Chancellor of the Exchequer announced 'an ambition to increase the Personal Allowance to £12,500 by 2020, and a law will be introduced so that once it reaches this level, people working 30 hours a week on the National Minimum Wage won't pay Income Tax at all.'

There are two things to say about an increasing Personal Allowance:

- It is true that a rising Personal Allowance takes many low-income families out of paying Income Tax. This will be welcome. But it is also true that a rising Personal Allowance benefits the rich more than it benefits the poor, because for the rich, an increase increases their disposable income by the value of the allowance multiplied by the higher tax rate, if the higher rate threshold increases by the same amount, whereas for low earners their disposable income rises by the value of the allowance multiplied by the basic rate. For anyone earning below the level of the Personal Allowance, an increase is worth nothing.
- Research has shown that if someone believes that income should be redistributed from rich to poor, then if they pay less tax they will be less likely to vote for a political party that would redistribute income in this way. [1]

On the other hand: for Citizen's Income schemes in which the extra tax revenue generated by reducing or abolishing the Personal Allowance is used to fund the Citizen's Income, a higher Personal Allowance could be turned into a higher Citizen's Income, which would contribute the same amount of additional disposable income to everyone.

An additional consequence of replacing the Personal Allowance with a Citizen's Income is that it would require everyone earning a living to pay Income Tax, making it less likely that someone who believes that income should be redistributed would vote for a right wing party.

Why so much interest?

It is of course a pleasure to be able to report so much recent think tank, political party, and media interest in Citizen's Income. In our last edition we noted the Adam Smith Institute's report on Negative Income Tax. In December, the Royal Society of Arts published a well-researched paper recommending a Citizen's Income scheme based on a 2013 Citizen's Income Trust publication; Compass will soon be publishing a report by Howard Reed and Stewart Lansley; and the Fabian Society is undertaking its own research. The Green Party continues to work on its own scheme, and the Liberal Democrats have put the option back on their agenda. We have seen articles in *The Times*, the *Independent*, *The Guardian*, and *The Telegraph*, and on numerous news and opinion websites; an interview about Citizen's Income with Sam Bowman, Executive Director of the Adam Smith Institute, on The World Tonight on Radio 4; Evan Davis interviewing Neal Lawson, Chair of Compass and a trustee of the Citizen's Income Trust, on Newsnight; and an entire *Money Box Live* programme on Citizen's Income.

Some of this new interest has of course been generated by Finland's and Utrecht's proposals to organise experiments that might include something like a Citizen's Income for small groups of people (- for up-to-date information please see our website): but that is not all there is to it. There has been a growing realisation, right across the political spectrum, that the UK's mainly means-tested benefits system is no longer fit for purpose; that Universal Credit is not only difficult to implement but is also an inappropriate response to an increasingly flexible employment market; that the current system can be seriously destructive of family life (- see the news item about the Centre for Social Justice's campaign to abolish the couple penalty: something which Citizen's Income would of course achieve) – and that in the context of increasing automation, the kinds of economy, employment market and society that we might soon experience could be very different from the ones that we are used to, and that a different way might need to be found to maintain people's incomes.

Examination of recent reports and articles reveal a particularly significant aspect of the increasing interest. While recent articles and reports continue to rehearse the employment market, family stability, and social cohesion arguments for Citizen's Income, they do not dwell on them: they move quickly to questions of feasibility and implementation. The argument seems to have shifted from one about Citizen's Income's desirability to one about whether it is financially feasible and whether a scheme could be implemented.

It has to be said, of course, that think tank, political party, and media interest in Citizen's Income does not necessarily reflect public opinion, so arguments for Citizen's Income's desirability will continue to be necessary. The fact that across the political spectrum newspapers as well as think tanks are showing a positive interest in moving the debate from desirability to feasibility suggests that public opinion might be shifting in the same direction, or that it might be willing to do so. The sticking point will, as always, be public antipathy to giving money to everyone unconditionally: but it would only take a few journalists to understand the connection between Citizen's Income, the NHS, and Child Benefit, for large swathes of public opinion to begin to understand that reciprocity does not have to be about sanctions.

Reciprocity

'Reciprocity' is in the news again. The UK Parliament's Work and Pensions Committee is to hold a seminar on how the benefits system can be more firmly based on residency and contributions, and in particular will consider

- 'the length of time a residency condition could be placed on access to the welfare state so that existing citizens of the UK become eligible, but new arrivals are barred from membership
- for those of working age, at what level could a financial contribution be set
- how a contributory welfare state should credit, for example, citizens who carry out caring responsibilities.'

Frank Field MP, the Chairman of the Committee, has said this about the seminar:

> There are two reasons why the Committee will be exploring this area. First, over a long period of time, voters have been withdrawing support for Britain's welfare state on the basis that they believe it is no longer fair. The polls report that a large proportion of voters believe welfare should only be offered to fellow citizens who fulfil contributory conditions. The Select Committee, as it is concerned with building support for welfare, will consider this issue. [2]

The first draft of the book *101 Reasons for a Citizen's Income* had well over 101 reasons in it. Some of the reasons had to be culled, and one of the culled reasons was 'reciprocity'. With hindsight, that wasn't a wise choice. For a lot of people, the idea of reciprocity is at the heart of the concept of a just society. The 'Blue Labour' [3] movement within the Labour Party believes, probably correctly, that the majority of people who live in the UK wish to live in a nation characterised by reciprocity rather than in one in which either the market or the state are relied on for the satisfaction of our needs. Ed Miliband caught this mood when he offered a politics of 'something for something', and suggested that Income-related Jobseekers' Allowance should be higher for individuals with more consistent National Insurance Contribution records; and Frank Field catches the same mood when he asks for an income maintenance strategy based on a renewed and enhanced National Insurance system.

The desire for reciprocity is understandable. Many of us like to feel that we are making a contribution, our human dignity can be dented if we cannot provide for ourselves and our dependents and have to rely on others for support, and we aren't very keen on other people free-riding if we are working hard to support ourselves and our families – and them. All of this is perfectly natural and comprehensible.

But that still leaves unanswered the question: What precisely constitutes reciprocity? At the heart of the idea is two-way traffic. If I do something for you and you then do something for me, then you have reciprocated; and if you do something for me and I then do something for you, then I have reciprocated. The idea of reciprocity does not privilege an order of events: it simply requires two way traffic in a relationship, and that the first transfer of resources should invite an answering transfer of some kind in the opposite direction.

It is therefore strange that in the income maintenance field 'reciprocity' usually does connote a particular order of events: that the individual does something for society, and then society does something for the individual. This is the assumption that lies behind the idea that the National Insurance system provides the best model for an income maintenance system characterised by reciprocity. It is an unwarranted assumption. Society doing something for the individual, and then the individual doing something for society, would be just as reciprocal. Society providing each individual with a Citizen's Income would reduce many people's marginal deduction rates, and so would make it more likely that they would seek additional earnings, learn new skills, start new businesses, give more time to their communities, come off means-tested benefits (thus saving administrative costs), form permanent relationships: and because their earnings would be likely to be higher they would be better able to lift their families out of poverty and at the same time to pay more Income Tax. There would be a lot more benefits besides: *101 Reasons for a Citizen's Income* might not contain a section on 'reciprocity', but it does contain sections on the many ways in which people receiving a Citizen's Income would be more likely to contribute to society.

Reciprocity is an important idea. A Citizen's Income would not be a negation of reciprocity. Far from it. It would significantly enhance the reciprocity that all of us – yes, all of us – would experience in our relationship with society: because a Citizen's Income provided by society would invite a reciprocal response from every one of us.

Administrative complexity

As an article in *The Guardian* on the 27th January showed, the roll-out of Universal Credit is causing some severe difficulties for vulnerable families. We don't blame the Job Centre staff, or the Department for Work and Pensions. The administrative complexity of a transition from one highly complex system to another was bound to cause benefit continuity problems. Such problems are nothing new, of course. Means-tested benefits claimants have always experienced them whenever a single circumstance changes. A temporary job for a few days, or a teenage child going to live with their grandmother for a few months and then coming back again, or simply an increase in earnings, can trigger a benefits recalculation and therefore a period without income while the recalculation occurs. An added difficulty now facing Universal Credit claimants is the requirement that someone in a low-wage part-time job can be asked to look for additional hours or a higher wage, with the threat of sanctions if they do not. The family risks a period without benefits if they find a new job with longer hours, and they risk one if they do not.

The one benefit to which none of this applies of course is Child Benefit. Whatever happens to other benefits, this just keeps on coming. This is why it has always been so popular with vulnerable families. It is the only financial security that they possess. It goes without saying that a Citizen's Income would prove to be just as popular and just as important.

Notes

1 Jane Gingrich (2014) 'Structuring the Vote: Welfare institutions and value-based vote choices', pp. 93–112 in Staffan Kumlin and Isabelle Stadelmann-Steffen (eds), *How Welfare States Shape the Democratic Public: Policy feedback, participation, voting, and attitudes* (Cheltenham: Edward Elgar), p. 109

2 www.parliament.uk/business/committees/committees-a-z/commons-select/work-and-pensions-committee/news-parliament-2015/contributory-welfare-state-investigation-15-16/

3 Ian Geary and Adrian Pabst (eds) *Blue Labour: Forging a new politics* (London: I.B. Taurus, 2015)

Main article

Childcare costs

By Mark Wadsworth

Introduction

The Citizen's Income Trust has suggested replacing Child Tax Credits and Child Benefit with a higher flat rate Child Benefit and merging the income-tax-free personal allowance, the National Insurance-free Lower Earnings Limit and Working Tax Credits into a Citizen's Income.

These proposals have been criticised on the basis that Working Tax Credits include a Childcare Element to subsidise childcare costs (registered nursery or child minder), which are supposed to be targeted at lower earners.

This article addresses those concerns (the Childcare Element of Working Tax Credits is only four per cent of total Tax Credit payments[1], and only one-quarter of total government subsidies for childcare costs) and looks at how these overlapping subsidies could be merged into a single simplified and harmonised system.

First let us look at the bigger picture.

How many children are affected?

According to the population pyramid, there are nearly 800,000 children in each year cohort aged 0 up to 5 [2].

Table 1: The number of children receiving childcare [3] [4]

Age 3 and 4, at registered nursery or child minder	859,000
Age 2, at registered nursery or child minder	592,000
Sub-total 'paid for' childcare	1,451,000
Age 4, in a reception class at a state primary school	549,000
Total	2,000,000

The cost of children in a reception class forms part of the education budget and is largely outside the scope of this article, which focuses on the 1,451,000 receiving 'paid for' childcare.

Table 2: Average childcare costs before subsidies

	Nursery or primary school	Child minder
Child aged 0 or 1	£/week	£/week
25 hours	115	104
50 hours	212	197
Child aged 2, 3 or 4		
25 hours	110	103
50 hours	n/a	n/a
After school club 15 hrs	48	
After school pick up		64

(The costs in London are 50% higher [5])

Table 3: Total government spending on the various schemes [6]

	2014-15	Planned
	£m/year	£m/year
Free Early Education aged 3 and 4	2,400	2,400
Free Early Education aged 2	800	800
Working Tax Credits/Childcare Element	1,200	1,800
Employer Supported Childcare	800	400
Tax free Childcare	0	1,000
Total	5,200	6,400

Table 4: The number of children eligible to claim in each category

	2014-15	Planned
Free Early Education aged 3 and 4	859,000	859,000
Free Early Education aged 2	250,000	250,000
Working Tax Credits/Childcare Element	745,000	745,000
Employer Supported Childcare vouchers	860,000	430,000
Tax free Childcare	0	500.000
Total	2,714,000	2,784,000

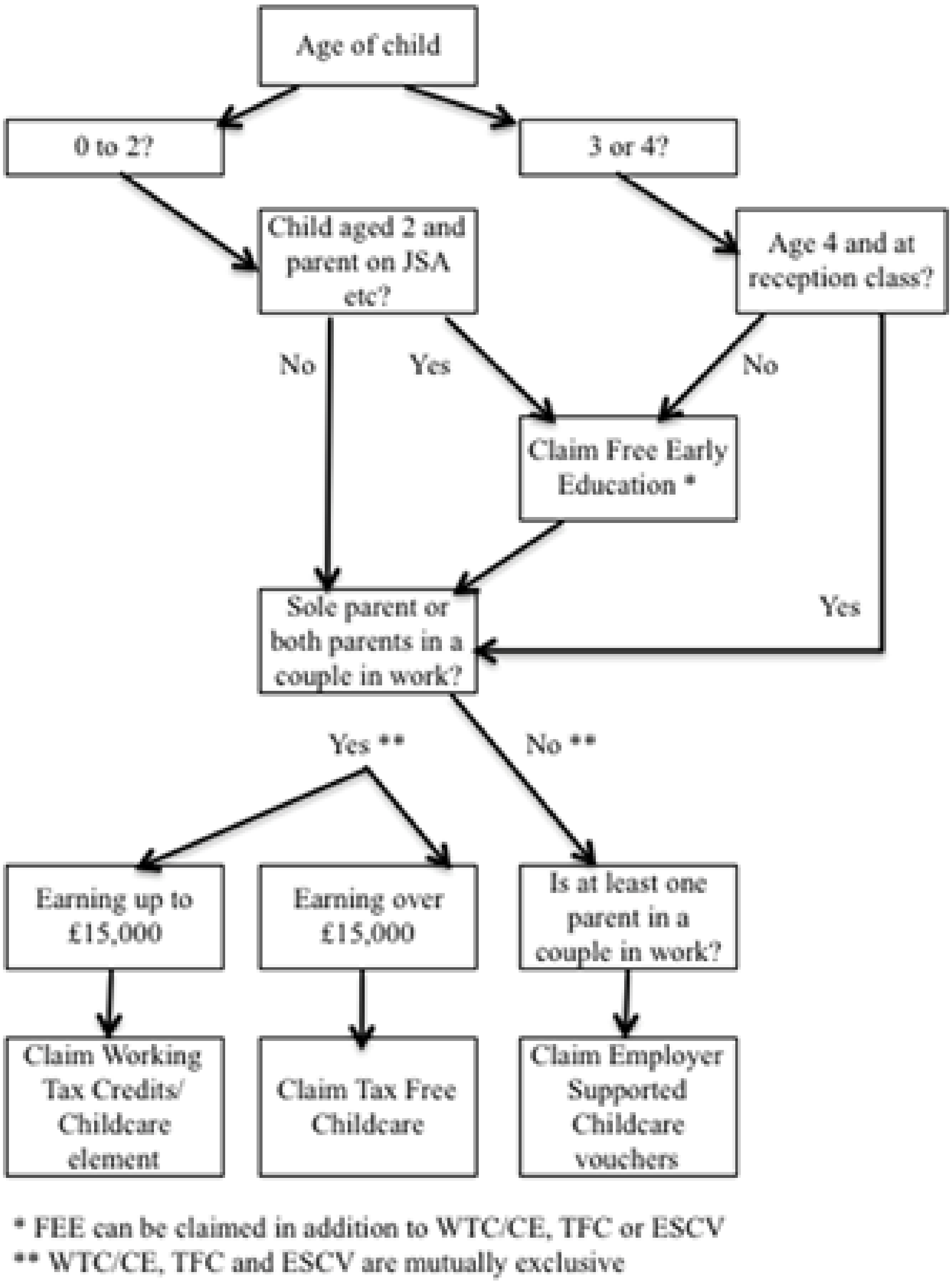
[1] https://fullfact.org/economy/welfare-budget/#anchor
[2] Office for National Statistics http://www.ons.gov.uk/ons/dcp171778_367167.pdf
[3] House of Lords Select Committee http://www.publications.parliament.uk/pa/ld201415/ldselect/ldaffchild/117/117.pdf
[4] National Audit Office https://www.nao.org.uk/wp-content/uploads/2012/02/10121789es.pdf
[5] Family and Childcare Trust http://www.familyandchildcaretrust.org/sites/default/files/files/Childcare%20cost%20survey%202015%20Final.pdf
[6] Total from House of Lords Select Committee, individual items adjusted for other sources to reconcile with their sub-totals.

This compares with 2,000,000 children from Table 1. The bulk of the overlapping claims relate to Free Early Education.

The simple average planned cost/value per child is the total annual cost of £6.4 billion from Table 3 divided by 1,451,000 children in 'paid for' childcare from Table 1, which is £85 per child per week.

Eligibility flowchart

As mentioned, there are many children for whom parents claim Free Early Education as well as one of the other subsidies. The three main other subsidies are largely mutually exclusive. This can be represented as a flowchart:



Please note: the figure of £15,000 for household earnings is very approximate. The exact cut-off point for any individual household will depend on that household's composition and parents' working hours.

The various schemes in more detail and their average costs per child per week

Free Early Education – average cost/value

Each child is nominally entitled to 15 hours per week free care for 38 weeks a year @ £5.49 per hour [7], which is £3,129.30 pa, or an average of £60 per child per week.

Free Early Education – children aged 3 and 4

This is a non-means-tested, non-contributory, non-taxable and largely non-conditional benefit. It has the largest caseload and the highest cost. It has been criticised for simply pushing up childcare costs because of barriers to entry, meaning that childcare providers simply charge higher fees[8], but this can be said of all such schemes apart from a free place in a reception class at a state primary school.

In practice what happens is that local council pays registered providers a total of £3,129 per child per year, which the provider deducts from their charges. Where the hourly rate is less than £5.49, the provider simply credits the surplus against the charge for hours in excess of 15 per week. Where the hourly rate is more than £5.49, the parent has to pay the difference.

Free Early Education – children aged 2

This is a conditional benefit [9].

A two-year-old will be eligible for the same funding (15 hours @ £5.49 per week for 38 weeks a year) if their parent(s) claims any one of the following:

- Income Support/Income-based Jobseekers Allowance
- Income-related Employment and Support Allowance
- Child Tax Credits or Working Tax Credits and have an annual gross household income of no more than £16,190

Working Tax Credits/Childcare Element

The average cost/value per child per week is £28 as explained below.

This can be claimed by single parents who work at least 16 hours a week or couples both of whom work at least 16 hours a week and who spend money on registered or approved childcare[10].

The official upper limits of £175 for a household with one child or £300 for two or more children are nigh meaningless. The eligible amount for which a parent can claim is actual nursery costs *minus* Free Early Education payments *minus* Employer Supported Childcare vouchers multiplied by 70%. The actual claim is then abated by 41p for every £1 of gross wages over the threshold of £6,420.

Official statistics show that 93% of household claims are for total weekly costs of £160 or less and the official average amount paid out is £29 per child[11].

Table 5: Typical eligible amount: single parent with both children in full time childcare @ £180 per week for 48 weeks a year

	£
Actual costs (2 x £180 x 48 weeks)	17,280
Less Early Years Education payments (2 x 15 x £5.49 x 38 weeks)	-6258.60
Net actual costs	11,021.40
Multiplied by 70% = eligible amount	7,715

7 Surrey County Council http://www.surreycc.gov.uk/schools-and-learning/childcare-professionals/funding-for-childcare-professionals/providing-free-early-education/providing-free-early-education-for-two-year-olds
8 http://www.iea.org.uk/blog/why-childcare-subsidies-have-been-ineffective
9 Netmums http://www.netmums.com/back-to-work/choosing-childcare-free-early-years-education

10 HMRC leaflet - https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/419564/WTC1-2015.pdf
11 HMRC, 2013-14 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/430535/cwtc_Finalised_annual_awards_2013-14.xlsm

Table 6: Typical actual benefit after Working Tax Credits withdrawal

Gross wages	Income over threshold	Amount withdrawn	Net payment	Per child per week
A = gross wages	B = A - £6,420	C = B x 41%	D = £7,715 - C	E = D÷52÷2
12,000	5,580	2,288	5,427	52
15,000	8,580	3,518	4,197	40
18,000	11,580	4,748	2,967	29
21,000	14,580	5,978	1,737	17
24,000	17,580	7,208	507	5
Simple average				29

Please note: this article assumes that Child Tax Credits and Child Benefit are replaced with a much higher Child Benefit of around £56 per child per week and thus that Working Tax Credits withdrawal applies only to the Working Tax Credits/Childcare Element

Employer Supported Childcare vouchers

The average cost/value per child per week is £19.

Under a scheme introduced circa 2003, any employee could receive vouchers with a face value of £55 per week (regardless of the number of children) tax free by waiving £55 taxable salary (a salary sacrifice). The employee's gross pay goes down by £55 per week, saving £18 per week in PAYE (income tax and Employee's NIC at 32%).

This benefit is conditional on being in work and since 2011 is quasi-means tested. Parents/employees paying higher or top-rate tax had their allowance adjusted so all taxpayers have roughly the same maximum tax saving. The limits are:

- Basic-rate (20%) taxpayer: £55/week voucher, max annual tax/NI saving £930.
- Higher-rate (40%) taxpayer: £28/week voucher, max annual tax/NI saving £630.
- Top-rate (45%) taxpayer: £25/week voucher, max annual tax/NI saving £590. [12]

In theory, a parent claiming Working Tax Credits/Childcare Element can also receive these vouchers, but it is a very marginal calculation. The PAYE saving is £18 per week but the eligible amount is reduced by £55 x 70% = £38. In turn, the amount of the abatement goes down by £55 x 41% = £23, so the net gain is £18 - £38 + £23 = £3. In some cases, parents claiming both can suffer a small net loss.

The scheme has been modified several times since inception and was closed to new entrants since the introduction of Tax Free Childcare in Autumn 2015.

[12] Money Saving Expert http://www.moneysavingexpert.com/family/childcare-vouchers

Tax Free Childcare

This supersedes Employer Supported Childcare vouchers[13], although existing Employer Supported Childcare voucher recipients will be able to continue to receive them in the run off period.

To qualify, a single parent or both parents in a couple have to be in work, earning just over an average of £100 each a week and not more than £100,000 each per year[14]. Tax Free Childcare cannot be claimed if the household is also claiming Working Tax Credits. Vouchers with a face value of up to £10,000 per child can be acquired for 80% of the face value and used to pay for childcare costs.

The maximum saving per child per week is £38. In most cases this will be a larger saving than the superseded scheme Employer Supported Childcare vouchers, unless only one parent in a couple is in work (saving £918 a year as against nothing) or a couple are both in work, pay basic rate tax and pay less than £194 per week (net of Early Years Funding) for childcare for one child.

Summary

Around two-thirds of 4 year olds are in reception class at a state primary for free. I assume that the other one-third do not attend because there is no reception place available for them or because their working parents require care until later in the

[13] HM Treasury https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/293082/your_detailed_questions_about_tax-free_childcare_answered.pdf

[14] https://www.gov.uk/government/news/tax-free-childcare-10-things-parents-should-know

afternoon/evening and send them to a nursery or child minder for which they claim the Free Early Education payments.

The value of Free Early Education vouchers is £60 per child per week.

The cost/value of the three mutually exclusive schemes in the bottom row of the flowchart per child per week is as follows:

Working Tax Credits/Childcare Element – maximum £51, average £28.

Tax Free Childcare – maximum £38, average unknown but less than £38.

Employer Supported Childcare – maximum £36, average £19.

So the average total claim per child per week is between £79 and £98.

Proposal

Would it not make sense to harmonise the rates and increase the Free Early Education vouchers to £85 per week x 48 weeks a year for all 2, 3 and 4 years olds?

The total number of children in 'paid for' childcare is 1,451,000 (from Table 1). If each receives £85 per week in vouchers for 48 weeks a year, the total cost/value would be £5.9 billion. This represents a saving of £0.5 billion over the £6.4 billion expenditure forecast the House of Lords Select Committee from Table 3.

Winners will not just be those who would receive more per child per week, but all parents whose lives have been made much simpler and can now plan ahead and budget more sensibly.

Clearly, some would receive less in benefits than under the current schemes:

- Single parents on the minimum wage who would lose up to £26 per child per week in Working Tax Credits/Childcare Element,
- Parents with children in a reception class who receive for after school care,
- Parents in London, where childcare costs are 50% higher than the rest of the country, and
- Parents of children aged under 2 who currently claim for childcare costs.

I estimate that half a million children would be affected and the average shortfall is £20 per child per week, so the saving of £0.5 billion could be paid out as a transitional benefit of £20 per child per week for existing claimants until their children reach normal school age.

A slightly more radical proposal would be to spend the £6.4 billion on providing nursery classes at state primary schools for children aged 2 to 4. This will take time to implement but simplifies things for parents and does not have the unintended consequence of pushing up childcare costs.

Research notes

An attempt to study the intra-household transfers generated by a Citizen's Income scheme

By Malcolm Torry

The information that it is possible to extract from the EUROMOD [15] microsimulation programme without undertaking a substantial amount of work is limited. There are two main reasons for this:

- Households come in a vast number of shapes and sizes, so results relating to individual families would be possible, but nothing more general than that. (Take, for example, a female lone parent with three children who is also looking after her elderly father. Any attempt at automatic sorting of the output data would turn this into a nuclear family.)
- When I set up the Citizen's Income schemes in the EUROMOD programme I allocated all Citizen's Income amounts to the individuals concerned, including children. The programme then allocated the Child Citizen's Incomes to the correct households, and because it was household disposable income in which I was interested, the programme was delivering the correct results. In order to study intra-household transfers we need to study what is happening to the incomes of individuals. Where there are no children present this is relatively easy: but where there are children in a family constituted by one male parent and one female parent, manual calculation is required. The programme can tell us what the Child Citizen's Incomes add up to, and for each family unit I can manually work out what the gain or loss to the woman might be, and what the gain

[15] This paper uses EUROMOD version G2.0++. 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.

or loss to the man. But this doesn't tell us much about what is happening to households in general.

One calculation that is possible is this:

I have divided the individual output results into men's and women's spreadsheets, and then calculated the total monthly disposable incomes for the men of the sample and for the women of the sample for both the existing tax and benefits system and for the Citizen's Income scheme described as scheme B in the ISER paper *Two Feasible Ways to Implement a Revenue Neutral Citizen's Income Scheme*. [16] I have then added the total cost of Child Citizen's Incomes to the total disposable income for women generated by the Citizen's Income scheme.

Dividing the difference between the total of men's disposable incomes for the existing system and the Citizen's Income scheme by the number of men in the FRS sample gives a mean disposable income loss for men of £65.13 per month.

Dividing the difference between the total of women's disposable incomes for the existing system and the Citizen's Income scheme (to which has been added the total cost of Child Citizen's Incomes) by the number of women in the FRS sample gives a mean disposable income gain for women of £56.07 per month.

(The discrepancy between the two figures is because the ratio of women to men in the FRS sample is 1.15.)

Conclusion

If unconditional benefits for children continue to be allocated to the mother, then a fairly modest Citizen's Income scheme that leaves in place means-tested benefits and recalculates them by taking into account each household's total Citizen's Incomes achieves a significant reallocation of resources from men to women.

[16] Malcolm Torry, *Two Feasible Ways to Implement a Citizen's Income*, Institute to Social and Economic Research Working Paper EM6/15, Colchester: Institute for Social and Economic Research, University of Essex, April 2015, www.iser.essex.ac.uk/research/publications/working-papers/euromod/em6-15

Methods for calculating the cost of a Citizen's Income scheme and the gains and losses that households would experience at the point of implementation

By Malcolm Torry

This paper sets out three methods for calculating the gains and losses that households would experience at the point of implementation and/or the total net cost of a Citizen's Income scheme.

A. The typical household method

There is no such thing as a typical household, of course: but we can list a variety of typical households by specifying the values of a number of variables: single or couple; number and ages of children; housing tenure; earnings levels; etc.. However large the set of typical households that we construct, there will, of course, be numerous households that don't fit any of them. Three generational households are often difficult to fit into categories; shared houses containing couples and single adults can be difficult to define, especially when couple relationships are flexible; and a woman and two men, or a man and two women, living together in a household, can mean lots of things. But still, to construct a wide diversity of household types, and to work out for each of them whether they are likely to suffer losses on the implementation of a Citizen's Income scheme, might at least give some indication as to whether the scheme will be what we might call 'household financially feasible.'

Take the simplest example: a working age adult living alone. For each earned income level, from zero to a (somewhat arbitrary) high income, applying the current tax and benefit regulations will generate a disposable income for each earned income level. A second calculation can then be done by applying the new tax and benefit regulations that would accompany a Citizen's Income scheme, and then adding the working-age adult Citizen's Income. The calculation generates a second set of disposable incomes that can then be compared with the first set to determine the gain or loss at each earnings level.

Complications occur if any means-tested benefits are related to housing costs. For each earnings level a range of calculations will need to be made for each of a range of rent levels. Further complications arise if households contain more than one employed adult, as for each of one individual's earnings levels a separate calculation will have to be done for each of the other individual's earnings levels. If all of a country's tax and benefits calculations are based on a household's aggregated earnings then this step is not required: but in most countries the calculations of at least some benefits and/or taxes relate to individual earned income, so the complication applies.

If a researcher is interested in the way in which a particular Citizen's Income scheme would affect the disposable income of a particular typical household in which the number and ages of children, earnings levels, and housing costs, are already closely specified, then this method can be useful. As a guide to whether a particular Citizen's Income scheme will impose a high number of unacceptable losses across particular earnings deciles it is less useful. It will often not be clear to what proportion of households a particular household specification might apply, and so even if calculations generate a list of expected gains and losses for a wide variety of household types, no overall picture of gains and losses will be delivered.

- The method cannot calculate the total net cost of implementing a Citizen's Income scheme
- The method can be useful for illustrative purposes. (The graphs in the CIT introductory booklet were created using this method)

B. National statistics

A country's national accounts, population statistics, and other national statistics, can be used to calculate the cost of giving to every member of the population a Citizen's Income, the money saved by abolishing tax allowances and means-tested and other benefits, and the additional revenue that would be collected if tax rates were raised. The net cost of the Citizen's Income scheme is then the total cost of the Citizen's Incomes less a) the money saved by abolishing allowances and benefits and b) the additional tax revenue collected. If a revenue neutral scheme is required then a process of trial and error can reduce the net cost to zero.

If means-tested benefits are retained rather than abolished, and the amounts of means-tested benefits received by households are reduced by taking into account households' Citizen's Incomes when the means-tested benefits are calculated, then the amount saved by reducing means-tested benefits will be different for each household. A method that uses the national accounts to calculate the net cost of a Citizen's Income scheme would not be able to calculate the total saving in means-tested benefits that would result from every household on means-tested benefits having its means-tested benefits reduced. Using national statistics to calculate the net costs of Citizen's Income schemes is only appropriate when each existing means-tested benefit is either abolished completely or retained in its present form.

An inescapable complexity occurs if a Citizen's Income replaces a variety of means-tested benefits, and other means-tested benefits are retained, then a method that employs the national accounts will only generate an accurate net cost for the Citizen's Income scheme if retained means-tested benefits are calculated in exactly the same way as they were before the scheme's implementation. In practice, any retained means-tested benefits would take into account households' Citizen's Incomes when they were calculated, whereas before implementation of the scheme they would have taken into account the means-tested benefits that have now been abolished. The difference between the cost of a retained means-tested benefit before and after the implementation of the Citizen's Income scheme will be different for every household, and the total difference across the population could be either a saving or an additional cost, depending on how the retained means-tested benefit is calculated both before and after the scheme's implementation. Aggregated national figures are all that are available if national statistics are employed to calculate the net cost of a Citizen's Income scheme, so an assumption has to be made that any change in the total cost of a retained means-tested benefit will be zero. This might or might not be accurate.

- The method cannot calculate the gains and losses that would be experienced by individual households at the point of implementation.
- The method cannot calculate accurately the net cost of a Citizen's Income scheme if means-tested benefits are retained and the method of their calculation changes at the point of implementation of the scheme.
- The method can be used to calculate the net cost of a Citizen's Income scheme if the scheme abolishes all means-tested benefits, and it can also give an accurate figure for the net cost if any means-tested benefits that are retained are calculated in the same way both before and after the scheme's implementation.

C. Microsimulation

Microsimulation undertakes calculations at the level of the household or the individual rather than at the national level. A survey of individual and household data relating to wages, benefits, other income, income tax, and social security contributions paid, is carried out, preferably for a random sample of at least 0.1% of the country's population. A computer programme then uses the income and expenditure information collected to calculate each individual's and each household's disposable income. Tax rates, tax allowances, benefits levels, and other variables, can then be changed in the programme – and entire new benefits can be created – and the programme can then be run again to generate a new set of individual and household disposable incomes. An increase in a household's disposable income represents an increase in public expenditure, and a decrease represents a saving: so the total of all of the new disposable incomes, minus the total of all of the original disposable incomes, represents the net cost of the Citizen's Income scheme for the population sample in relation to the time period assumed by the microsimulation programme. If the programme uses monthly tax and benefits levels, then for an annual figure for the sample the net cost is multiplied by 12; and to obtain a total net cost for the population as a whole the sample net cost is multiplied by the ratio of the population to the sample.

As well as enabling new benefits to be created and their regulations and levels to be specified, the microsimulation programme enables the regulations of existing benefits to be amended, and, in particular, enables households' Citizen's Incomes to be taken into account when existing household means-tested benefits are recalculated on the implementation of a Citizen's Income scheme. This means that this method – unlike the method that employs national statistics – can cope with means-tested benefits being retained and recalculated on the implementation of a Citizen's Income scheme.

For each household in the sample, the programme generates a gain or loss. This can then be turned into a percentage of the household's original disposable income. We can then order the set of households to generate the results in which we are interested. Suppose that we want to know how many households in the lowest disposable income decile (the lowest tenth of disposable incomes), or the lowest earnings decile (the lowest tenth of earned incomes), suffer losses in disposable income greater than 5% on the implementation of a Citizen's Income scheme. The households can first be ordered according to original disposable income, or according to earned income, and the bottom tenth of the list selected; and then that selected list can be reordered according to the magnitude of gains and losses. The number of losses over 5% can then be counted, and the number turned into a percentage of the size of the sample. This gives for the population as a whole the percentage of losses over 5% for households in the lowest disposable income decile.

Microsimulation programmes can also provide a certain amount of detail if that is required. Suppose that a handful of households with low disposable incomes experience massive losses. The programme's output will generally enable the particular circumstances of the household's individuals to be studied in order to provide an explanation of the losses.

Clearly we shall be particularly interested in the losses that would be experienced by low-income households: but 'household financial feasibility' also requires that all large losses will be unacceptable. A particular Citizen's Income scheme might impose no losses at all on low income households, but if it imposes large losses on households elsewhere in the earnings range then it might still not be financially feasible in the way in which either the public or a government would understand that term. For household financial feasibility we require minimal losses in the lowest disposable income decile, and only acceptable losses higher up the income range.

A household of two parents and three children with twice the disposable income of a household containing just one adult will not be as well off as that individual adult. Therefore if we study the gains and losses for the one tenth of households with the lowest disposable incomes, we shall be studying some small households that are relatively well off, and we shall not be studying some larger households that are not well off. It would be possible to employ household weights to achieve this.

We are fortunate that modern microsimulation methods enable us to produce the results that they do: and as far as I know they offer the only way of providing those results.

- Microsimulation enables the net cost of any Citizen's Income scheme to be calculated, including schemes that retain means-tested benefits and calculate them in different ways before and after implementation of Citizen's Income.
- Microsimulation enables us to evaluate Citizen's Income schemes of any kind for household gains and losses.

D. Unresolved problems

Unfortunately none of the methods can model contributions to the funding of Citizen's Incomes achieved by altering the detail of tax allowances relating to expenditures. Take, for example, the UK tax allowance that enables the money spent on private pension contributions to be regarded as non-taxable income. For anyone paying only the basic rate of Income Tax, the saving in Income Tax will be the money spent on pension contributions multiplied by the basic rate of tax. For anyone paying a higher tax rate, the saving will be the money spent on pension contributions multiplied by the higher rate. A proposal might be made to reduce the tax relief to the basic rate for everyone. The Income Tax calculation for any individual paying the higher rate of tax would provide the information that would enable us to calculate the additional tax that they would have to pay and that would therefore be available to fund Citizen's Incomes, but this amount will depend on individual circumstances, so no aggregate figure will be available. Neither is the information available in the Family Resources Survey data employed by microsimulation programmes. An estimate of the total amount of additional revenue can be made – as in our 2013 introductory booklet - but it might not be accurate.

A further problem now relates to the roll-out of Universal Credit. Only when UC has been in place for long enough for the Family Resources Survey to sample enough people on it rather than on JSA, Working Tax Credits, etc., will we be able to use the UC provisions in the Euromod programme. It will also be some time before the national accounts catch up with expenditure on UC.

A further problem is the localisation of Council Tax Support. Euromod will struggle to incorporate every individual borough's Council Tax Support regulations, so presumably a 'typical' set of regulations will be employed. Results will therefore be less accurate than before.

E. Conclusion

Microsimulation appears to be the most useful of the three methods for generating the kinds of information on which academic debate and government-level consultations will continue to rely: but the national statistics will still have their uses for certain types of scheme, and household-level calculations will continue to be useful for illustrative purposes.

Debate report

Debating London, *The Basic Income Debate*, on Wednesday 6th January 2016

'Debating London' stages regular debates in Vauxhall in South London. The aim is to train expert debaters, so those proposing the motion and those opposing it are only told which side they will be on shortly before the event. They will have had time to think about the topic, but none of them will be experts in the field. At the Basic Income Debate, two of the debaters were relative novices, and two were more seasoned debaters.

The Tea House Theatre in Vauxhall was packed for the event. Presentations were made for and against, the audience asked questions which the proposers and opposers were expected to answer, both sides summed up their arguments, and finally a debate judge gave his opinion on how the debaters had performed. Votes were taken both before and after the debate.

For those of us with a longstanding interest in the Citizen's Income debate, the debate was most educational, as it gave expression to a large number of arguments both for and against Citizen's Income. So rather than attempt to replicate the four initial presentations, the questions and answers, and the two final presentations, I shall here list briefly – in no particular order - the arguments offered during the evening, both for and against Citizen's Income.

Arguments for Citizen's Income

- People would escape from poverty and unemployment traps
- Disincentives would be reduced
- Social mobility would be enhanced
- Low administrative costs
- Nobody would be left out
- Pilots show that economic activity would increase, more children would be in school, crime would reduce, and there would be fewer hospital admissions
- The right people would stop being employed
- Dignity and autonomy would be enhanced
- Stigma would be reduced
- Income security would enable us to cope with technology-driven change
- The proceeds of production could be recycled into wages and consumption
- More people could be creative – and could attend debates
- Means-tested benefits encourage people to lie
- We need a secure income in a time of insecurity
- Voluntary work would increase

- Financial security would mean that people would work harder
- People want to work, and Citizen's Income would encourage paid work
- Flexibility would be enhanced
- Training courses would be easier to attend
- There is a moral case for providing for everyone
- Citizen's Income is not patronising, but means-tested benefits are
- Bureaucracy and intrusion would be reduced
- Different models makes experiment possible
- It would be easier to start a business because they could afford to fail
- A variety of funding mechanisms are available
- There would be fewer lousy jobs because people could refuse them
- No longer would people be forced to leave training courses
- The rich pay tax anyway, so it is better to use that money more efficiently
- The rich get some of the money back
- Different redistribution patterns are possible
- Free healthcare and free education are successful models
- People could more easily leave oppressive relationships
- Child poverty could be reduced
- Developing and developed countries would find Citizen's Incomes useful
- We would experience increased freedom
- Universal provision creates social cohesion
- Unconditional benefits are easy to automate
- Citizen's Income once seemed impossible, but now it doesn't
- Citizen's Income offers both fairness and freedom
- Choice would be enhanced
- Tax is a good thing
- The electoral register could be used to administer Citizen's Income, which would be good for democracy
- Citizen's Income would enhance our sense of citizenship
- A modern society needs a modern benefits system

Arguments against Citizen's Income

- The cost will require higher tax rates
- Resources are scarce, and the rich don't need the money
- We don't possess the required abundance
- Other solutions are available, such as withdrawing means-tested benefits more slowly
- It isn't fair for taxpayers to have to fund Citizen's Incomes
- The poor need money more, so that's where money should be targeted
- It is not clear what a Citizen's Income is intended to cover
- Anything wrong with the current system can be put right
- Means-tested benefits encourage people to work, but Citizen's Income would not
- A right wing government could use Citizen's Incomes as an excuse to reduce public services
- Taxation would be more difficult to justify than with a means-tested system
- Automation generates new jobs, so Citizen's Incomes are not required
- Tax rates would have to rise, reducing employment incentives
- Some people would not work, so tax receipts would fall
- Means-tested provision ensures that people have to accept help to get back into the labour market
- Disability means that additional income is needed
- Means-tested benefits take account of circumstances, but Citizen's Incomes don't
- We need lousy jobs to be done
- Citizen's Income schemes can create losers and so make poverty worse
- Stigma is useful
- Government bureaucracy is not a waste if it sends money where it's needed

- The welfare state is for some people when they need it, not for everybody all of the time
- Governments need to be able to prioritise the needs of some groups rather than others
- Means-tested benefits can take account of local differences
- Welfare state legitimacy would be more difficult to sustain with Citizen's Incomes
- Means-tested benefits adapt as people's needs change

The resolution at the beginning of the debate asked whether the audience would like to see a Basic or Citizen's Income replace all other benefits. This was amended to ask whether the audience wanted to see a Basic Income replace all benefits except for Housing Benefit and disability benefits. The vote at the beginning of the evening on the unamended resolution was: for 21, against 13, abstentions 23. The vote at the end of the evening on the amended resolution was for 26, against 22, abstentions 16. When the possibility to abstain was removed, the vote was for 34, against 30.

News

The National reports that the **Scottish National Party** conference has

> backed calls for a flagship policy giving all adults in an independent Scotland a "citizen's income" to lift people out of poverty and create a better welfare system. Members of the Cumbernauld branch submitted a motion underlining that Finland will introduce the policy as a pilot from next year and called for the work there to be monitored.
>
> "Conference deplores the UK Government's assault on our welfare state, which is causing hardship and suffering to some of the most-vulnerable people in society," it said.
>
> "Conference believes that a basic or universal income can potentially provide a foundation to eradicate poverty, make work pay and ensure all our citizens can live in dignity."
>
> It called for the impact of the basic income in Finland, and other countries, to be examined and "to consider successful models when designing a welfare system for an independent Scotland".
>
> A citizen's income gives every person a basic income regardless of whether they are in or out of work, but they cannot claim any additional social security benefits.
>
> The suggested levels vary, but would be around £51.85 a week for young people up to 24 years old, £65.45 for those aged between 25 to 64, and £132.69 for over-65s.
>
> Supporters say it would save on administration costs involved in running the existing complex welfare system, stop benefit fraud and ensure everyone receives the money they are entitled to.
>
> Inverclyde SNP MP Ronnie Cowan urged the audience not to vote against the move because critics suggested it would be "difficult". He told delegates the current welfare system was so flawed a completely different system should be designed.
>
> "It can be the flagship policy for a socially just independent country."
>
> Earlier this year, Caroline Lucas, the Green Party's MP, called for David Cameron to consider the policy.
>
> Supporters say the citizen's income would also help those who work part-time, carers and those who want to change careers.

http://www.thenational.scot/politics/conference-members-for-the-creation-of-flagship-universal-income-policy.15009

Citizen's Advice has published the results of research into Council Tax Support (CTS), the localised successor to Council Tax Benefit (CTB): 'Universal Credit (UC) was originally intended to incorporate CTB, but does not incorporate CTS. Nor is it obvious how it would do so. Administration is the primary issue: UC is a national system, CTS a set of local ones. The technicalities of integration would be substantial. The systems' aims are also very different. UC is about simplification and standardisation; CTS is about local choice. UC is about improving work incentives – making sure that work pays; CTS often weakens work incentives as claimants who move into work lose the benefit. None of the literature this study reviewed was able to square these circles … … There is no central guidance on how to integrate CTS, though it may be forthcoming later this year.' (Tom MacInnes and Theo Barry-Born, 'The Shifting Challenges of Council Tax Support', *The Adviser*, no. 171, September/October 2015, pp. 56-8, p. 57.

In an open letter to the Chancellor of the Exchequer, Baroness Stroud, the Director of the **Centre for Social Justice**, asks him to 'eradicate the couple penalty: There is a disincentive in the welfare system for couples to build long term stable families. The Government's Universal Credit reforms have already gone a long way to eliminating the couple penalty but some working couples can still receive more living apart than living together. This is particularly concerning where children are involved, given the importance of long term family stability for the wellbeing and life chances of children.' http://centreforsocialjustice.org.uk/UserStorage/images/Publications/Open-Letter-to-Chancellor-from-Baroness-Stroud-(003).pdf

On the 11th February in ***The New Statesman*** Helen Lewis wrote about the proposal to cut Child Benefit for the offspring living abroad of EU citizens resident in the UK down to the level that they would receive in their countries of origin. 'What a waste of time. At the moment, only £30m in child benefit is sent out of the country each year: quite a large sum if you're doing a whip round for a retirement gift for a colleague, but basically a rounding error in the Department for Work and Pensions budget. Only 20,000 workers, and 34,000 children, are involved. And yet, apparently, this makes it worth introducing 28 different rates of child benefit to be administered by the DWP. We are given to understand that Iain Duncan Smith thinks this is barmy - and this is a man optimistic enough about his department's computer systems to predict in 2013 that 4.46 million people would be claiming Universal Credit by now.'

On the **Social Europe** blog, Larry Summers writes: 'I am increasingly convinced that "no free lunch" oversimplifies matters and makes economics too dismal a science. … recent experience suggests that by improving incentives or making strategic investments, we can achieve apparently conflicting objectives to a greater extent than conventional wisdom would suggest. … Trade-offs should be seen not as constraints but challenges. There are plenty of very cheap lunches out there for those with the will to find them. Economics has much to contribute and much to gain from this search as well. It can become a cheerful science.' www.socialeurope.eu/2016/02/no-free-lunches-but-plenty-of-cheap-ones/

The Joseph Rowntree Foundation has published a report, *Households Below a Minimum Income Standard, 2008-9 – 2013-14*: 'The proportion of people in households with incomes below MIS increased by a third between 2008/09 and 2013/14, from 21 to nearly 28 per cent, although the rate of increase has slowed. Since 2010/11, families with children have seen the greatest increase in their risk of low income. The proportion below MIS continued rising in 2013/14, to 40 per cent. For households without children, the risk of being below MIS shows some signs of falling. Working families with children have faced a growing risk of low income; 41 per cent of lone parents working full time had incomes below MIS, up from 26 per cent in 2008/09; for families with both parents working full time, the risk rose from 5 to 12 per cent. In couples with a single breadwinner, the risk rose from 38 to 51 per cent. Older singles (over 35) living alone and working full-time have a growing risk of inadequate income. Their risk of being below MIS increased from 7 to 14 per cent between 2008/09 and 2013/14.' www.jrf.org.uk/report/households-below-minimum-income-standard-200809-201314

Civitas has published a report, *Fixing Broken Britain? An audit of working-age welfare reform since 2010*, by Frank Field MP and Andrew Forsey: 'It is unacceptable, not only for this government but for its predecessor and those who will follow, to take away benefit from a mass of people each year and not trouble themselves with how this army of people survive. For that is what is happening under the government's sanctions policy … Welfare Reform Mark One has largely succeeded in moving into work substantial numbers of people previously drawing out-of-work benefit. Welfare Reform Mark Two must widen this route where possible to the least advantaged claimants, namely those with disabilities and those aged over 50. In order to enshrine work as the best route out of poverty, Welfare Reform Mark Three must build upon the National Living Wage to deliver the higher productivity that can sustain rising real incomes across the board. Universal Credit alone will not fulfil this task and, judging by the government's constant chipping away at its generosity for lower-paid workers, strivers with children who claim Universal Credit will be worse off next year by up to £2,629. The prospect of Universal Credit being rolled out in full by the end of this parliament looks increasingly doubtful, and its potential to fix 'broken Britain' has been diminished beyond recognition.' (pp. 122-3) www.civitas.org.uk/publications/fixing-broken-britain-an-audit-of-working-age-welfare-reform-since-2010/

'Joint study by the **Foundation for European Progressive Studies (FEPS) and UNI Europa**, carried out by the University of Hertfordshire and Ipsos MORI reveals, for the first time, the true size of the UK's 'gig economy'. In the online survey of 2,238 UK adults aged 16-75, 21% say they have tried to find work managed via so-called 'sharing economy' platforms such as *Upwork*, *Uber* or *Handy* during the past year, equivalent to around 9 million people – almost one fifth of the adult population. Around 1 in 10 (11%) of respondents said they had succeeded in doing so, equivalent to around 4.9 million people. Almost a quarter (24%) of UK women responding to the survey claim to have sought work via online platforms, and one third (33%) of 25-34 year olds. 3% of respondents claim to find paid work via online platforms at least once a week, equivalent to around 1.3 million adults, with 4%, or around 1.8 million finding work at least once a month.' www.feps-europe.eu/assets/a82bcd12-fb97-43a6-9346-24242695a183/crowd-working-surveypdf.pdf

The **Institute for Fiscal Studies** and the **Institute of Chartered Accountants for England and Wales** has published *The IFS Green Budget*. Chapter 10 is on 'the (changing) effects of Universal Credit': 'Universal credit will look significantly different when it is finally fully introduced compared with the original plans. In particular, reductions in the planned levels of work allowances – the amount claimants can earn before benefit entitlements start to be reduced – mean that it reduces rather than increases the total level of support for working households. The way in which the planned levels of work allowances have been repeatedly trimmed back does not give the impression that this has been the result of a carefully-thought-through plan for the shape of the future benefits system. Rather, it appears as though cutting work allowances has been seen as a convenient way of reducing planned social security spending by making changes to a benefit that has not yet been introduced. Despite the overall reduction in in-work support, there are groups that will benefit directly from UC's introduction. Those in rented accommodation and single-earner couples with children will see their benefit entitlements increase under UC on average. This will strengthen the financial incentive for couples with children to have one person in work rather than none. On the other hand, this does weaken the incentive for both members of a couple with children to work rather than just one, as two-earner couples with children see a reduction in their benefit entitlements on average under UC. While the winners and losers from UC, and its impacts on financial work incentives, have been affected significantly by the changes made to it since it was first mooted, the main potential benefits of the structural changes that UC will bring remain intact. It will be a welcome simplification of the benefits system, and will still strengthen work incentives for those who face the weakest incentives under the legacy system. On the other hand, it also remains the case that these benefits are being undermined to some extent by the decision to leave support for council tax as a separate system designed by local authorities. This complicates the overall system and potentially reintroduces some of the very high benefit withdrawal rates that UC would otherwise have abolished entirely. If UC is to significantly increase the amounts of paid work that people do, it seems likely that this would be more the result of non-financial changes – such as increasing the conditionality requirements on benefit claimants and the increased level of integration and simplicity that UC will bring to the system – rather than because people face stronger financial incentives to do paid work. Indeed, early evidence has shown that UC has led to increased labour market participation among a group for whom it does not strengthen financial work incentives on average. The success of UC as a whole may also depend on how smoothly other non-financial changes work, such as the fact that payments will be made monthly and only to one member of a couple and that there will be no direct payments to landlords.' (pp. 258-9). http://www.ifs.org.uk/publications/8129

Co-operatives UK has published a report, *Not Alone: Trade union and co-operative solutions for self-employed workers*. The 'precariat index' developed in the report combines indicators that measure levels of self-employment and of privately rented housing. 'Five in 10 new jobs are created by those going into business for themselves. The number of the self-employed has risen by 732,000 since 2008. … In the first quarter of 2014 the number of the self-employed rose by 180,000. … Self-employment among those aged 65 and over has doubled from 241,000 in 2009 to 428,000 in 2014. … self-employment, as a proportion of employment in the UK, increased from 11.6 per cent in 1985 to 15 per cent in 2015. The number of households in private rented accommodation grew from nine per cent to 22 per cent during the same period. While there have been one-off dips in the number of people living in private rental accommodation (in the late 1980s) and in self-employment (around the year 2000), together the index suggests that precariousness in work and housing has increased consistently and nearly doubled over the last 30 years. … Many EU countries are looking at a Universal Basic Income as an alternative to means-tested models like Universal Credit. Trials in some EU countries are planned including Finland. Professor Guy Standing is an advocate of Universal Basic Income as a core solution to the problems faced by the precariat. The RSA has been working with the Citizen's Income Trust to examine what this would look like in the UK in their Power to Create report. In relation to the Co-

operatives UK analysis of the precariat index, this is relevant and worthy of further exploration, as they propose a Basic Income to replace Universal Credit and an additional Basic Rental Income to replace housing benefit. Further work on the model by Citizens Income Trust will be forthcoming in 2016.' (pp. 11, 20-22)
http://www.uk.coop/sites/default/files/uploads/attachments/not_alone_-_trade_union_and_co-operative_solutions_for_self-employed_workers_3.pdf

Jules Birch has written an article in ***The Guardian*** that tackles the thorny issue of the relationship between Citizen's Income and housing costs: 'Is Universal Basic Income too simplistic to meet housing costs?' Readers might also like to see Jake Eliot's article, 'Where does housing fit in?' http://www.theguardian.com/housing-network/2016/apr/26/universal-basic-income-housing-rent; http://citizensincome.org/research-analysis/where-does-housing-fit-in/

Viewpoint

If Citizen's Income is the Answer, What is the Question?

by Frances Hutchinson

The simple question, alluded to in the title of this article, is: 'How do we end the wages system?' That raises further questions – 'Why end the wage system? What is wrong with it?' or the fundamental question: 'What is the wages system?' It is my contention that all social and environmental reforms which ignore the role of money in directing human activity are doomed at best to be palliative, addressing individual causes for concern whilst ignoring the root causes from which the individual problems stem. As Marx and Veblen were well aware, the wages system lies at the heart of social injustice and ecological unsustainability. So long as absentee owners direct the work of waged or salaried employees (whether in private or state corporations), the motivation for reform will be constantly frustrated. Where money is the master motivation, all other values fade into subsidiary considerations. The major debates currently raging about war, famine, agribusiness, debt, environmental/ecological degradation, GM, world trade and poverty all stem from one central cause. People are held into doing what they are doing because they seek to profit *financially* from their co-operation with others. Whether the 'profit' is from speculative sale or sale of labour time becomes immaterial. Both are beholden to the same phenomenon: money is the first consideration in determining a course of action. The money economy is dividing people not only from their work and its product, but also from the land that ultimately sustains all forms of human society. If one cannot live on bread alone, one certainly cannot live on money at all. It is absolutely essential that material goods and services exist, and that the resources necessary for the production of those resources are cultivated and conserved. The money economy has come to obscure the practicalities of everyday life.

The money economy

With industrialisation, we were liberated economically from traditional social ties, only to become enslaved by a money system operating beyond everyday comprehension. Rights and responsibilities associated with respect for the 'commons' and social justice are swept aside in favour of economic pressures. Money is enthroned in place of identifiable individuals whose ability to hold sway over others could be monitored by a system of checks and balances which, however imperfect, nevertheless made the oppressor ultimately accountable. The present system of income distribution has come to seem as natural – even if as unpredictable – as the weather. Incomes are the reward for participating in the formal economy, regardless of whether the work is constructive or destructive of welfare.

As we have observed (Hutchinson et al., 2002, pp.42-43), *oikonomia*, the material economy where tangible and useful wealth is created, is now dominated by *chrematistics*, the money economy that is parasitical upon *oikonomia*. The 'real' economy is the one that 'earth has given and human hands have made'. The money economy takes from the God-given earth, and from human society, destroying and not replenishing. In short, we have an insane system of economics that counts waste, devastation, pollution, war and social devastation as 'wealth'.

Take just a few examples. A car accident or environmental disaster *adds* to GNP (the over-all measure of total national wealth) because of the increase in economic activity – fire services, car replacement, ambulance, medical, insurance, and so on that it causes. Furthermore, in the formal economy, food is manufactured, not by God, but by the 'food industry': in 1971 a food industry study found that total food expenditure in 1971 need only have been £1,800 million to provide a varied and healthy menu. It was actually £6,636 million – i.e. the food industry added four and a half thousand million pounds – in processing, preserving, packaging, and so on, with all the attendant waste and pollution. In chrematistic terms, we were all 'better off'. Today, international rulings force small farmers in poor countries to abandon sustainable and reliable practices for mono-cultural cash crops for export. Across the world, 'financial services' and dealings far outweigh trade in actual goods and services, which form a mere 5 per cent of the total. The money economy continues to sweep across the world, devouring land and cheap labour sources, leaving social and ecological devastation in its wake. In Hong Kong firms no longer manufacture goods: they merely trade in goods produced in the cheap labour factories, spreading across China. Already, a decade ago, 85 per cent of China's rivers were dead. The key players: corporations, academics, and politicians – are mesmerised by the money system. In purely *chrematistic* terms, we are all 'better off' if we work for money, regardless of the social and ecological impacts of that work.

Citizen's Income and the National Dividend

Citizen's Income seeks to alleviate poverty, particularly family poverty, under capitalism. Arguments for it flow from the observed shortcomings of the welfare system instituted by Beveridge in the aftermath of World War II. The arguments are often accepting of the terms and premises of the capitalist financial system, and sometimes – but not always - assume that full employment and a growing economy are needed to provide the means to pay for Citizen's Incomes.

The Social Credit movement emerged from a very different stable. Just over one hundred years ago, Europe was plunged into a senseless war. In a brief moment of sanity, young soldiers on the front lines joined hands in singing Christmas carols. People then and since have asked why war is necessary. The Social Credit movement became a worldwide political force working to end war, environmental degradation and economic growth based upon war and built-in obsolescence. Its message was plain and clear. There is enough for everyone's need, though not for everyone's greed.

Clifford Hugh Douglas, author of the original Social Credit texts (See Hutchinson and Burkitt, 1997) considered the expenditure of human life and resources in the Great War something to be learned from, rather than something to be repeated for the sake of creating a strong, *financially* sound, economy. Social Credit was part of a much wider social movement in the so-called 'inter-war years' of the twentieth century. Progressive thinkers from all classes and all walks of life questioned the wisdom of basing the formal, finance-driven economy on production for war, waste and consumerism.

Douglas brought his shrewd, common-sense, analytical mind to bear upon the practicalities of the workings of the money economy. As the 1914-18 War raged across the world, factories were working at full capacity. Vast quantities of armaments, uniforms, tanks, machinery, ships and other forms of transport were churned out on all sides. Farmers on the land prospered, supplying food to the armies of military and civilian workers. But the apparent prosperity was ephemeral because it was dependent upon the workings of an unsound financial system. As the war ended, Douglas was an obscure engineer accounting the finances at Farnborough aircraft factory. He predicted the inter-war depression and explained how it would happen and why. He detailed how the finance to run the war was conjured up by the Government as debt, when it could just as easily have been created as credit, in which case the prosperity would continue after the War.

In the immediate aftermath of the War (1918-20) Douglas wrote a series of articles on finance and income distribution. These were closely studied amongst trade unionists, politicians, economists (including Keynes), and a wide spectrum of intellectuals. A vast literature on Social Credit, including weekly newspapers, books, pamphlets, and journal articles, circulated throughout the UK, the Commonwealth, the US, Scandinavia, and Tokyo in multiple editions. Douglas's predictions were correct, and his work has never been faulted. What is physically possible is always financially possible, because finance is a man-made system of accounting, and can be adjusted to meet the will of the people.

At the heart of Social Credit theorising is the justification for paying a National Dividend to all citizens regardless of work status on grounds of the common cultural inheritance. Douglas argued that labour – paid work – does not create wealth: 'The simple fact is that production is 95 per cent a matter of tools and process, which tools and process form the cultural inheritance of the community as a whole', being the result of work done over generations by an army of technologists, the vast majority of whom are now dead (Douglas, 1919, p. 95). Thus claims to a share of the common cultural inheritance, which rightly belongs to the community as a whole, can be justified not by work, and not by private ownership of land and property, but by common right of citizenship. Over a period of three decades Douglas argued consistently that finance is purely a matter of accounting: what is practical and desirable on social grounds is financially possible, because finance is a man-made system. The key to economic democracy is the political will to bring about legal change.

Women and Social Credit

Proposals for a non-means-tested National Dividend, payable by right of citizenship, were of particular interest to women. Although Social Credit was not specifically a women's movement, women who studied the economics of the social credit movement in the interwar years campaigned on the basis of its potential for improving the socio-economic status of women. Their arguments are echoed in current studies of mothering and home-making:

> Mothers in the United Kingdom today are in an impossible situation. Our very title has been erased from Government policy on families [*Guidance for Government Departments* October 2014] and general political discussion in a pernicious Orwellian language trend. Women who are mothers are expected to engage in the workforce in a liberalist and capitalist tradition of individual interest where market forces reign supreme - there is no room for love and care, let alone awareness of interdependency common to all our lives. There seems to be no place for maternal care. No place for improved, supported services investing in family life.

So writes Vanessa Olorenshaw in her ground-breaking pamphlet, *The Politics of Mothering*.

Women activists of the 1930s argued that Social Credit offers every woman and man a birth-right income based on the productive capacity of the community. It would:

> … ensure economic independence and freedom, for it will release her from being tied to the home when she wishes to live her own life or bound to some man who ill-treats her. Nor would she be driven to work-wage slavery in competition with men in order to stay alive when she has caring responsibilities within the household. Women would get equal pay for equal work because 'a Social Credit Government will naturally stand for fair play for all citizens without distinction'. Each individual woman will be able to say 'If I do this job as well as a man could do it, I shall want the same pay as a man.' And if the employer says, 'No', she will be able to say: 'Very well, I refuse the job. After all, I can live on my National Dividend.' This places every woman in a very powerful position. (It will apply equally, of course, to badly-paid male workers.) (Quoted in Hutchinson and Burkitt 1997)

Women were politically active in support of the proposals throughout the UK, Canada, Australia, New Zealand and the United States over the middle decades of the twentieth century.

From master to servant

Central to the Social Credit debate are the core issues of farming, finance, and the household. To date, mainstream economic theory has failed to accommodate itself to the realities of economic life. These include the futility and waste of war, which is officially accounted as a plus, and the need for income security so that good work may be undertaken in the home, in the community, in local businesses, and on the land. Today, concerned individuals and groups are bringing forward the identical issues as those surrounding the massive international debate based upon the writings of C.H. Douglas less than a century ago. Douglas asked the fundamental question – why should it be 'absolutely necessary' for the workers to produce weapons of mass destruction in order to put food onto the household table? His question remains as valid today as when he first posed it a hundred years ago.

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Frances Hutchinson is the author of *Understanding the Financial System: Social Credit Revisited* (2010) and *of The Economics of Love*, forthcoming.

Book reviews

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

This report from the RSA is a most welcome addition to the recent flurry of publications and media interest in Citizen's Income. It outlines a context – technological change, resulting in

> underemployment, unemployment or the need to transition careers with some frequency for many. A Basic Income could provide a foundation to smooth working-life transition; (p. 5)

and an ageing population, requiring more people to spend time on caring for others.

The report notes the growing Citizen's Income movement; studies a variety of other reform proposals (and particularly a Participation Income and an enhanced contributory system); and argues that polling data that shows that the British public regards 'making work pay' as far more important than tackling poverty and inequality provides a powerful argument for Citizen's Income:

> It is Basic Income and Basic Income alone that sends out absolutely clear yet non-coercive signals about the incentive to work. … Basic Income is a foundation for contribution. It incentivises work but supports other forms of contribution too. In this regard, it is the system of income support that best rewards contribution – albeit contribution defined beyond narrow cash terms. (p. 14-15)

The report describes the UK's current benefits system, notes that the sanctions regime will increasingly attack the self-employed and the employed once Universal Credit is rolled out, shows how Citizen's Income would offer the 'power to create', and then sets four tests for the idea to pass:

- Does the system accord with a widespread set of moral precepts?
- Is it broadly fiscally achievable within the parameters of existing taxation and expenditure?
- Is it distributionally just when compared to the current system?
- Will greater individual (and civic) freedom and creativity be realised? (p. 18)

The particular scheme that the RSA evaluates in relation to the second and third criteria is based on the scheme published by the Citizen's Income Trust in 2013 (www.citizensincome.org/filelibrary/booklet2013.pdf), but with a few minor variations.

A non-binding contract to encourage contributions to society will run alongside receipt of Citizen's Income. The fact that it is non-binding, and the recipient's failure to adhere to an agreed contract would not compromise their receipt of a Citizen's Income, retains the scheme's reciprocity – important for its ability to pass the first test – and retains it as one characterised by an initial act of generosity on the part of the state, rather than as one that expects a claimant to prove a contribution before the state reciprocates. There is, though, a danger with such a contract. It would be easy for a future government to make receipt of a Citizen's Income dependent on adherence to a contract's conditions, thus turning the Citizen's Income into a Participation Income, so that it would no longer be a Citizen's Income and would be loaded with administrative complexity and bureaucratic intrusion in people's lives – precisely what is not required.

In relation to the levels of Citizen's Income, the RSA scheme attempts to reduce the losses that poorer families with children might suffer at the point of implementation (which has been recognised as a problem in relation to the Citizen's Income Trust 2012/13 scheme) by allocating a higher level of Citizen's Income to the first child in a family, and possibly lower levels to the third and subsequent children. This compromises the definition of a Citizen's Income, because that requires that every individual of the same age should receive a Citizen's Income of the same amount: but this is a compromise in theory, and not a new compromise in practice, and so should not overly concern us. This is because in any Citizen's Income scheme the children's Citizen's Incomes are paid to the main carer: so although in theory every working age adult (or adult over 25 years old, as in the RSA and CIT 2012/13 schemes) receives the same amount, in practice the main carer of children receives their own adult Citizen's Income and the Citizen's Incomes of their children. Because allocating different amounts to different children in a family will adjust a total amount paid to an adult that is already variable in relation to the number of the children in the family, no new compromise has in practice been generated. We might hope that if such a Citizen's Income scheme were to be implemented, then eventually it might prove possible to reduce the compromise by bringing the Citizen's Income levels allocated to different children nearer to or identical with equality: but as a transitional measure with some useful effects, the RSA's approach has much to commend it.

A compromise that has nothing to commend it, though, relates to lone parents:

> One group that could lose out in the transition to Basic Income in the RSA model are low income, lone parents with children over the age of five. … there may be scope for a transitionary measure whereby lone parents could continue to claim a Child Benefit top-up … introducing an element of household calculation. (p.31)

A lone parent addition would not satisfy the 'unconditional' requirement of a Citizen's Income, and would result in precisely the kind of bureaucratic intrusion into people's personal relationships that a Citizen's Income is trying to get away from. If it is felt that lone parents need an additional payment, then an additional *and separately administered* payment should be made, so that the Citizen's Income itself is not compromised. We are used to social policies that we can tinker with without destroying them. A Citizen's Income is different. If we tinker with it, then we destroy it. This lesson has thankfully been learnt in relation to Child Benefit. In 2010 we were told that it would be means-tested. It has not been. Instead, an additional tax charge is imposed on high earning individuals living in households receiving Child Benefit. This is not sensible, because it has resulted in domestic disharmony and in the withdrawal of Child Benefit claims: but at least it does not destroy Child Benefit as a universal benefit. A similar approach could be employed in relation to lone parents in the context of a Citizen's Income. The Citizen's Income must never change; but an additional benefit could be established with its own conditionalities and administration.

When the report discusses some alternative Citizen's Income schemes – such as scheme B in the recent Institute of Social and Economic Research paper, www.iser.essex.ac.uk/research/publications/working-papers/euromod/em6-15, its use of the word 'modified' might be somewhat confusing. Scheme B is not a 'modified' Citizen's Income, or a 'modified' Citizen's Income scheme. The Citizen's Income is a genuine Citizen's Income. It is simply that scheme B retains more means-tested benefits than some other schemes (and as we showed in the last edition of this *Newsletter*, scheme B takes a lot of households off means-tested benefits, or reduces their claims to such low levels that they are likely to come off them). We ought to avoid the use of the word 'modified'. Either a proposal is for a Citizen's Income, or it is not; and if it is, then the whole scheme, including changes to means-tested benefits, tax allowances, etc., is a Citizen's Income scheme. Some schemes, such as scheme B, would be easier to implement than some others, such as the RSA scheme. In many ways, the RSA scheme would be preferable to scheme B. So perhaps we ought to regard scheme B as a useful first step, and the RSA scheme as a useful second step.

The RSA report is a long, detailed, well researched, and most useful document, and no short review can do it justice. The minor caveats that I have listed above are precisely that: minor caveats, and areas for continuing research and debate. The RSA is to be highly congratulated on the research project that has led to the report, and on the report itself. There could be no better place to start the next phase of the Citizen's Income debate than this report.

Malcolm Torry, *101 Reasons for a Citizen's Income*, Policy Press, 2015, 1 4473 2612 0, pbk, xiv + 120 pp, £9.99

The idea that all social security benefits should be replaced by one universal citizen's income has a very long history indeed, going back at least to Thomas Paine's *Agrarian Justice* (1797). Partial precedents have been implemented (for example, the 1908 old age pensions scheme), there have been some near-misses (such as President Nixon's Family Assistance Plan) and many imaginative proposals (from bodies like the State Bonus League and individuals like Lady Juliet Rhys Williams). In this succinct and elegantly-written book, Malcolm Torry offers an imaginative and very effective summary of the reasons why the UK should now adopt a citizen's income, building his case round one hundred and one justifying reasons, allocating one page per reason. He demonstrates convincingly that there has always been a strong case for this reform, but that the particular conditions of the twenty-first century render that case even more convincing.

Readers of this newsletter will need little persuading to devour the contents of this book, so it is perhaps pointless to list all the arguments outlined therein, but suffice it to say that Malcolm Torry covers an enormously wide range: a citizen's income would overcome the poverty trap by incentivising low-paid or part-time employment; it would assist female employment; it would boost demand in the economy; it would, on an individual level, encourage personal autonomy, diverse life plans and creativity; it would encourage social mobility and greater social inclusion; and so on – there are fully one hundred and one such reasons discussed here.

This is a most impresssive book. Its deceptive simplicity and admirable clarity conceal the fact that Torry has a sound knowledge of both the intricacies of the UK benefits system (sharpened by a spell administering means-tested benefits) and the human condition (thirty-four years as a Church of England vicar is bound to teach one about life). The book thus displays a mastery of detail on the UK's tax and benefit systems, as well as of current labour market trends; yet this detail is communicated to the reader painlessly and effortlessly. Above all else, what comes across here is Torry's vision that this reform will not only be economically beneficial, it will also increase the sum total of human happiness.

No book review should be so admiring that it ends up as anodyne and uncritical. Therefore, three difficulties need to be confronted because they have always been discussed regarding this general idea. The first is the residence qualification: exactly how long would citizens newly-arrived in the UK be required to reside before they qualified? Leaving aside the inevitable negative arguments re benefit tourists and welfare magnets, it is clear that some form of means-tested social assistance not unlike income support would be needed in such cases. Similarly, there is the question of how large such a safety-net would need to be if it were to deal effectively with those unfortunates who 'fell between the cracks' socially (for example, the homeless living on the streets, people living in hostels and prisoners – Torry bravely argues that both people of no fixed abode and prisoners should indeed receive the citizen's income). Another question is how incomes would be assessed retrospectively (most notably, regarding the self-employed) for those subject to an annual income test. A third and quite problematic issue is the honesty test (long discussed in debates on the citizen's income: if I cut your hedge and you pay me £50 cash for doing so, will either of us formally declare this payment?). In other words, would a citizen's income legitimate the cash-in-hand black economy – or boost it, to the detriment of tax revenue?

These difficulties are by no means insurmountable, however, and Torry discusses them robustly. They are more than counterbalanced by the many virtues of the citizen's income idea – an idea whose time has come. Twenty-first century labour markets are characterised by greater job insecurity, more episodic employment and a steady growth of part-time jobs. These trends have rendered paid employment more hazardous for many in society. Insecure labour markets are nothing new, of course: they were the norm before the Second World War ushered in a twenty-five year period of 'job for life' Fordist capitalism. Just as a few brave and imaginative souls advocated versions of a citizen's income before the War, so now the pressing need for it has reappeared. Malcolm Torry has done us a great service by outlining the case for a citizen's income in this persuasive, well-argued and readable book.

John Macnicol

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Daniel Dorling, *Injustice: Why Social Inequality Persists*, second edition, Policy Press, 2015, xxi + 473 pp, pbk, 1 4473 2075 3, £9.99

This is essentially the same book as the 2010 edition. This is not to criticise. It needs to be the same book, because injustice persists, and in many ways is worse now than it was then. Injustice also has the same causes as it had then. After an introductory chapter, chapter 2 shows how injustice and inequality drive each other. The beliefs that sustain injustice create inequality, and old injustice also result in inequality; and inequality causes yet more injustices. Each of the following chapters tackles one of the five beliefs that Dorling believes drive injustice. These beliefs are: 'elitism is efficient'; 'exclusion is necessary'; 'prejudice is natural'; 'greed is good'; and 'despair is inevitable'. Each chapter discusses flaws in the evidence offered for the believers, shows how the beliefs embed injustice, shows how opposition to the beliefs is growing, and describes how to reduce the injustice generated by the belief – which will generate yet more evidence that the belief is mistaken. The chapters sometimes offer grounds for hope: for instance, more widespread secondary education will slowly increase educational equality and will show that elitism was built on the fallacy that only a few people are capable of significant achievement. The final chapter declares there to be no single great conspiracy lying behind increasing injustice, and offers the hope that change is possible. Societies can and do change.

The book is packed with evidence and references – and one of the reasons that the second edition is longer than the first edition is that there is now more material from the USA (perhaps with the US market in mind).

The book does not define injustice, in the sense that it does not offer a short set of words to express what it means by the word 'injustice'. Instead it shows what injustice is by describing many instances of it. It does not offer a coherent programme that would reduce injustice: instead, it scatters reasons for hope and detailed suggestions for change throughout the book. This is probably right. Change has to be specific, and injustice has to be tackled one injustice at a time. This updated edition of Dorling's book will remind us – if we needed reminding – that injustice has not gone away, and that in many ways it is getting worse; that there are things that we can do about it; and that we need to do those things.

There was one criticism that I was going to make of this book – a criticism that applies equally to the previous edition – but then I found that Dorling had made the criticism himself: 'I wish I could be more succinct and arrange my arguments better' (p.376). The reason was that he found himself constantly changing what he believed: not about how wrong injustice is, but about the roots of injustice and about what might be done about it. He ought not to have worried too much. The somewhat chaotic nature of the writing is a function of the complex nature of our society and of its institutions, and of the difficulty of knowing precisely what to do in order to reduce the level of injustice: if indeed the idea that there might be some 'level' of injustice has any coherence in the midst of the many different examples of injustice that the author lists.

If you haven't read the first edition of Danny Dorling's *Injustice*, then read this new edition; and if you have read the first edition, then still read this edition. Injustice has not gone away, and all of us need to continue to do what we can to reduce it.

Daniel Dorling, *A Better Politics: How government can make us happier*, download from www.dannydorling.org

This new addition to the vast Dorling corpus sets out from the suggestion that governments 'should concern themselves with what matters most to people' (p.10) – which means asking them; from the finding that there is a correlation between the level of government spending and the average level of individual happiness; and from the idea that governments should pursue their citizens' happiness – which means asking them about how happy they are and about what makes them happy. Dorling groups the things that survey responses tell us make people happy under the different categories of Abraham Maslow's 'hierarchy of needs' – physiological (food, water, etc.: the things that we need for survival); safety (security of body, safety of property, etc.); love or belonging (friendship and family); esteem (achievement, respect of and by others, etc.); and self-actualisation (creativity, morality, etc.): and then he organises the chapters of the book around those categories.

So chapter 2 tackles 'basic needs', and finds that our own illness or the illness or death of someone close to us can be particularly damaging to our happiness, and that births can produce spikes in happiness. This makes it surprising that the UK's employment patterns, housing market, and tax and benefits systems increasingly fail to provide the kind of financial security that would encourage couples to embark on bringing up a family. In purely financial terms, it would be more beneficial to encourage couples to have families, rather than that they be without families later in life and are more likely to become financial burdens on the state. In terms of happiness accounting, increasing numbers of people without children will reduce society's overall level of happiness; and in relation to housing, regulation of the quality of rented housing does not necessarily reduce supply.

In chapter 3, Dorling again discusses housing in relation to Maslow's 'safety' category, and finds of course that fewer people are now able to buy their own homes, that increasing numbers of people are finding rents unaffordable, and that evictions are far too common. In the same category he discusses wealth inequality, and low income families' inability to accumulate wealth. Chapter 4, on 'love', explains that the making of a relationship can produce substantial happiness, and that the ending of a relationship can have a devastating effect on the level of happiness. Out of 34 countries, the UK has the fourth highest divorce rate, and Dorling suggests that among the causes are long employment hours, long commuting distances, and high rates of imprisonment – all of which government could help to tackle. In the same category, Dorling locates the increasing anxiety and the lower levels of trust that growing inequality has helped to generate. Chapter 5 rightly suggests that equal respect – particularly for women – and the quality and security of employment, are important routes to our need for 'esteem', and also that the ratio between the highest and the lowest salaries in a company or public service affects the levels of esteem in that company or service. Paying the Living Wage is the first obvious solution, reducing the number of hours spent at work while keeping the total wage the same is another (and is a solution that can benefit the company or service's efficiency). A Citizen's Income is another, that would provide financial security, enable more people to exercise choice in the employment market, and work with rather against many of the current and future changes in the way that we live. 'A better politics for a happier, healthier UK would see the introduction of a basic income, initially at a very low level, but universal. To make the labour market work well, people need to have real choices in that market over what work they want to do, when to work and for how long. Any small steps towards making labour an efficient market, as well as being more competitive and open, should be welcome' (p.60).

In chapter 6, education is discussed as the main route to self-actualisation: the highest category in Maslow's hierarchy of needs. Dorling has no difficulty finding inequalities all over the UK's education system, and in what happens to young adults after leaving university. Whatever their educational achievements or non-achievements, people from wealthy families tend to earn more. To fund education at German levels is the obvious solution. Also quite properly in the chapter on self-actualisation Dorling discusses protection of the environment by consuming less, learning more, and building better relationships.

The concluding chapter returns to the message of the book: that government's task is to concentrate on what matters to us and on what makes us happy. As the different chapters have shown, this requires a range of new policy directions: and the final chapter contains more of them: taxing property wealth; encouraging walking and cycling to work; adequate Child Benefit; and a proportional electoral system.

This book is classic Dorling, but is unlike the best-selling *Injustice* in an important respect. *Injustice* has a negative title (*Injustice* rather than *Justice*), and it goes on in that vein. Yes, it makes some positive suggestions, but they are frequently submerged in the deluge of evidence and discussion about what's wrong with the world. The title of this new book is positive; the book asks a positive question: How can government serve our happiness and respond to what matters to us?; and each chapter contains some well worked out policy proposals – as well as some of the usual description of what's not going right, of course.

This book will be a most valuable addition to your electronic library. And, in tune with its recommendation of a Citizen's Income: it's free.

Stewart Lansley, *A Sharing Economy: How social wealth funds can reduce inequality and help balance the books*, Policy Press, 2016, xii + 150 pp, pbk, 1 44733 143 8, £9.99.

As the author puts it, we are becoming a society divided between affluence and poverty, and we need new a economic model 'that shares prosperity and delivers greater security across the divide, economic and social' (p. viii).

Chapter 1 outlines the roots and effects of growing inequality, and credibly predicts yet more inequality and the economic and social disruptions that that will bring. Chapter 2 relates the increasing concentration of capital in a relatively few private (often foreign) hands, and the problem that some corporations are now so large that governments dare not let them fail, thus making governments the prisoners of private capital. Wages fall, companies hoard cash rather than invest, public assets are sold to foreign companies, and the public sector is squeezed because governments' taxation policies are largely controlled by corporations. The author quotes Mark Carney: 'unchecked market fundamentalism can devour the social capital essential for the long-term dynamism of capitalism itself' (p. 24). It is not that capitalism needs to be replaced. What is required is *inclusive* capitalism.

In chapter 3, natural resources such as oil, gas, and water, and a variety of other assets, such as radio spectrum, are described as the 'common wealth', which suggests that some of the revenue generated from it ought to be shared across society as a whole, rather than the whole of it ending up in private hands. A social wealth fund that captured and invested revenue from the common wealth (for instance, via a Land Value Tax) could be used for the benefit of society as a whole, thus returning to society the proceeds due to it. Chapter 4 discusses the secretive sovereign wealth funds of such countries as China and Saudi Arabia, and the very different social wealth funds on New Zealand, Norway and Alaska, which are more democratically accountable and are designed to serve social goals. Chapter 5 suggests a number of ways of paying for the UK's first social wealth fund: revenue generated by public wealth and natural resources, existing taxation, financial transaction taxes, and taxation of company profits and share ownership. He makes an interesting suggestion, that a number of different funds should be created: a public ownership fund, funded from the revenues from public assets, to pay for infrastructure and other public projects; a public investment and social fund, perhaps funded by financial transaction taxes, to pay for urban renewal; a social housing fund, to recycle sales proceeds into new social housing; and a social care fund, to enable social care to be funded from a hypothecated tax on housing wealth.

In 1965 James Meade predicted the economic and social effects of automation, and suggested a fund that would pay an equal social dividend to every citizen, and chapter 6 suggests that such a fund could be paid for by a levy on capital ownership and could pay out either an annual citizen's dividend or a regular Citizen's Income. Chapter 7 lists numerous advantages of a Citizen's Income, and also discusses a number of common objections. Lansley pays particular attention to two Citizen's Income Trust's illustrative schemes: one that retains means-tested benefits in order to reduce losses to low income households, and another that implements a Citizen's Income one demographic group at a time. He then offers his own proposal of a higher Citizen's Income that would enable most means-tested benefits to be abolished and that would be partially funded by the proceeds from a social wealth fund paid for by a shareholder levy.

Chapter 8 discusses a current trend that mirrors a social wealth fund: the amalgamation of public pension schemes into a significant investment fund. It then discusses expressions of support for social wealth funds, such as George Osborne's suggestion of a fund that collects revenue from shale gas mining and uses it to benefit the North of England. Lansley also discusses the progress of the debate on Citizen's Income, and various experiments that have taken place or are now planned. As he quite rightly states: 'the debate on its merits – and downsides – needs to [be] extended from campaigners and researchers into the public domain … Although a citizen's income would raise issues of its own, it would tackle many of the problems with the existing system. Such are its strengths, its time is surely coming' (pp. 116-17). He concludes that 'there is some evidence that with more and more establishment figures calling for a new model of capitalism, the tide is turning, that the current bias towards inertia may be coming to an end. Social wealth funds and a citizen's income should be an essential part of this new tide of change' (p. 123).

This book, like *101 Reasons for a Citizen's Income*, is a Policy Press 'Shorts: insights' paperback. It costs only £9.99. Buy two. One to give to a friend, and one to read – and then give to a friend. Both the author and the publisher are to be congratulated on a timely and well-argued book that brings together arguments for social wealth funds and for a Citizen's Income, and that suggests an important connection between them.

Andrew Sayer, *Why We Can't Afford the Rich*, Policy Press, 2015, 1 44732 079 1, hbk, xi + 433 pp, £19.99

The rich are getting richer: their incomes are streaking ahead of the rest; their wealth is growing even faster; they dominate politics; they control the ideological landscape that enables them to keep on getting richer; they control the media and therefore politics and so manage to keep open the channels that enable them to amass yet greater wealth at the expense of everyone else; and, contrary to what some of them might tell us, the rich aren't on average more talented than the poor, and their wealth doesn't trickle down to the poor. This is a quietly angry book, full of facts and figures that show the rich to be a major cause of the inequality that Wilkinson and Pickett revealed in their book *The Spirit Level* and of the injustice that Danny Dorling described in his book *Injustice*. How do the rich do it? They inherit family money, make business decisions that work out, gain control of companies, or develop financial instruments; and by cornering the ownership of land and productive capital, and therefore the rents and profits that they generate, and by gaining control of much of the flow of money in our society – much of which they have channelled into offshore tax havens – they create yet more income and wealth for themselves, and corner even more of the land, capital, and financial control.

The book is full of educational material: on the different effects of earned and unearned income; on the inequalities generated by the difference between good quality jobs and low quality jobs; and on the inherited social and economic capital that makes impossible a meritocratic society. Sayer shows how the rise of the rich and the growth of the financial sector have gone hand in hand, and how together they caused the recent financial crisis out of which the rich have come richer than ever. It is the poor, and not the rich, who have suffered: and it is the rich who, by the ways in which they spend their money, as well as by the ways in which they collect it, distort the economy and threaten the future of the planet.

There are two groups of people in Andrew Sayer's sights: the richest 1% (or sometimes the richest 0.1%, or 0.01%); and people who live in the richest countries. The reader will sometimes need to be clear which group is under discussion. For instance, the richest 7% of the world's population create 50% of the carbon emissions that cause global warming, so more people are responsible for global warming than are responsible for causing the financial crisis: but there is also a sense in which whichever definition of 'the rich' we are using, 'the rich' are a problem to the poor.

Sayer's final chapter contains some suggestions as to what we might do about the situation that he so carefully describes. As he suggests, there is plenty of redistribution at the moment from the poor to the wealthy, whereas what our society needs is redistribution on the basis of need:

> Child benefit and benefits for carers should be as normal as wages … At present, universal benefits for such things are frequently attacked for giving taxpayers' money to well-off parents or pensioners. But the problem here is not the universal benefit, but the prior inequalities. With major reductions in inequality, the problem becomes unimportant. (p.346).

Then comes Sayer's wish list: the breakup of media empires; reform of political party funding; land and minerals nationalisation; a land value tax; state control of interest rates and of money creation; industrial democracy; the banning of unproductive complex financial instruments; the abolition of tax havens; a financial transaction tax; a wealth tax; carbon taxes; a global minimum wage; and 'a universal basic income to replace most specialised benefits, providing both security and a simplified welfare system' (p.361). Sayer might have added that current means-tested benefits impose an effective tax rate of between 85% and 96% on the lowest owners, whereas the highest earners face a maximum tax rate of only 47%, and that this difference is a major cause of growing inequality. A Citizen's or Basic Income would reduce the effective tax rate suffered by the poor and would therefore reduce inequality.

If anyone is looking for evidence for the statements 'the rich are getting richer' and 'inequality is increasing', then they will find plenty of it here. In that sense it is a depressing book. But the final chapter, by offering a series of solutions (some of which we should regard as short term options, and others as long term possibilities), turns the book into a hopeful one.

Paul Mason, *Postcapitalism: A Guide to our Future*, Allen Lane/Penguin, 2015, 1 846 14738 8, hbk, xxi + 242 pp, £16.99

The thesis of Paul Mason's book is simple and important: that for two hundred and fifty years capitalism has been maintained by a series of Kondratieff waves, but that this historical process has now broken down. We therefore face a complex transition to postcapitalism, so we need to prepare for it.

The argument of the book is complex, and the short summary that the length of this review permits will to some extent caricature it: but this summary will show why the book's thesis is particularly relevant to the Citizen's Income debate. At the heart of the thesis is the theory of cycles, or waves, of the Russian economist Kondratieff, and Mason's emphasis of the role of labour in those cycles. At the beginning of each new wave, new technology, usually invented as the previous wave was coming to an end, and new capital investment, fuel an economic upswing. As savings rise and banks hoard capital, the upswing slows down; consumption slows, capital flows into an unproductive finance sector, ample credit reduces interest rates, wages and prices collapse, and recession sets in. When further new technologies emerge, new business models evolve that can employ them, new markets appear, and the finance sector releases capital for investment in new production that employs the new technologies, then a new upswing can begin. Mason's important emphasis is on the role of labour in this process. To somewhat simplify his argument: it is people who consume the new production, people need resources to do that, those resources are mainly generated by wages, new technologies tend to reduce the requirement for labour, so a new wave can only take off if labour is sufficiently skilled and organised to enable it to extract sufficient of the proceeds of production to enable it to purchase the new production. Somewhat counterintuitively, it is strong labour movements that have enabled capitalism to survive.

Mason surveys the five Kondratieff long waves that the global economy has experienced: from 1790 to 1848, the factory system, steam power and canals generated the upswing, and the end of the upswing came with the depression of the 1820s and political crises in Europe. Railways, the telegraph, and machines making machines, generated the second cycle, which lasted from 1848 to the 1890s, when a long depression occurred. Scientific management was the business model that enabled heavy industry, electrical engineering and mass production to drive the third long wave from the 1890s to 1945, which was ended by the Second World War's destruction of capital. In the fourth cycle, from 1945 to 2008, transistors, automation, and computers, created a long economic upswing. The oil price shock of 1973 started the decline, which culminated in the financial crisis of 2008. A fifth long cycle then started, driven by information and communication technology, a global marketplace, and information goods: but, as

Mason shows, it has stalled. The first four cycles were accompanied by large workforces who were increasingly organised and therefore able to extract sufficient proceeds of production to fuel the cycle. Foolishly, neoliberalism has broken the power of labour, and has therefore prevented the fifth cycle from taking off. A second factor that has contributed to the fifth cycle not taking off – and this is one of Mason's major themes – is the rise of information goods that are essentially free: many of them are designed to be free, and even if they are not, then in practice they become free or almost free. Recorded music is the classic example. With information goods being increasingly important – and with increasingly sophisticated 3D printing, we shall soon see products that we never thought could be free or almost free becoming so – and in many contexts markets will become increasingly irrelevant. We shall be in an era of postcapitalism. The fifth Kondratieff wave will fizzle out, and there will be no more of them.

Paul Mason's description of what postcapitalism will look like is inevitably somewhat speculative – what else could it be: but perhaps the least speculative element is his section on the necessity of a Basic or Citizen's Income, (strangely missing from the index: it's on pages 284 to 286). Why pay a Citizen's Income?

> A basic income paid for out of taxes on the market economy gives people the chance to build positions in the non-market economy. It allows them to volunteer, set up co-ops, edit Wikipedia, learn how to use 3D design software, or just exist. It allows them to space out periods of work …

- and he adds a variety of other advantages that will be familiar to readers of this *Newsletter*. Mason suggests that production and goods would become increasingly socialised, that less money would therefore be needed, and that the Citizen's Income could then disappear. Perhaps. Perhaps not.

Where we might wish to dissent from Mason is in relation to his suggestion that a Citizen's Income could only be established in the context of an overall postcapitalist transition project. As our research has shown, it is perfectly possible to establish a genuine Citizen's Income from within the current tax and benefits system without additional financial resources being available. The importance of this finding is that it suggests that we could already have in place one of the building blocks of a postcapitalist economy, and that that could ease the transition into some of the other changes that will be required, such as a reduction in working hours for everyone so that the work that does need to be done can be better shared.

Not everyone will agree with Paul Mason's thesis and prescription: but anyone who does not surely has an obligation to present an alternative theory that coheres with the evidence. It will be interesting to see if such alternative theories result in a requirement for a Citizen's Income. In the meantime, Mason's book is a useful guide, and is an encouragement to put in place the social policy that we shall need as the transition to a postcapitalist society and economy takes place. A Citizen's Income would be a good place to start.

Nick Srnicek and Alex Williams, *Inventing the Future: Postcapitalism and a world without work*, Verso, 2015, 1 78478 096 8, pbk, 245 pp, £12.99.

This is a campaign manual for the Left in the UK, but it has wider relevance than that: so this review will first of all discuss the book's intention and content, and will draw an additional conclusion.

Neoliberal capitalism is a hegemony: that is, the ideas out of which it is constructed have colonised the world's institutions, including its governments and academies. It is the position from which every debate begins. It has taken control. The book is particularly interesting on the history of neoliberalism, which was given birth by a small group of committed individuals with a strategy. It is on the basis of this history that Srnicek and Williams offer a critique of the Left's current activity, which they call 'folk politics': occupations, strikes, demonstrations, local campaigns, and the like. As they point out, such activity can be very effective in tackling local symptoms of neoliberalism, such as the planned closure of a hospital: but they are no way to create an alternative to neoliberal capitalism. Neoliberal capitalism defeated the previous Keynesian hegemony by building institutions, mainly think tanks, and institutions tasked with creating yet more think tanks. The people who passed through these institutions ended up as academics, journalists, legislators, and civil servants; and by that means neoliberal capitalism colonised the academy, the media, governments, government bureaucracies, and every other significant institution. Folk politics is no way to tackle a hegemony based on such an institutional takeover. Only another hegemony, created in the same way, will be a match for it. The Left therefore needs to build think tanks and other institutions, and it needs the people who pass through them, or are influenced by them, to become academics (particularly in economics), journalists, civil servants, members of parliament, and government ministers. Only in this way can a new 'common sense' be built. A patient strategy is what is required.

Having suggested *how* a new hegemony should be built, the authors turn to its content. At its heart will be the personal freedom that comes from the freedom from work (by which they mean employment) promised by automation. As they put it: 'Our choice is between glorifying work and the working class or abolishing them both' (p.126). Folk politics promotes work and the working class, both of which play into neoliberal capitalism's hands. It is freedom from work that will characterise a postcapitalist future, and only a hegemony based on freedom from work will defeat neoliberal capitalism. Achieving this aim will require 'full automation, the reduction of the working week, the provision of a basic [Citizen's] income, the diminishment of the work ethic' (p.127). The book's final chapter, on 'building power', unfortunately contains rather a lot of the folk politics that the first chapter had already shown to be irrelevant. A strategy for the new hegemony needs to learn rather more thoroughly from the history of neoliberal capitalism outlined earlier in the book: so at the heart of the strategy needs to be think tanks - lots of them.

Srnicek and Williams are of course quite right: a Citizen's Income will be an essential aspect of the new hegemony. Automation increases the share of the proceeds of production that go to capital, and reduces the share that goes to wages, so if we retain our current tax and benefits system poverty will increase, demand for goods and services will fall, and the economy will collapse. A Citizen's Income will provide the secure financial platform that households will need in a society characterised by less employment, and, because eventually it will have to be funded by taxing the proceeds of production that go to capital, it will shift purchasing power to households and will maintain demand in the economy.

The authors insist that 'full automation, the reduction of the working week, the provision of a basic income, [and] the diminishment of the work ethic' must be created as a package, and that a Citizen's Income implemented on its own would 'almost certainly be set below poverty levels and simply act as a handout to companies' (p.129). This would not be true in any country that currently pays in-work benefits, such as the UK's Working Tax Credits/Universal Credit. Means-tested in-work benefits function as a *dynamic* subsidy to companies: that is, if wages fall, the benefits rise, meaning that there is little pressure on companies to increase wages. A Citizen's Income would be a *static* subsidy: it would not change if wages changed. It would therefore have a smaller subsidy effect than current in-work benefits. Even if only some of a household's in-work benefits were to be replaced by a Citizen's Income, the subsidy effect would be smaller than it is now. This matters. It means that a Citizen's Income is an immediately viable option for the reform of the tax and benefits system. It might initially need to be funded from within that system: but once it was in place it would enable greater employment flexibility (while protecting household disposable incomes), and would therefore provide a context in which automation could increase, the working week could be reduced, and the work ethic could be diminished. Significantly for the authors' argument, a Citizen's Income would be an *institutional* reform that would generate further institutional reforms, and would therefore cohere nicely with their requirement for an institutional strategy.

The book's aim is to provide the Left with a viable means of defeating neoliberal capitalism. It is also possible to read it as a manual for anyone seeking to replace one hegemony with another. 'Full automation, reduction of the working week, provision of a basic income, diminishment of the work ethic', could be elements in a variety of ideological structures, Right, Left, and otherwise; and the institutional method described could be employed by strategies for each part of that programme as well as for the programme as a whole, or for any ideological structure that contained it. The Citizen's Income debate is already largely institutional. The authors' argument suggests that it needs to be even more so: more organisations to campaign and educate, more organisations within organisations, more connections between organisations, and more people passing through organisations.

This book is a lot more useful than the authors think it is.