Citizen's Income *newsletter*

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Editorials

A fourth edition

Just once before, during its thirty-three-year history, has the Citizen's Basic Income Trust published a fourth edition of the *Citizen's Income Newsletter*: in 2005, when we published a special commemorative edition for James Meade. This fourth edition is for an entirely different reason: we have more than enough material already for an edition, and nearly enough already for the first edition of 2018 – a symptom of an increasingly lively Citizen's Basic Income debate.

We do not regard this fourth edition as setting a precedent. Whether there are four editions in 2018 will depend on the amount of material requiring publication.

Work should pay

Following interviews broadcast on Radio 4, the BBC has published an article, 'Theresa May urged to halt Universal Credit rollout': [1]

> Families could be left homeless and destitute if Theresa May insists on pressing ahead with Universal Credit, a former top adviser has warned. Dame Louise Casey urged the prime minister to pause the rollout of the new benefit system so it can be fixed … [and] twelve Conservative MPs have written to work and pensions secretary David Gauke to call for the same thing.
>
> Dame Louise, who has advised four prime ministers on social policy over the past 18 years, including Mrs May, said it had to be paused to get 'the implementation completely right'. 'I completely agree that we all should be wedded to the principle, and therefore the overall policy, that work should pay,' she told the PM. But she added: 'If it means that we are looking at more and more people that are ending up homeless, or ending up having their kids taken away, or ending up in more dire circumstances, that cannot be the intention. It can't be and it won't be the intention of Theresa May or [First Secretary of State] Damian Green or any of those people. I just don't believe that they would want that to happen.' She suggested ministers were blindly 'pressing on' with the policy because they did not want to be accused of doing a U-turn. But she said: 'It's like jumping over a cliff - once you have jumped, people end up at the bottom and we don't want that to happen.' Figures published by the Department for Work and Pensions show that about one in four new Universal Credit claimants waited longer than six weeks to be paid. That could make a big difference to families who were 'close to the edge,' Dame Louise said. They 'will end up in

[1] http://www.bbc.co.uk/news/uk-politics-41433019

> dire circumstances, more dire than I think we have seen in this country for years'.
>
> Conservative MP Stephen McPartland said his concern with Universal Credit was that for 'every pound these people earn extra, the government's taking 63p back off them. To me that is an effective tax rate of 63%, which is ridiculous. So the lowest paid are effectively having to pay some of the highest taxes,' he told the *World at One*.

It is difficult to see how anyone could disagree with anything in this article, whatever their political opinions.

An effective tax rate of 63% has to be a significant disincentive to seeking additional employment income. What the article doesn't mention is that anyone paying Income Tax and National Insurance Contributions at the same time as their Universal Credit is being withdrawn is paying an effective tax rate of 75%. Admittedly this is lower than the effective tax rates of 85% and over that many households are paying if they are on Working Tax Credits and Child Tax Credits, but it is still more than one and a half times higher than the rate paid by the highest earners. It is of course true that no immediately feasible Citizen's Basic Income would enable such means-tested benefits as Working Tax Credits, Child Tax Credits and Universal Credit to be abolished completely. But a small Citizen's Basic Income of £61 per week for every working age adult could be implemented almost overnight, and would take large numbers of households off means-tested benefits, reducing their effective tax rate to the combination of the Income Tax and National Insurance Contribution rates. For all of those households, work would pay, as it should. Also, many other households would find themselves within £100 per month of coming off means-tested benefits, and so would find it much easier to come off means-tested benefits: and for every household that did, again work would pay.

As for the errors and delays that households claiming Universal Credit are experiencing: these should not be blamed on the staff working for the Department for Work and Pensions. They are intrinsic to the change to Universal Credit. The current means-tested benefits are paid two weeks in advance, and the UC is paid four weeks in arrears. The six-week gap with only two weeks-worth of income is inevitable. If a Citizen's Basic Income were to be implemented then nobody would ever have to wait for it to be paid. It would just keep on coming, whatever an individual's employment status, household status, earnings, assets … whatever. It would provide a totally secure platform on which to build, which Universal Credit certainly doesn't.

A Citizen's Basic Income could go a long way towards avoiding the destitution that Dame Louise Casey is warning about; and such a Citizen's Basic Income would be entirely feasible to implement. [2] It would make work pay; it would enable the Government to fulfil all of the aims of Universal Credit; and it would enable the Government to withdraw gracefully from the Universal Credit rollout. If the Government decided to turn Universal Credit into a genuine Citizen's Basic Income – unconditional, nonwithdrawable, and individual – and to continue to call it 'Universal Credit', then at last 'universal' would mean what it says.

If the Secretary of State takes Dame Louise's advice and agrees to a pause in Universal Credit's rollout, then a good use of that pause would be a careful examination of the desirability and feasibility of a Citizen's Basic Income.

Main articles

Would a Citizen's Basic Income pilot project in the UK be possible?

This article is based on a research project conducted by a French student, Lucas Delattre, during the summer of 2016, and updated in October 2017

Introduction

A Citizen's Basic Income is an unconditional, nonwithdrawable income paid to every individual as a right of citizenship.

In 2016, at a discussion on Nick Srnicek and Alex Williams' book *Inventing the Future: Postcapitalism and a world without work* (Verso, 2015) at the New Economics Foundation, Ed Miliband was asked what needed to happen to move us towards the implementation of a Citizen's Basic Income scheme. 'A pilot project' was the answer. Others have made the same suggestion.

Existing pilot projects

Many of the projects that have been claimed as Citizen's Basic Income pilots do not satisfy the criteria of being universal, unconditional and based on the individual. Those that do pay unconditional incomes to individuals cannot be absolutely universal, since they necessarily exclude those

[2] www.iser.essex.ac.uk/research/publications/working-papers/euromod/em12-17

outside the sample. This is also an ethical issue that cannot be avoided. And the short duration of most projects enables some short-term effects to be detected, but not long-run or life-time effects. (A project in Kenya is giving 23 US$ per month to 40 villages for 12 years, which is much longer than the two years for which most experiments run.)

Some projects call for volunteers, and so are unlikely to be representative. Mandatory involvement of a representative sample is to be preferred; and even better is a saturation sample, covering a defined geographical area, which can enable effects to be picked up at a local level. Projects that compare the experience of pilot groups that receive an unconditional income to the experience of control groups that do not are preferable to experiments that do not employ control groups.

In 2008 and 2009 a privately-financed pilot project was held in the small rural settlement of Otjivero-Omitara in Namibia. 100 Namibian dollars (£7) was paid each month to every member of the population for a period of two years, and significant results were achieved in relation to health, education, crime reduction, economic activity, and poverty reduction. There was no control group with which to compare these results.

Between 2011 and 2013, similar projects in India paid 300 rupees (£3) per month to every member of several pilot villages, and in India the impressive results obtained in the pilot project villages could be compared with those in the control villages.

The Alaskan Permanent Fund (APF) is a sovereign wealth fund based on Alaska's oil revenues, and invested in the international stock market. It gives an annual dividend payment to every Alaskan citizen, who has been resident for at least a year in Alaska. The APF has usually been able to provide a dividend of between $1,000 and $2,000 each year. Obviously, it is annual and variable, and is not sufficient to take on the role of social security: but it has had beneficial effects on the population of Alaska.

A micro-level pilot project in Germany provides Citizen's Basic Incomes to selected individuals for one year. In Finland, a random sample of 2,000 people aged 25-58, who were unemployed at the end of 2016, are receiving €560 per month Income for two years in place of existing benefits, and the sample subjects can keep their payments after they have found employment. However, while being based on the individual and unconditional, this does not fulfil the Citizen's Basic Income criteria of being universal. A similar approach is being considered by some Dutch municipalities. The current experiment in Ontario, Canada, is a Guaranteed Minimum Income project where a means-tested household-based benefit targeted on subjects aged 18-64 is being tested.

The Negative Income Tax experiments in the USA and Canada during the 1970s were based on the household, and so did not fulfil the criteria as a Citizen's Basic Income pilot projects.

None of this is to suggest that the projects that have been undertaken are not of value. They are. Valuable lessons have been learnt in Namibia, India, Alaska, and the various states in Canada and the USA where Negative Income Tax experiments have taken place; and additional useful lessons will be learnt in Berlin, in the Netherlands, and in Finland. But we still await a genuine Citizen's Basic Income pilot project. It is arguable that the Indian and Namibian experiments were as near to genuine pilot projects as possible because they were of sufficient duration to enable trends in behavioural change to be evaluated and trajectories predicted.

The UK

Might it be possible to run a Citizen's Basic Income pilot project in the UK? A genuine *Citizen's Basic Income* pilot project? Multiple problems present themselves:

- the project would have to be for a sufficiently long period for a sufficient number of assessments of behavioural change to be made to enable trajectories to be plotted and reliable estimates made of the likely behavioural changes that would accompany a permanent Citizen's Basic Income scheme;
- any Citizen's Basic Income viable in the short to medium term in the UK (and in any developed country) would have to be funded wholly or in part by changing income tax and social insurance contribution levels and thresholds. So a genuine pilot project would require government departments to make those adjustments just for the individuals involved in the project, and to recycle the savings into pilot project participants' Citizen's Basic Incomes – a somewhat unlikely proposition;
- the project would need to involve a cross-section of the population if it were to stand some chance of modelling a genuine Citizen's Basic Income; and
- because any revenue neutral or almost revenue neutral scheme would impose losses on some households (- preferably on households in the higher income deciles), some participants in the

pilot project would lose disposable income at the point of implementation.

A feasible Citizen's Basic Income experiment

What would be feasible would be to provide a genuine Citizen's Basic Income to a small community on top of existing benefits provisions and without altering National Insurance contributions or Income Tax payments. This would avoid government departments having to change current tax and benefits provisions: but it would require additional funding and it would not mirror the tax and benefits changes that would be required to fund a genuine Citizen's Basic Income. This is why I have called it an 'experiment' rather than a 'pilot project'. Important lessons could be learnt: but nobody would be able to regard the experiment's results as evidence for how a Citizen's Basic Income would work in practice.

A further feasible option would be to give a Citizen's Basic Income to all sixteen to eighteen year olds and not give them an Income Tax Personal Allowance. This approach would create minimal problems for the tax and benefits authorities and for employers, and it would result in almost no losses at the point of implementation. The important question would be whether to promise permanence – in which case it would be a genuine pilot project; or whether to limit the experiment to a stated number of years – in which case it would be an experiment. (Microsimulation research on such a pilot project/experiment can be found in a recent working paper. [3])

Citizen's Basic Income and Housing

A report from a Citizen's Basic Income Trust working group

Introduction

Decent homes are essential, and are as integral to welfare as education, healthcare, and income. [4] Equally essential are low marginal deduction rates: that is, it is important that additional earned income should mean additional net income, and that high proportions of additional earnings should not be withdrawn through the combined effect of Income Tax, National Insurance Contributions, and benefits taper rates – including the taper rates attached to Housing Benefit [5] and Council Tax Benefit (now called Council Tax Reduction). [6]

A Citizen's Basic Income is an unconditional, nonwithdrawable income paid to every individual as a right of citizenship. Unfortunately, at first sight, it looks as if a Citizen's Basic Income would do nothing for the housing crisis, [7] [8] and it also looks as if the varying costs of housing across the UK would make some kinds of Citizen's Basic Income scheme infeasible.

An ideal Citizen's Basic Income scheme would abolish all means-tested benefits. This would deliver the lowest possible marginal deduction rates (the total rate at which additional earned income is withdrawn as tax is charged and benefits are withdrawn), because then the only income that would be withdrawn would be income withdrawn through the Income Tax and National Insurance system. However, the level of Citizen's Basic Income is, by definition, the same for everybody of the same age, whereas housing costs vary substantially between different parts of the country. A Citizen's Basic Income set at a sufficient level to pay for housing and other living costs in Liverpool would get nowhere close to paying for them in London. It would be prohibitively expensive to set the level of the working age adult Citizen's Basic Income at a level sufficient to pay housing and other living expenses in London: so in the short term only a Citizen's Basic Income scheme that retains some kind of Housing Benefit would be feasible. [9]

[3] Malcolm Torry, *A variety of indicators evaluated for two implementation methods for a Citizen's Basic Income*, Institute for Social and Economic Research, Colchester, 2017, Euromod Working Paper EM 12/17, www.iser.essex.ac.uk/research/publications/working-papers/euromod/em12-17

[4] Stuart Lowe, *The Housing Debate* (Bristol: Policy Press, 2011); Jake Eliot, 'Review: Stuart Lowe, *The Housing Debate*', *Citizen's Income Newsletter*, issue 1 for 2012, pp 13-14: http://citizensincome.org/book-reviews/the-housing-debate-by-stuart-lowe/

[5] In this paper references to Housing Benefit should be taken to include the Housing Costs Element of Universal Credit.

[6] Jake Eliot, 'Where does housing fit in?' (Citizen's Income Trust, 2011): http://citizensincome.org/research-analysis/where-does-housing-fit-in/

[7] Jules Birch, 'Is universal basic income too simplistic to meet housing need?' *The Guardian*, 26th April 2016: https://www.theguardian.com/housing-network/2016/apr/26/universal-basic-income-housing-rent

[8] Mark Wadsworth suggests that the current housing situation could have been foreseen, and ought not therefore to be regarded as a 'crisis': http://www.if.org.uk/2014/07/01/housing-crisis-what-housing-crisis/. There is some justice in this view. For the purposes of this article we shall employ common parlance and call the situation a crisis.

[9] Kate Webb, 'What could a Citizen's Income do for the housing crisis' (Shelter, 2016):

This article will suggest that a partial solution to this problem might be to replace our current household-based and means-tested Housing Benefit based on actual housing costs with a 'Housing Income' modelled on Citizen's Basic Income. [10] A Housing Income would be non-means-tested and paid to individuals, and would be linked to the average cost of housing in the area in which the recipient lived. (Areas would need to be small enough to ensure that accommodation costs throughout each area would be fairly consistent: and the current method for calculating the Local Housing Allowance could be refined to provide the required Average Housing Cost.) It would therefore be an additional Citizen's Basic Income in all respects except that it would vary with average housing costs.

Housing Benefit and Housing Income

Because it is households that live in houses or flats, and housing costs are normally met by a single member of the household, the household is the claimant unit for the UK's existing Housing Benefit. Because housing costs can vary considerably within the same area, calculations of the UK's existing Housing Benefit take into account the actual cost of a household's housing (up to a ceiling). And because a large proportion of the population can afford their housing costs, even in expensive housing areas, the UK's existing Housing Benefit is means-tested. But are these three characteristics of the UK's Housing Benefit necessary ones?

1. Housing Benefit calculations are complex enough without separate calculations having to be made for each member of a household on the basis of the housing costs of the household as a whole, so for the foreseeable future Housing Benefit will retain the household as its claimant unit. But if we moved to a Housing Income that was not means-tested and was related to the average cost of housing in an area then payment to individuals would be far more of an administrative possibility.
2. It is difficult to see how a Housing Benefit that lost its connection with actual housing costs could be afforded, as it would need to provide sufficient money to enable a low-earning household in London to afford London prices. It would need to provide the same amount for people living in Stanley, County Durham, where the cost of a house can be one tenth of the London price. Low-earning families in Stanley would then be income rich in relation to families in London. However, if every individual were to be paid a Housing Income related to the area's average housing costs, then, if their Housing Income was not enough to pay their current housing costs, they would have a number of options. They could move to cheaper accommodation; or they could seek additional earned income, in the knowledge that neither their Citizen's Basic Income nor their Housing Income would be withdrawn, so they would have a predictable increased net income out of which to pay their housing costs. Or they could choose to live in a larger household and reap the benefits of the economies of scale that that would bring, in the knowledge that their Housing Income would not be reduced on account of their household structure having changed.
3. If Income Tax rates were to rise in order to pay for Housing Income, then those who did not need the Housing Income would be paying back its value in higher Income Tax, and those who did need it would be receiving it.

(It would be important to move to an individual claimant unit at the same time as moving to an 'average housing cost basis'. Basing a household-based Housing Benefit on 'average housing cost' would involve considerable complexity. Simply taking the average would provide too large a Housing Benefit for single people living alone, and too little for a large household: but to calculate an average housing cost for each different household type would be administratively complex, and would require investigation of household size. This problem would disappear with an individual-based Housing Income, because then a household's Housing Income would automatically adjust for household size.)

A number of advantages would follow from moving from household-based and means-tested Housing Benefit based on actual housing costs to a non-means-tested and individual-based Housing Income based on an area's average housing costs.

Because Housing Income would be pegged to an area's average housing costs, and would not rise or fall as a household's housing costs rose or fell, it would encourage households to move to cheaper accommodation if that was a possibility for them – which would require Local Authorities and Housing Associations to ensure that the required smaller

http://blog.shelter.org.uk/2016/04/what-could-a-citizens-income-do-for-the-housing-crisis/

[10] The Royal Society of Arts' similar 'Basic Rental Income' comes with a variety of other conditionalities: Anthony Painter and Chris Thoung, Creative citizen, creative state: the principled and pragmatic case for a Universal Basic Income *(London: Royal Society of Arts, 2015), pp 33-5*

accommodation was available. If this worked, then Housing Income would ensure that accommodation was more efficiently used and would constitute a partial solution to the housing crisis.

Household-based Housing Benefit pays less to two people living together than to two individuals living separately, so individuals never experience economies of scale when they move in together. An individual-based Housing Income would leave economies of scale with the individuals, and so would encourage people to form larger households. This would represent another partial solution to the housing crisis.

A third mechanism by which a Housing Income would constitute a partial solution to the housing crisis is that it would be a static rather than a dynamic housing subsidy. At the moment, if a landlord raises the rent paid by someone on Housing Benefit, then provided the rent remains below the level permitted in that area, and the household is not subject to a benefit cap, the household's Housing Benefit will be adjusted upwards. This 'dynamic subsidy' mechanism functions as an incentive to raise rent levels. [11] A Housing Income would function as a static subsidy: that is, it would not adjust upwards if an individual household's rent was adjusted upwards – although it would, of course, adjust upwards if the average rent level in an area were to increase. This means that any rent rise would need to be met out of a household's existing income, and landlords would need to take this into account, as would any future rent control legislation. Dynamic subsidies constitute greater upward pressure on prices than static subsidies, so to replace Housing Benefit's dynamic subsidy with Housing Income's static subsidy would dampen the tendency for rents to rise. (Landlords in areas of high demand are turning away Housing Benefit recipients. If everyone received a Housing Income then such categorisation would no longer be possible: which does not mean, of course, that rents would necessarily be affordable. Only an increase in supply will achieve affordable rents.)

A fourth way in which a Citizen's Basic Income would improve households' housing security would be the security of the income. At the moment, apart from Child Benefit and the state pension, every part of a household's net income is at risk – from job loss, benefits administrative mistakes, reassessments for benefits related to sickness and disability, and benefits sanctions. Citizen's Basic Income would increase the amount of everyone's net income that would never be at risk, thus providing a firmer financial foundation and a greater ability to avoid falling behind with rent or mortgage payments.

A further possible effect of implementing a Citizen's Basic Income scheme might be to reduce the pressure on London and other areas of high demand for accommodation. Any Citizen's Basic Income scheme would increase the security of people's net incomes, and would therefore encourage spending rather than saving, and any Citizen's Basic Income scheme that redistributed from people with higher incomes to people with lower incomes [12] would increase the spending power of those currently with low net incomes, which would boost local economies, especially in areas with high proportions of their populations with low net incomes. This might reduce the tendency of people living in poorer areas to relocate to London, and might therefore reduce demand for housing.

These five partial solutions to the housing crisis could create a substantial combined effect.

However, a Housing Income would be unable to cover the accommodation costs of people with specialist housing needs because of disability or other circumstances. Once everyone had a Citizen's Basic Income and a Housing Income, there would be an argument for making local authorities responsible for the costs of specialist housing, on the basis that they are already responsible for many of the other services and costs related to disability and other needs. Sufficient funding would need to be provided.

Another problem to be solved would be that posed by lone parent households, which would need just as much accommodation as two-parent households, but would receive less Housing Income in total. One response to this would be to increase the Housing Income paid for the first child in a household and to reduce the amounts paid to adults. This might appear to compromise the unconditionality of Housing Income, but in practice it would not. [13]

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[11] Jake Eliot, 'Where does housing fit in?' (Citizen's Income Trust, 2011): http://citizensincome.org/research-analysis/where-does-housing-fit-in/

[12] For instance, the scheme researched in Malcolm Torry, *A variety of indicators evaluated for two implementation methods for a Citizen's Basic Income*, Institute to Social and Economic Research Working Paper EM12/17, Institute for Social and Economic Research, University of Essex, Colchester, May 2017, www.iser.essex.ac.uk/research/publications/working-papers/euromod/em12-17

[13] Malcolm Torry, *A variety of indicators evaluated for two implementation methods for a Citizen's Basic Income*, Institute to Social and Economic Research Working Paper EM12/17, Institute for Social and Economic Research,

As we have seen, a move from a means-tested Housing Benefit based on actual housing costs with the household as the claimant unit to a non-means-tested Housing Income based on average housing costs and with the individual as the claimant unit would constitute three partial solutions to the housing crisis. The current benefits system contributes nothing to the solution of the crisis, so a Housing Income, modelled as far as possible on a Citizen's Basic Income, would be an improvement on that. It is of course no criticism of either Citizen's Basic Income or Housing Income that they would not solve the housing crisis entirely.

Taking London as an example: There is already a serious housing shortage. By 2024 London's population is projected to grow to nearly ten million: an increase of 13.7% on 2014. [14] The housing shortage in London will be acute. Massive expansion of residential developments within and beyond the Green Belt will be required, not of luxury flats for people who have homes elsewhere, but of reasonably priced accommodation for households of all sizes. In the context of today's legislation, expansion of buy to let will exacerbate housing insecurity. An increase in the minimum tenancy term would drive some landlords out of the private rental market, would provide more houses and flats for sale, and would lower the average price of a house or flat. This would be beneficial. It would also mean a shortage of rental accommodation, and only rapid expansion of local authority, housing association, and co-operative housing schemes would be able to fill the gap and ensure that there was sufficient housing for everyone who needed it. [15] This is a perfectly feasible strategy, as the high proportion of social housing in the Netherlands shows. [16] Diversity in the housing field is to be encouraged, so it would be useful to see Local Authorities able to play a larger role. This would require Local Authorities to be able to recycle sales receipts into building new homes, and to be able to borrow in order to build, with loans secured on the expected rent stream. As some new housing schemes are showing, new residential accommodation does not need to be expensive, [17] so meaningful change in housing supply levels is at least a possibility. Changes to tenure arrangements, reductions in the discounts on right to buy properties, rent controls, [18] changes to planning law, amended stamp duty regulations, a reformed inheritance tax, and housing taxation, and enabling such regional authorities as the Mayor of London to require higher levels of social housing in new developments, could be additional contributions to a solution to the problem. [19]

Council Tax Benefit

This paper has not so far tackled Council Tax Benefit (now called Council Tax Reduction), [20] because that is designed to help households to pay a local property tax rather than to enable it to pay for housing. Council Tax is a local property tax, paid by each household, with a 25% discount for single occupants, and calculated on the basis of the value of the household's accommodation. Council Tax Benefit helps low income households to pay their Council Tax. Like Housing Benefit, Council Tax Benefit is administered by Local Authorities: but whereas Housing Benefit regulations are set nationally, Council Tax Benefit regulations are now set locally. This means that Council Tax Benefit recipients' marginal deduction rates (total withdrawal rates as earnings rise) can depend on the borough in which

University of Essex, Colchester, May 2017, www.iser.essex.ac.uk/research/publications/working-papers/euromod/em12-17, p. 4.

[14] Office for National Statistics, 'Statistical bulletin:Subnational population projections for England: 2014-based projections', https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/bulletins/subnationalpopulationprojectionsforengland/2014basedprojections#projections-for-regions-london-region-is-projected-to-grow-the-fastest

[15] Duncan Bowie, *Radical Solutions to the Housing Supply Crisis* (Bristol: Policy Press, 2017), pp 121-7.

[16] Elizabeth Austerberry, 'Netherlands follows British lead on social housing', *The Guardian*, 21st June 2013: www.theguardian.com/housing-network/2013/jun/21/netherlands-britain-social-housing-provision. But things have not been plain sailing for Housing Associations in the Netherlands: Kate Allen, 'Dutch home rental market rocked to foundations', *Financial Times*, 30th November 2014: www.ft.com/content/0fbd5ad4-7724-11e4-a082-00144feabdc0

[17] YMCA London South West, 'Y:Cube', www.ymcalsw.org/ycube/; Hilary Osborne and Sophie Morris, 'Pop-up village in south-east London to house homeless families', *The Guardian*, 18th March 2016, www.theguardian.com/society/2016/mar/18/pop-up-village-in-south-east-london-to-house-homeless-families

[18] Mark Wadsworth, 'Housing crisis? What housing crisis? http://www.if.org.uk/2014/07/01/housing-crisis-what-housing-crisis/

[19] Duncan Bowie, *Radical Solutions to the Housing Supply Crisis* (Bristol: Policy Press, 2017), pp 128-65)

[20] www.2.southwark.gov.uk/downloads/download/3767/council_tax_reduction_scheme_201617; www.gov.uk/apply-council-tax-reduction

they live. While Council Tax Benefit is not the subject of this paper, a few comments might be made:

The property valuations on the basis of which Council Tax is paid are seriously out of date, and the top band of property values is very broad, which means that someone with a high income and a valuable home can be paying little more Council Tax than someone on a moderate income and with a far less valuable home. To add new valuation bands at the top of the range would result in wealthier households paying more Council Tax, in households in the lower bands paying less Council Tax, and in less Council Tax Benefit being paid out, thus reducing the number of households on Council Tax Benefit. It would therefore reduce marginal deduction rates, and by these means increase employment incentives. Council Tax Benefit reformed in this way would not conflict with Citizen's Basic Income's ability to reduce marginal deduction rates in the way in which Council Tax Benefit does now.

Three stages

The position that we have reached is this: a Citizen's Basic Income scheme would not solve London's, or any other, housing crisis; and the differences in accommodation costs between different places, largely generated by shortages in some places and surpluses in others, pose a problem which no Citizen's Basic Income scheme would be able to solve. A Housing Income, modelled as far as possible on a Citizen's Basic Income (- the only difference being the connection between the level of Housing Income and the average cost of accommodation in an area), would constitute three partial solutions to the linked crises of housing availability and costs, which between them might make a substantial difference. But no change to the benefits system will solve the housing crisis, particularly in places like London. Only attention to housing supply and tenure would offer the possibility of real solutions to accommodation availability and costs in London and in other places experiencing shortages and therefore escalating costs.

We can envisage three stages:

1. A Citizen's Basic Income scheme that pays a genuine Citizen's Basic Income and at the same time leaves in place a means-tested Housing Benefit based on actual housing costs and a household claimant unit;
2. A Housing Income, modelled on Citizen's Basic Income, but related to each area's average accommodation costs;
3. Alongside both stages 1 and 2: a rapid increase in housing supply in London and in other places experiencing housing shortages, facilitated by changes to Local Authorities' ability to build new homes, changes to right to buy, changes in the minimum length of tenancies, rent controls, and changes in taxation policy.

The Citizen's Basic Income Trust is grateful to Jake Eliot, Jay Ginn and Geoffrey Torry for forming the working group that gave birth to this article.

News

Half of all adults in the UK would support a Citizen's Basic Income, but support drops if it means benefits are cut or taxes rise

Nearly half of all adults aged 18-75 in the UK (49%) would support the UK Government introducing a universal basic income (UBI) at the level to cover basic needs in principle, while a quarter (26%) would oppose it, according to an Ipsos MORI survey carried out on behalf of the Institute for Policy Research at the University of Bath.

However, support drops if introducing a basic income were to mean increases in taxes or cuts in welfare benefits spending from their current levels:

- If it meant an increase in taxes, 30% would support the introduction of a UBI, while 40% would be opposed
- If it meant cuts in welfare benefits spending, 37% would support its introduction, while 30% would be opposed
- If it meant both an increase in taxes and cuts in welfare benefits spending 22% would support its introduction, while 47% would be opposed

Regardless of whether they support or oppose the introduction of a basic income, 34% would prefer to mainly fund it through increasing taxes on wealth, while 28% would prefer funding it through cutting existing welfare benefits.

When assessing arguments that have been made in favour of introducing a UBI, the most convincing justification for introducing one was that it would be a way of rewarding and encouraging people doing "very important unpaid work, such as caring or other voluntary work" – 79% found this very or fairly convincing.

The survey was carried out online by Ipsos MORI on behalf of the Institute for Policy Research at the University of Bath. Interviews were conducted among a representative quota sample of 1,111 adults aged 18-75 in the United Kingdom between 4th and 9th August 2017. The sample was weighted by age, gender, region, working status, social grade and highest education level to match the known offline population profile.

A Universal Basic Income was described to participants as: "a regular income paid in cash to every individual adult in the UK, regardless of their working status and income from other sources.

In other words, it would be:

- Universal (i.e. paid to all),
- Unconditional (i.e. paid without a requirement to work); and
- Paid to individuals (rather than to a household)

When asked whether they support or oppose the UK Government introducing a Universal Basic Income they were told to assume that the level "would be set roughly at the amount the UK government judged to be necessary to cover basic needs, e.g. food and clothing (but not housing costs)".

The report can be downloaded here: https://www.ipsos.com/ipsos-mori/en-uk/half-uk-adults-would-support-universal-basic-income-principle

The Journal of Social Policy has published research that shows that 'aspects of welfare that remove or reduce a mother's access to an independent income and require one partner in a couple to be financially dependent on the other had been strongly influential in partnering decisions and living arrangements … findings reinvigorate arguments in favour of reforming the social security system in ways which increase the financial independence of claimants who live together, or would like to … Interest in the idea of a Basic Income – a universal, unconditional payment made to all citizens – has recently been gaining momentum … Its advantage over simply individualising assessment and entitlement is the wholesale elimination of means testing and conditionality, thereby removing all incentive and disincentive effects to partnership formation and dissolution, as well as to paid work by either partner in a couple.' (Rita Griffiths, 'No Love on the Dole: The influence of the UK means-tested welfare system on partnering and family structure', *Journal of Social Policy*, vol. 46, no. 3, 2017, pp. 543-61)

Viewpoint

The Inevitability of Deficit

By Geoff Crocker

It's a fact that in modern economies, government financial deficit is the norm. The only exceptions to this are the oil states, and small specific economies running vast export surpluses. Moreover, deficit is universally increasing. World Bank data shows that the world economy in total ran consistently in deficit from 2% of GDP in 2003 to 3.4% in 2013. The European Union as a whole increased its deficit over this 10 year period from 1.7% to 3% of GDP, the UK from 0.9% to 5.5% of GDP, and the US from 3.7% to 4.2% of GDP. (http://data.worldbank.org/indicator/GC.BAL.CASH.GD.ZS)

This despite the fact that the UK's outgoing Chancellor of the Exchequer has relentlessly pursued austerity policy to eliminate the deficit. We are told that we cannot continue to 'live beyond our means' whilst burdening our grandchildren with an immense debt which they will never be able to repay. The same Chancellor has however had to constantly delay the date by which a budget surplus is promised. Recent noises have even suggested that the deficit might not matter so much, and that there comes a point when crucial government spending must be maintained.

Given that deficit persists despite such determined efforts of politicians to eliminate it, we ought to ask why this is the case. Politicians look like King Canute trying to rebuff the waves.

I offer a thought experiment. In a totally automated economy where a machine could be plugged into the earth to produce the total GDP of goods and services we need, the only way of distributing the output would be by government vouchers issued to people each year. This model has two important implications. First, the total GDP becomes a basic income distributed to citizens. Second the total GDP becomes a 'voucher' deficit. The argument is that to the extent that an economy is automated with high technology, high productivity output, then, to that same extent, basic citizen income is a necessity, and financial deficit an inevitability. This thesis fits the facts of stagnating aggregate real wage, insufficient macroeconomic demand, and apparent perpetual deficit.

Our mistake has been to think of the economy in accounting terms which demand balanced budgets, and to think of money as having value derived historically from gold reserves, or currently from the sale of government bonds. Money is in fact virtual and derives its value wholly and uniquely from output GDP. Proposals for a basic income are also ultimately funded by output GDP.

The tail chasing deficit elimination policy is therefore misguided. It has had important harmful consequence of austerity policy which has unnecessarily harmed the poor. It's time to reconsider. Deficit is inevitable and manageable. In reality, that is already the case.

Geoff Crocker is a professional economist and advocate of basic income. He is the author of *'A Managerial Philosophy of Technology'* at www.philosophyoftechnology.com

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Book reviews

Mårten Blix, *Digitalization, Immigration and the Welfare State*, Edward Elgar, 2017, viii + 186 pp, hbk, 1 78643 294 0, £70

While this book might look like a niche research project – it studies the impact of immigration and digitalisation on Sweden's society and economy – it has an importance well beyond that. The 'Swedish Model' - in which collective bargaining in the labour market still has a substantial role, well-funded public services remain the norm, and low inequality accompanies high economic growth – might be unusual: but the conclusions that the author draws about the impacts of immigration and digitalisation on the Swedish Model are far from irrelevant to other developed countries. Digitalisation causes job and wage polarization, creating more highly-skilled employment, more low-skill employment, and less skilled employment: and it is the low-skill employment that will offer employment opportunities to the relatively less well educated immigrants, whereas the current preponderance of skilled jobs in Sweden is excluding them from employment. (The UK, having already dispensed with much of its skilled employment, is further along the road towards the polarisation that Blix predicts for Sweden.)

The challenges that Blix foresees in his introductory chapter are these: rising inequality and job polarization; tax base erosion; the costs associated with aging populations; immigrants less able to access welfare state institutions (- more of a problem in Sweden than in the UK, in which social insurance is now largely irrelevant); the rigidity and exclusionary nature of collective bargaining (- again, not such a problem in the UK, where collective bargaining is in its death-throes). The table on page 13 that shows features of the welfare state, threats to those features, and the economic and social forces driving those threats, is particularly helpful.

The following three chapters study the history of the Swedish model, and the changes that digitalisation are causing in Sweden's economy and employment market. The conclusions drawn are generally applicable to other countries, but the detail would need adaptation: whereas the conclusions drawn in chapter 5, on the weakening of a tax base located largely in paid employment, are applicable both in general and in detail. The platform-based labour market, represented by companies such as Uber and AirBnB, allocates resources more efficiently than traditional labour markets, which means that income tax revenues fall: although an opposite effect is now emerging in that some services that were previously unprofitable are now economically viable and so contributing to the tax base. Chapter 6 identifies a lack of digital skills among a large proportion of the population as an important driver of inequality, and this, along with increasing longevity, suggest that life-long learning as the only viable response.

The final chapter lists the challenges facing the welfare state in Sweden: a labour market that immigrants find it difficult to access; labour market polarization; the exclusionary nature of collective bargaining; the rising cost of the welfare state; an eroding tax base; increases in income inequality; and an increasingly platform-based employment market. Some of these challenges, and especially the last one, might turn out to be opportunities; and some have obvious solutions: lifelong learning would help to unpolarise the employment market.

The author also discusses a Universal Basic Income, recognising that it would be simple to administer, could eradicate poverty, would enable workers to invest in themselves, and would enhance individual freedom. He objects to the proposal on the basis that it would reduce incentives for work and would be too costly. This is because he assumes that a UBI would provide enough to live on, which is not a necessary element of the definition; because he has not studied the costings research undertaken in the UK, which shows that it would be possible to establish a UBI without requiring additional public funds; and because he has not recognised that lower marginal deduction rates would incentivise employment relative to a mainly means-tested system. Blix suggests that a UBI is 'not just a costly reform; it is off the charts and implies an entirely different political economy than the current system' (p. 161). That is one way of looking at it. The other is to regard it as an adaptation of the current system appropriate to economic, social, and labour market change.

Blix concludes with some proposed changes to the Swedish Model, most of which would be appropriate to other countries.

While the treatment of a Citizen's Income is inadequate, this is a most useful book, and particularly useful is its focus on Sweden. This makes the reader do some work: 'If the UK is different from Sweden in relation to this aspect of the argument, how is it different, and therefore how should we adapt his analysis and his prescriptions?' What we now require is for Blix or someone else to write a similar book based on the UK, with a rather more thorough exploration of the potential of a Citizen's Income.

Jean-Hervé Lorenzi and Mickaël Berrebi, *A Violent World: Modern threats to economic stability*, Palgrave Macmillan, 2016, vi + 182 pp, 1 137 58992 7, hbk, £19.99

The authors' simple message is that we are at the beginning of an economic crisis the like of which we have never seen before; and that a bundle of constraints, and of attempts to deal with them, might result in some serious conflict. The existing constraints are accelerated financialization, increasing inequality, and a transfer of economic activity from developed to emerging nations. The new ones are an ageing population, the unpredictability of future technological revolutions, and a contraction in savings, which will constrain investment.

To each of the six constraints the authors devote a chapter. The first is on the major breakdown in technical progress (- innovation is only happening around the edges of existing technological configurations), and an accompanying scarcity of raw materials. Developed nations becoming poorer could result in conflict between them. The second chapter recounts 'the curse of ageing' and growing intergenerational conflict. Chapter three suggests that the explosion of inequalities, increasing indebtedness, and the resulting recessions, will result in tensions that trigger ethnic and religious conflicts. Chapter 4 shows how deindustrialisation of developed nations, and a complex pattern of globalising trade and nation state autonomy, are already resulting in currency wars. Chapter 5 shows how the disconnection between the finance industry and the real economy has resulted in a collapse of investment in long term and more risky innovation; and chapter 6 shows how a lack of savings, and the hoarding of what there is, is restricting the options open to younger generations: so intergenerational conflict might again be the result.

The authors' final chapter outlines a series of measures that might help to ameliorate existing conflicts and avoid those that might emerge. No solution is offered in relation to the problem of technological stagnation, because the authors believe that innovation evolves and cannot be planned. However, solutions are offered in relation to the other five challenges: refocusing the world on young people (for instance, by encouraging gradual retirement); socializing production of rare resources (and particularly of water); converting short-term debt into perpetual debt in order to release resources for investment; a less flexible exchange rate system; and governments shouldering long-term investment risks while private investors continue to cope with short- and medium-term risks.

This book joins a growing list of similar explorations of the challenges that our global economy faces. Paul Mason's *Postcapitalism*, *Inventing the Future* by Srnicek and Williams, and *No Ordinary Disruption* by Richard Dobbs and James Manyika, are influential examples. *A Violent World* adds to our understanding, but its scope is limited, and the challenges and solutions discussed are therefore limited. The authors suggest that the disconnection between the financial industry and the real economy is one of the conflict-inducing challenges that we need to do something about, but then most of the challenges that they list, and most of the solutions that they offer, relate to that industry. Where the proposed solutions lie outside the financial industry – for instance, gradual retirement – no mechanism is suggested to achieve the solution. *Postcapitalism* and *Inventing the Future* know that a broader approach needs to be taken, which leads them to recognise that action in such fields as welfare provision will be needed. It is no accident that both of those books recommend a Citizen's Income as one of the mechanisms required.

Not only does *A Violent World* ignore tax and benefits systems (although it does recognise pensions as an issue), but perhaps rather more seriously it completely ignores what is perhaps the most serious long-term challenge facing our economy: climate change. This is strange, because some of the solutions, such as investment in renewable energy, would respond to some of the challenges that they do mention.

While *A Violent World* is limited in scope, it is still an informative read, and it adds to our knowledge of the challenges that we face and the directions in which we might need to look in order to ameliorate them.

Malcolm Torry, *Citizen's Basic Income: A Christian Social Policy*, Darton, Longman and Todd, 0 232 53260-9, xvi + 178 pp, pbk, £9.99

The publisher's description of this book describes a Citizen's Basic Income as, 'an act of grace', and the whole book is a justification of this fundamental idea. The author's approach, based on his experiences as an Anglican priest, director of the Citizen's Income Trust, a Visiting Senior Fellow at the London School of Economics, and an accepted authority on the reform of the benefits system, is to harmonise the concept of Citizen's Basic Income with the events, teachings and happenings within the life of Jesus Christ and the Christian apostles.

Right from the very beginning of the book, the reader can get an idea of the range and scope of his thinking, as well as the scholarship of his research and knowledge. Following a clear definition of the nature of a Citizen's Basic Income (including what a basic income is not and can never be), each of the main twenty chapters of the book, as listed in the contents pages, elaborates on one aspect of the teaching of Christ. The whole is a celebration of the biblical idea that a Citizen's Basic Income should be seen as a celebration of the Biblical teaching that 'The earth is the Lord's and the fullness thereof", and Jesus' teaching that 'It is the Father's (God's) good pleasure to give you the Kingdom'. The twenty chapters encourage the reader to view a basic income as 'an act of grace'; to celebrate our equality as children of God; to explore the real meaning of the labourer being worthy of his (and her) hire; and to focus on forgiveness and non-judgemental recognition of our mutual dependency and equality as children of the One Father as Jesus taught.

Of course, there is a problem. If these theological reasonings are justified, and we recognise that a Citizen's Basic Income would help to bring the Kingdom of Heaven on earth, the critic may well ask why the Christian Church did not implement such a scheme centuries ago, rather than focussing on accumulating great wealth, and spending vast sums of money on the building of churches, cathedrals and temples, all for 'the glory of God'. Of course, Christians are by no means alone in this; all of our earthly religions have done more than their fair share to keep alive the idea that there is a 'God' who demands to be worshipped in this extravagant manner, even when his messengers (Jesus, Buddha, Gandhi etc) have told us that He takes no joy in the misuse of power, and recognises true worship as being found in the relief of poverty and the ending of war and suffering. 'Thy Kingdom come on earth, as it IS in heaven'.

Putting such negative criticism on one side, this book challenges the Christian Church to look again at the whole question of poverty and inequality (deliberately seen as *one* problem) and the shocking way in which these have increased in recent years. When the Church produced, some years ago, a report entitled *Faith in the City*, it was thought that it would provide a springboard for a change in attitude and activity. But although, in the year or so following, it seemed that this might be the case, the spiritual imperative that had inspired David Sheppard and others got lost in a welter of committees and words. Consideration of the plight of poor people was forced to give way to discussion of the theology of women as priests and bishops, and of same-sex relationships.

As I write this, I look at the poster on the wall of my little office, which shows a group of irate people gathered round a table, with the caption, 'God so loved the world that He didn't send a committee'.

A few days ago, as I was finishing this review, I was horrified to hear the broadcast of 'Any Questions' and 'Any Answers' in which the experience of people involved in the trialling of the government's 'Universal Credit' was described. What was horrifying was the number of people on both programmes who seemed to deny that there was a problem, this in the face of all the evidence presented by claimants who had, for some reason beyond their control, fallen through the safety net, and were either starving or being made homeless. Particularly shocking was the revelation that the *Help Phone Line* was a premium rate number costing 50p a minute!

Jesus was absolutely clear. In response to the question, 'When did we see you hungry or thirsty or naked; a stranger (lonely), sick or imprisoned?' He clearly instructs us in words as relevant as they were two thousand years ago: 'As often as you do something for even the least member of my family, you do it unto me!' If the question is asked today, it will include homeless people, addicts, users of food banks, disabled people and all those whose benefits are cut for whatever reason. It even includes those who seek to defraud the system. This – and much more – is what the followers of Jesus are called upon to do, and this book not only emphasises this requirement, but gives the reasons in the Christian theological language that the Church cannot ignore.

If I have two small criticisms they would be firstly that the quotes in Jesus' own voice are slightly outweighed by the number of quotes from Old Testament and other sources. Secondly (and the author gives his reasons for this) the arguments are limited to mainstream Christianity and do not include 'fringe' churches and interfaith considerations (except, peripherally, Judaism). I hope that this book will inspire someone who knows to produce complementary writings which include Muslim ideas about finance, and (though perhaps not together) Buddhist Economics.

However, none of this devalues the worth of this book for anyone who, a) calls themselves a Christian – of whatever persuasion, and b) needs to have clearly stated the value of a Citizen's Basic Income for a compassionate and more equal society, and the ways in which this can be achieved.

Jim Pym

Kati Kuitto, *Post-communist Welfare States in European Context: Patterns of Welfare Policies in Central and Eastern Europe*, Edward Elgar, 2016, vii + 210 pp, hbk, 1 78471 197 9, £65

The task that the author sets herself is to provide

> a better understanding of the characteristics of the welfare systems in the Central and Eastern European new member states of the EU. This, in turn, will contribute to a more integrated, theory-based, analytical comparative view on the welfare systems in the enlarged Europe as a whole. (p. 1)

In her introductory chapter, Kuitto surveys existing studies in order to discover the research gaps that need to be filled, and offers her own three dimensional theoretical framework:

1. organizational principle of welfare provision;
2. welfare spending emphasis for different policy objectives; and
3. decommodifying potential (p. 10).

The second chapter charts the trajectories of welfare policies in the post-communist countries, starting with the structure of welfare provision in the communist era. Kuitto finds that transition economies required urgent provision of unemployment benefits, and that a contributory route was taken, along with locally-administered means-tested systems. Pensions systems were largely privatised. She describes the result as 'multi-layered and diversified welfare reforms' (p. 37).

In chapter 3 Kuitto constructs theoretical boundaries for welfare states, and offers a most useful survey of welfare state typologies (and finds that Esping-Andersen's regime typology remains surprisingly useful). She then adds detail to her own three-dimensional theoretical framework. Chapter 4 describes the research method, designed to discover evidence for convergence and divergence between the welfare regimes in Central and Eastern European countries.

Chapter 5 contains the empirical analysis, in which Kuitto finds expenditure-pattern evidence for clusters of countries. Most of the Central and Eastern European countries find themselves together in a category characterised by 'the lowest average overall generosity in the sample, but at the same time by a high degree of universalism and moderately generous sickness insurance' (p. 155). Slovenia and Hungary find themselves in a different cluster, with Germany, the Netherlands, Spain, Switzerland, Portugal, and Austria. This cluster is characterised by low universality but also by high generosity. The UK finds itself in a cluster of 'laggards' (p. 157), with France and Italy.

The final chapter summarises the findings, and particularly the finding that 'universalism' is generally high in post-communist countries; that expenditure is lower than in Western Europe; and that the dominant organizational principle remains a Bismarckian contributory one.

Anyone coming to this book with the idea that 'universal' means 'paid at the same rate to every individual' will need to take care. 'Universalism' in this book relates to 'the coverage rate' (p. 176), which conforms to Esping-Andersen's use of the term. Such terminological diversity is not necessarily a problem. We simply need to take care that we are aware of the different meanings of the term 'universalism', and work out from the context precisely which one is being employed.

A further comment: The author assumes, along with much of the social policy profession, that 'universalism' and 'generosity' can be quantified by amalgamating other quantifications: but this author's quantifications are as good as any, and they cohere well with the clustering that we might expect to see on the basis of qualitative research – so if anyone wishes to study the 'quantification of social policy indicators' issue, this book could be a good place to start.

This is a most useful book. It is based on rigorous method, it contains a vast amount of data, and it draws useful conclusions. A review of this length cannot possibly summarise the considerable amount of valuable detail that the book contains. You will need to read the book for that.

Gary P. Freeman and Nikola Mirilovic (eds), *Handbook on Migration and Social Policy*, Edward Elgar, 2016, 1 78347 628 2, hbk, x + 481 pp, £170

This substantial volume really does 'take a broad view of the manner in which migration may interact with social policy' (p.1). A review of this length cannot possibly do justice to all twenty-four chapters, so I shall concentrate on those that might be of particular interest to readers of this *Newsletter*.

In the first section, on analytical perspectives, Helbling asks that we study immigration, integration, and citizenship policies together, rather than separately. Such an approach could provide us with some useful new answers to the question 'Who should receive a Citizen's Income?' And Janoski discusses the negative correlation between naturalization rates and social welfare expenditures – an example of the 'Freeman conundrum': the contradiction between open borders and comprehensive (national) welfare states. In the second section, on political economy, Ortega and Tanaka discover a similar trend in the field of education: immigration can cause native flight towards private education, which can undermine political support for public education, and result in lower funding and quality. Welfare states in general appear to be similarly afflicted. The third section, on trade-offs between immigration and social policy, contains an interesting study of how government policy can send anti-immigration signals that enable public opinion to accept immigration that might be beneficial to a country's economy. The chapter is evidence that the causal link between public opinion and government action is far from unidirectional. In the fifth section, on diversity, cohesion, and support for the welfare state, Facchini, Mayda and Murard find evidence for their hypothesis that skilled migration makes low-skilled native workers more in favour of redistribution. In the sixth section, migrant integration and social policy, Peters and Vink argue their way towards the question: 'To whom, and under which conditions, is citizenship important?' In the final section, on immigrant rights versus immigration politics, Money, Lockhart and Weston argue that efforts to protect migrants should be aimed at national and local government, and that international fora are irrelevant. All of these chapters' conclusions have clear implications for the Citizen's Income debate. Public opinion is complicated; citizenship is complicated; creating change is complicated.

In the fourth section of the book, on opposition to immigration, security, and the limits to free movement in the European Union, Geddes' and Hadj-Abdou's chapter on the relationship between EU member states' welfare states and freedom of movement within the EU, find that the combination of free movement of labour and welfare states functioning at the level of the nation state inevitably cause opposition to free movement, to immigration, and to the European Union. Given the unlikelihood that twenty-seven nations will agree to compromise on free movement within the Union,

> what seems more likely to happen is the toughening of controls on welfare-state access for EU migrants coupled with a much tougher transitional framework for countries joining the EU in the future … it is unlikely that this will be enough to stem the growth in support for Eurosceptic movements that do not resolve the free-movement/welfare dilemma but tap into a fertile seam of support from many of their citizens who feel disillusioned and let down by mainstream political parties and their leaders. (p. 236)

Europe's politicians and civil servants should have this book on their bookshelves, and should tick off the predictions as they happen. But what the book does not do is offer prescription. That was not the authors' brief. So, in relation to migration and the welfare state, I shall fill the gap. If the EU is to tackle the 'very unstable equilibrium' of EU-level free movement and member-level welfare states, either free movement will have to cease (unlikely), or the welfare state will have to function at the EU-level instead of, or as well as, the nation state level. No member state's electorate will respond well to being asked to dismantle its welfare state, so a new EU welfare state will need to be constructed alongside the many different national welfare states. The obvious candidate is a European Citizen's Income.

The fact that I have not mentioned a chapter does not in any way suggest that it is not worth reading. It is. If you don't read it, then others will. The whole point of a 'handbook' is that readers go to it with questions to which they require answers: and the conscious way in which each of the chapters' authors relates data to the normative and ethical questions raised by migration ensures that when readers seek out chapters that tackle the questions that they are asking, they will find useful theoretical frameworks, evidence-based discussion, and relevant conclusions. A follow-up volume that shifts the focus away from analysis and diagnosis and towards prognosis and prescription would be an additional valuable contribution to debates about migration, social policy, and Citizen's Income.

Jennifer Mays, Greg Marston and John Tomlinson (eds), *Basic Income in Australia and New Zealand: Perspectives from the neoliberal frontier*, Palgrave Macmillan, 2016, xv + 268 pp, 1 349 71028 7, pbk, £86

The editors' introductory chapter categorises Australia and New Zealand as representatives of 'liberal' (punitive and means-tested) welfare states alongside the UK, the US, and Canada, and as 'neoliberal', meaning the privatization of public services, trade liberalization, blaming the unemployed for their unemployment, increasing conditionality in welfare provision, and increasing inequality, poverty, stigma, and economic insecurity. The editors argue for Basic Income as a necessary response to this situation, and on the basis of both the negative and positive freedoms that it would deliver.

In chapter 2, Keith Rankin recounts New Zealand's history of universal provision (in pensions, healthcare, and education), understands the counter-intuitive nature of Basic Income, suggests that the concept of 'public equity' could enable the current tax and benefits system to be rearranged to include a Basic Income, and proposes an employer-administered tax credit, which would unfortunately be a lot more complicated to administer than a genuine Basic Income. In chapter 3, John Tomlinson recounts the history of Australia's complex benefits system, including its universal elements; provides tables that compare Basic Income with that system; again argues for Basic Income on the basis of both negative and positive freedoms; and is somewhat pessimistic about Basic Income's political feasibility in Australia compared with Rankin's more optimistic assessment in relation to New Zealand.

In chapter 4 Rob Watts argues for Basic Income on the basis of its many advantages over Australia's current social security system, and on the basis of the security that it would provide as people experience increasing employment market turbulence; and in chapter 5 Susan St. John discusses New Zealand's unconditional pension, and the minor changes that would be required to turn it into a Basic Income for elderly people. In chapter 6 Richard Denniss and Tom Swann advocate a credit facility that they call a 'basic loan' and suggest that this has something to do with Basic Income, which it does not; and in chapter 7 Charles Sampford studies the high Marginal Effective Tax Rates suffered by people on means-tested benefits and proposes removing the taper rates: but unfortunately, the conditionalities that he then attaches to his proposed income means that he ought not to be calling it a Basic Income. He calls his chapter 'Paying for a Basic Income', but unfortunately no figures are given.

In chapter 8 Greg Marston advocates Basic Income as a means of developing countries providing the economic security that their populations will need as they implement the slow growth economies that tackling climate change demands. In chapter 9 Jon Altman advocates a Basic Income for indigenous Australians, and suggests that a variant of an employment project for a community of indigenous Australians was a Basic Income, which it was not. And in chapter 10 Jennifer Mays discusses the history of Australian income provision for people with disabilities, including the otherwise unconditional Blind Pension, and advocates a Basic Income as a means of including people with disabilities in mainstream society.

Two criticisms are in order. As often happens in a volume of this nature, there is a certain amount of repetition (for instance, the objection to Basic Income on the assumption that people will no longer seek employment receives similar responses in several of the chapters). More seriously, three of the chapters are about payments that are not Basic Incomes, and in two of them the term 'Basic Income' is used to describe them. It is a significant flaw in an edited collection if different authors are using the same term to refer to different things.

But having said that, this book usefully restricts the debate on Citizen's Basic Income to the situations of two particular countries (although mainly Australia), which enables us to understand the particular political and other challenges that the idea faces in a particular context. The one thing missing in this respect is costed illustrative Basic Income schemes for the two countries, and if ever there is a second edition then the editors might wish to include these, along with microsimulation evaluations.

Simon Poulter, Sophie Mellor, etc., *Life Chances: A work of sociological fiction*, Life Chances, 2016, ix + 214 pp, pbk, 1 5272 0374 7, £10

Is this a novel? Yes, sort of. It has a cast: a journalist and her commissioning editor, a social worker and her clients, a social work student, a cleaner, staff and board members of G4S (sorry, 'G4N'), Iain Duncan-Smith (sorry, 'Ivan Dunhouse-Jones'), civil servants, computer coders/hackers, community workers, members of a new Community Interest Company, Universal Credit and its computer 'Deep Hole', … Plot-lines occasionally emerge (particularly the relationship between some computer geeks and the problematic Universal Credit roll-out: I won't reveal what happens in case you decide to read it). But there are lots of ways in which this is not a novel. It's written by a committee (sorry, it's the 'product of arts based practice coming together with social science research in co-produced ways'), which means that we do not hear a consistent authorial voice: one of the prerequisites of a novel. Some of the dialogue is believable, but some of it isn't: much of it is neatly formulated social science statements. One or two of the situations described read like spoofs (- the prize for the least believable goes to a description of an event during Ramadan in which a teacher of English as a second language is explaining to his class how to order food and alcohol in a pub). And much of the 'journalism' isn't believable as journalism, although some of it would fit nicely into social science students' essays. But having said all that, much of the book is an absorbing read, and some of the characters are believable even if what they say is not.

Citizen's Income (unfortunately called 'Basic Income Guarantee') has a cameo part, but unfortunately in the context of confident assertions about a future jobless economy. It would have been better to regard Citizen's Income as a useful response to the issues facing today's economy, society, and benefits system.

The most interesting and hopeful sections of the novel recount the establishment of a Community Interest Company by a group of women who make jewellery, and some joined-up assistance for asylum seekers and refugees.

I suspect that all of those involved – academics, commissioned artists, and participants in the kind of 'life chances' projects described – had a really creative time writing the novel. The purpose was the process. So the book should probably be read as an invitation to other groups to do something similar, both in terms of localised 'life chances' projects and in terms of collaborative literary ventures.

A similar project with a Citizen's Income centre stage could be particularly interesting.

Michael Schneider, Mike Pottenger and John E. King, *The Distribution of Wealth: Growing inequality?* 2nd edition, Edward Elgar, 2016, xiii + 214 pp, 1 78347 643 5, hbk, £75

The first edition of this book, published in 2004, [21] was entitled simply *The Distribution of Wealth*. That book recognised that little attention had been paid to the field, and that there was little relevant data available, but that the subject was important 'because the wellbeing of individuals/households is affected by their wealth independently of their income' (1st edition, p. 5). The first edition discussed how to measure inequality in the distribution of wealth; contained case studies from a variety of different countries (and found that 'inequality fell fairly continuously during the first three quarters of the twentieth century, but thereafter either remained relatively constant or increased' (1st edition, p. 53)). It discussed a number of determinants of the distribution of wealth (and found that inequality in the distribution of incomes accounts for only half of the inequality in the distribution of wealth). It also asked how unequal the distribution of wealth should be on the basis of a variety of views of what society should be like; and discussed ways of changing the distribution of wealth. The author of that first edition, Michael Schneider, explored a variety of methods for reducing wealth inequality – taxation of wealth-holders, taxation of wealth transfers, an increase in communal ownership, and the issuing of shares in mutual funds - and recommended a progressive inheritance tax (p. 100), but cautioned that care would need to be taken over its implementation in order to avoid capital flight.

Second editions can fulfil two purposes. They can update the existing material, and they can pursue additional agendas. This second edition does both. First of all, it updates and extends the existing material (for instance, by updating statistics, and by adding additional case studies); and it shifts the agenda by paying a lot more attention to trends in the distribution of wealth. So, for instance, whereas the first edition contained a chapter on determinants of the distribution of wealth, the second edition contains two chapters, one on the same subject, and another entitled 'Determinants of changes in the distribution of wealth' – a chapter focused on Thomas Piketty's thesis that because income from capital is rising faster than income from labour, wealth inequality will continue to increase and capitalism will become unstable.

In the second edition, the chapter 'How to change the distribution of wealth' has experienced very little revision. This is a missed opportunity. The new chapter on 'determinants of changes in the distribution of wealth' reveals a clear link between growth in wealth inequality and the reducing share of the proceeds of production going to labour. This suggests that the chapter on what to do about increasing wealth inequality ought to have contained a section on how to remedy the income imbalance.

[21] We reviewed the first edition in the third issue of the *Citizen's Income Newsletter* for 2006, http://citizensincome.org/wp-content/uploads/2016/02/CIT_Newsletter_2006_Issue_3.pdf,

An inheritance tax is all very well, and additional communal ownership might be helpful, but a chief driver of accelerating wealth inequality remains to be tackled. To tax wealth transfers, including financial transactions, and distribute the proceeds to a country's population (an adaptation of the distribution of nationally owned wealth that the authors discuss) would be to tackle increasing wealth inequality in two ways at once: it would directly reduce wealth inequality, and it would ameliorate one of the drivers of wealth inequality. Perhaps in a third edition the authors might be able to add a new section to the seventh chapter along these lines.

Sometimes second editions are published and you wonder why they have been because very little has been changed. This is not the case here. This second edition of *The Distribution of Wealth* thoroughly updates much of the material, reorganises material where it needed reorganising (particularly in relation to the case studies), and considerably extends the agenda to what really matters: the constant increase in wealth inequality.

The new indexes are a lot better, too.

Andrew Harrop and Cameron Tait, *Universal Basic Income and the Future of Work*, Fabian Society, 2017, free to download from www.tuc.org.uk/sites/default/files/UBI.pdf

This report was commissioned by the TUC, and it addresses issues likely to be of interest to trades unions and their members. After outlining familiar arguments for and against Citizen's Basic Income, the report gets into its stride by outlining the increasing job insecurity, stagnant pay, skills and jobs dislocations, rising inequality, and insufficient employment, from which the employment market is suffering; and it then asks about the advantages and disadvantages of Citizen's Basic Income in relation to these risks.

The report suggests that Citizen's Basic Income could 'increase the numbers in precarious work, at the same time as making their lives a little less precarious'; a Citizen's Basic Income funded by taxes on profits or wealth could fill the gap created by the labour share of GDP declining over the longer term, but a scheme funded by Income Tax could reduce net incomes for median earners (– understandably a concern for trades unions, many of whose members will be earning incomes around the median); a Citizen's Basic Income could increase employment incentives and enable people to retrain, but it could also result in long-term joblessness; a well-funded Citizen's Basic Income could reduce inequality, but some modelled schemes would increase poverty and inequality; and a Citizen's Basic Income would not respond to the problem of hours of work becoming more unevenly distributed.

The report suggests that Universal Credit responds better than Citizen's Basic Income to inequality, pay stagnation, and insufficient work; and that relaxing eligibility conditions for contributory benefits could be a solution to insecure employment. The report also suggests increasing Child Benefit, establishing a means-tested 'learning allowance', and implementing 'tax-free allowances' that would turn into something a bit like a Citizen's Basic Income but with an administrative method that looks rather complicated.

Alternative perspectives are of course possible.

The financial security that a Citizen's Basic Income would provide would give to workers a greater ability to say no to undesirable employment, to take on short term contracts if that's what might suit them, and to start their own businesses if they wished to do so. (It is no surprise that a report commissioned by the TUC is rather more interested in employment than it is in self-employment). It is perfectly feasible to construct a Citizen's Basic Income scheme that increases the net incomes of median earners. [22] So-called 'activation' policies in fact achieve the opposite of activation, [23] whereas a Citizen's Basic Income would enhance the employment incentives for lots of households even if means-tested benefits remained in place. It is perfectly feasible to construct revenue neutral Citizen's Basic Income schemes that reduce both poverty and inequality. [24] And a Citizen's Basic Income would provide workers with more choice in relation to household employment configuration, meaning that the employment market could become more like a classical market, enabling demand and

[22] Malcolm Torry (2017) *A variety of indicators evaluated for two implementation methods for a Citizen's Basic Income*, Euromod working paper 12/17, Colchester: Institute for Social and Economic Research, www.euromod.ac.uk/publications/variety-indicators-evaluated-two-implementation-methods-citizen%E2%80%99s-basic-income

[23] Welfare Reform Team, Oxford City Council (2016) *Evaluation of European Social Fund Pilot Project 2014–2015*, Oxford: Oxford City Council, www.oxford.gov.uk/downloads/file/2119/welfare_reform_european_social_fund_project_evaluation_report

[24] Malcolm Torry (2017) *A variety of indicators evaluated for two implementation methods for a Citizen's Basic Income*

supply of employment hours to match more closely than they do now.

The report recognises neither the considerable administrative and other problems that will continue to afflict Universal Credit, nor the radical simplicity of a Citizen's Basic Income. And its suggestion of additional universal provision will of course lead the reader to ask whether the report's arguments against Citizen's Basic Income might at least in part be motivated by trades unions' recognition that to provide every worker with a secure financial foundation might dilute their need for trades unions to negotiate over their employment wages.

In their conclusions, the authors suggest that a 'pure' or 'fully fledged' Citizen's Basic Income is not a 'silver bullet for our future labour market'. That is perfectly true. They also recommend

> multi-layered reforms to our tax and social security system with tiers of financial support working in combination: universal as well as means-tested; unconditional as well as conditional; non-contributory as well as contributory. Along the way, these reforms should embrace elements of the UBI idea – and modest, partial basic incomes may have their place in the eventual toolkit.

Quite so.

An important conclusion is that proponents and opponents of Citizen's Basic Income are not necessarily that far apart when it comes to practical policy steps. The alternative arguments contained in this review are offered in that spirit.

This is a useful report, and trades unionists would benefit from reading both the report and this review of it.

Luke Martinelli, *Assessing the Case for a Universal Basic Income in the UK*, Institute for Policy Research, 2017, pp 94, ISSN 2515 2548,

free to download from www.bath.ac.uk/publications/assessing-the-case-for-a-universal-basic-income-in-the-uk/

This is a third report on the Citizen's Basic Income research project at the Institute for Policy Research. (Martinelli employs 'Universal Basic Income' (UBI) terminology, which we shall do in this review.)

The first, *The Fiscal and Distributional Implications of Alternative Universal Basic Income Schemes in the UK*, studied a wide variety of illustrative UBI schemes, with different levels of Basic Income and accompanied by different rearrangements of the existing tax and benefits systems.

The second, *Exploring the Distributional and Work Incentive Effects of Plausible Illustrative Basic Income Schemes*, studied three types of UBI scheme, filled a gap left by the previous paper by evaluating the numbers of households experiencing gains and losses of various levels, and suggested that although the schemes increased the marginal deduction rates for some households, for low-earning households marginal deduction rates would be lower with a UBI, so employment incentives would be higher.

This new report is an extended discussion that takes into account the research results contained in the previous reports. It begins with a definition of Universal Basic Income that leaves open the possibility of premiums for disability: a possibility that Martinelli exploits in one of his illustrative schemes. This is unfortunate, as only an unconditional regular payment for each individual (with the only variation permitted being according to someone's age) would deliver the simple administration and the freedom from bureaucratic interference that constitute two of the main virtues of Universal Basic Income.

The first chapter then continues with a useful discussion of 'a family of schemes: varieties and cognates of UBI' – a section that might have been clearer if a clearer distinction had been made between 'UBI' – an unconditional income - and 'UBI schemes' – which specify the levels of UBI for particular age groups and specify the ways in which existing tax and benefits systems would be rearranged. The important deficiencies of Negative Income Tax, Earned Income Tax Credits, and Participation Income in relation to UBI are well described. The final section of the first chapter offers an outline of the contemporary debate, studies a number of Negative Income Tax and UBI experiments, and shows why microsimulation is an important method for filling a gap in the evidence for the desirability and feasibility of UBI.

Chapter 2 asks why UBI has become such a popular subject for debate in such a short time, and suggests that important reasons are changes in the employment market and problems with current benefits systems. Very sensibly Martinelli does not employ a now commonly heard argument that we need UBI because technological change will destroy jobs: rather, he realistically suggests that UBI would be useful in the context of today's observed trends towards polarised and insecure employment.

Chapter 3 studies a variety of taxation methods as options for funding UBIs, studies a number of micro-simulated UBI schemes, and concludes that a UBI scheme can be both affordable and adequate, but that such a scheme would require means-tested benefits to be retained – which, according to Martinelli, would sacrifice the important goals of reduction of administrative costs, reduction in bureaucratic intrusion, and improvement in work incentives through the elimination of poverty, unemployment and bureaucracy traps. The reason that Martinelli comes to this conclusion is that he has not calculated the number of households that each of the UBI schemes that he studies would take off means-tested benefits or bring within striking distance of coming off them – research that it is perfectly possible to conduct. Every household taken off means-tested benefits, or brought within striking distance of coming off them so that they could increase slightly their earned income and come off them, would represent administrative simplification, enhanced employment incentives, and a reduction in bureaucratic intrusion. The necessary research has already been done in relation to one illustrative UBI scheme. [25] It would be useful to see it done in relation to Martinelli's schemes. If that work was done then he might be able to conclude that an affordable and adequate scheme might have significant rather than merely limited effects.

Chapter 4 recognises that a UBI would exert opposing pressures on employment market participation: a secure unconditional income might reduce participation, but lower marginal deduction rates might increase it. As Martinelli recognises, the literature in this field is largely theoretical, although tentative conclusions might be drawn from UBI and other experiments. In relation to microsimulation results, he concludes that reductions in Participation Tax Rates (marginal deduction rates as individuals enter employment) are larger for lower income quintiles, which suggests that UBI would enhance employment incentives where they matter most.

One problem with this report, as with the previous report, is that Participation Tax Rate and Marginal Effective Tax Rate (for individuals in employment) are under-defined with respect to households. Take five possibilities: PTR and METR might measure 1. the loss of household disposable income relative to an increase in one adult's increase in earned income; 2. the loss of household disposable income in relation to a household's increase in earned income; 3. the loss of disposable income experienced by the individual in the household who receives means-tested benefit payments (whether in-work or out-of-work means-tested benefits) relative to an increase in that adult's increase in earned income; 4. the loss of disposable income experienced by the individual in the household who receives means-tested benefit payments (whether in-work or out-of-work means-tested benefits) relative to another adult's increase in earned income; 5. The loss of disposable income experienced by the individual in the household who receives means-tested benefit payments (whether in-work or out-of-work means-tested benefits) relative to an increase in household earned income. These five different measures can behave very differently, as recent research has shown. In the context of any particular UBI scheme, one type of PTR/METR might remain relatively unchanged, whereas another type – and perhaps a more relevant type – might be considerably reduced. It is possible to calculate changes to different kinds of PTR and METR, [26] and in the process to generate some useful results for affordable UBI schemes that do not impose losses on low income households at the point of implementation. It would be useful to see this work done for Martinelli's schemes.

Chapter 5 studies political feasibility and implementation, and is a useful discussion of a classic policy process agenda that includes policy trajectories, existing institutions, path dependency, coalitions of support, and constituencies that might or might not benefit from UBI. The chapter finds some feasible implementation trajectories that might give birth to a UBI scheme. What it does not sufficiently recognise is that the policy process can be highly chaotic, and that accidents can happen. Family Allowance, which became Child Benefit, could be regarded as such an accident. A UBI accident could happen if the groundwork had been laid.

This is a most useful report, and the three IPR reports together form an important contribution to the ongoing UBI debate. This review has identified a number of areas where further work would be useful, the results of which might lead to the conclusions drawn in the reports being modified. But whether that work is done or not, all future work on UBI will need to take account of the IPR's research project's three published outputs.

Barry Knight, *Rethinking Poverty: What makes a good society?* Policy Press, 2017, ix + 171 pp, 1 4473 4060 7, pbk, £9.99

This book offers a summary of a Webb Memorial Trust research programme that asks how we might construct a society without poverty rather than the

[25] https://www.iser.essex.ac.uk/research/publications/working-papers/euromod/em12-17

[26] https://www.iser.essex.ac.uk/research/publications/working-papers/euromod/em12-17

slightly different question as to how we might abolish poverty. The first chapter explains why the Trust has taken this approach. It recognises that because 'poverty' can have multiple meanings, and because the word can be employed to express a number of misleading statements (for instance, that 'people in poverty are there because of their own failures and behaviour' (p.13)), it is not a useful guide to policy. It also recognises that language and public opinion about the UK's welfare state has become increasingly negative. The result is significant division in society between those who wish to curtail the welfare state and those who wish to reinforce it but find themselves using language that fails to resonate: a problem inevitably faced by this chapter, which frequently uses the word 'poverty' without defining it.

The second chapter examines the state of British society after the financial crisis and the vote to leave the European Union, and discovers a paradox: considerable social progress during the past seventy years, and a public that feels that little progress has been made. The author blames poverty and inequality, fuelled by cuts to public services and by unequal financial rewards.

Chapter 3 is the heart of the book. It describes the kind of society that we want, and the diverse and participatory research that has led the Trust to its five principles of a good society:

1. We all have a decent basic standard of living.
2. So we are secure and free to choose how to lead our lives.
3. Developing our potential and flourishing materially and emotionally.
4. Participating, contributing and treating all with care and respect.
5. And building a fair and sustainable future for the next generations. (p. 57)

And underlying all of these: 'community'.

The fourth chapter asks how to achieve the good society so described. It starts with what is *not* required: economic growth; income beyond a sufficiency; and top-down technocratic solutions. What *is* required is social and economic security. The methods proposed are an increasing National Minimum Wage; state-supported housebuilding; relationship support; free early childhood provision; and 'a shift from welfare for some to social security for all' (p. 109) – most of which involve top-down, even if not technocratic, solutions. What the chapter ought to have concluded is that we cannot build the good society without the involvement of the State.

Chapter 5 asks who should create the good society. The report's answer is: networks arguing for social change (- not a surprise from the Webb Memorial Trust), and the building of a constituency that will include business, government, the voluntary and community sector, and local fairness commissions.

The final chapter expresses again a preference for a positive 'security' over against 'the abolition of poverty'. It also emphasises the importance of 'developing society organically from within, not seeking technocratic policy fixes' (p. 140), although it also recognises that every sector and every level of society needs to be involved, including local and national governments.

This chapter also describes the research undertaken by the Trust to determine how the benefits system might contribute to the required 'security'. It recognises that here 'there is no consensus' (p. 145), suggests that a Citizen's Basic Income is 'a promising area for further work' (p. 145), and then states that 'financial modelling shows that it is hard to design a revenue-neutral basic income scheme that pays a decent sum without creating significant numbers of losers among people on means-tested benefits' (p. 146). Yes, difficult, but not impossible, as research has shown. [27] The report is right to say that 'radical reform of the benefits system will become necessary and desirable' (p. 146), and that creating a system that ensures that everyone has a secure livelihood might be expensive, but that it would save the vast sums that poverty costs the country.

The Webb Memorial Trust is to be congratulated on its research project; and Barry Knight is to be congratulated on this accessible and comprehensive report.

[27] Malcolm Torry, *A variety of indicators evaluated for two implementation methods for a Citizen's Basic Income*, EUROMOD working paper 12/17, Institute for Social and Economic Research, May 2017, www.iser.essex.ac.uk/research/publications/working-papers/euromod/em12-17