

Citizen's Income *newsletter*

2018, issue 1

Contents

Editorials: Yet another opinion poll; the debate continues; the London School of Economics *page 1*

A Citizen's Basic Income Day at the London School of Economics, 20th February 2018 *page 2*

Main articles:

The ideal meets the practical, by Anna Wood *page 3*

Alternatives to Citizen's Basic Income *page 6*

News *page 8*

Book reviews *page 9*

Richard Anker and Martha Anker, *Living Wages Around the World: Manual for measurement*

Simon Birnbaum, Tommy Ferrarini, Kenneth Nelson and Joakim Palme, *The Generational Welfare Contract*

Danny Dorling, *The Equality Effect*

Jeffery J. Smith, *Perfect Timing*

Mark Walker, *Free Money for All*

Centre for Social Justice (no editor), *Reforming Contributory Benefits*

Richard Pereira (ed.), *Financing Basic Income*

Kate Murray (ed), *Fair and Free: Labour, liberty and human rights*

Phil Mullan, *Creative Destruction*

Robert J. Brent, *Advanced Introduction to Cost-Benefit Analysis*

Roger A. McCain, *Approaching Equality: What can be done about wealth inequality*

Jonathan Portes, Howard Reed, and Andrew Percy, *Social Prosperity for the Future: A proposal for Universal Basic Services*

Ian Gough, *Heat Greed and Human Need: Climate change, capitalism and sustainable wellbeing*

Citizen's Income Newsletter

ISSN 1464-7354

Citizen's Basic Income Trust

286 Ivydale Road

London SE15 3DF

020 7635 7916

Email: info@citizensincome.org

Website: www.citizensincome.org

Registered charity no. 1171533

Director: Malcolm Torry

Disclaimer: Views expressed in this newsletter are not necessarily those of the Citizen's Basic Income Trust

See pages 2 and 3 for details of the Citizen's Basic Income Day at the London School of Economics on Tuesday 20th February, and for information about how to register for the morning, afternoon, and evening sessions.

Editorials

Yet another opinion poll

On Thursday 16th November at the House of Commons, Ronnie Cowan MP hosted a presentation by Professor Rory Fitzgerald of the European Social Survey about the results of their recent Europe-wide survey on public opinion on Citizen's Basic Income. Professor Fitzgerald reported that in the UK 50.8% of the population agrees or agrees strongly that a Citizen's Basic Income should be implemented, and 49.2% disagree or disagree strongly. (Information about the event held on the 16th November, and the presentation itself, can be viewed on the Citizen's Basic Income Trust's website. ¹)

The debate continues

On the 23rd November, the *Social Europe* website published an article by Bo Rothstein entitled 'UBI: A bad idea for the welfare state': ²

First, such a reform would be unsustainably expensive and would thereby jeopardize the state's ability to maintain quality in public services such as healthcare, education and care of the elderly. ... Another problem ... concerns overall political legitimacy. ... A third problem concerns the need for work. ... The basic error with the idea of unconditional basic income is its unconditionality. ...

On the 11th December a response appeared: 'Universal Basic Income: Definitions and details': ³

... The main problem with the UBI that Rothstein discusses in his article is not its unconditionality: it is the detail and the flawed definition. ... a UBI is an unconditional income paid to every individual. The definition implies neither a particular amount, nor that means-tested benefits would be abolished, and it does not imply that the UBI would free people from paid employment. So instead of a UBI scheme that pays £800 per month to every individual, and that abolishes means-tested benefits, let us instead pay £264 per month to every individual (with different amounts for children, young adults, and elderly people), and let us leave

¹ <http://citizensincome.org/news/a-new-european-survey-reveals-significant-public-support-for-citizens-basic-income/>

² <https://www.socialeurope.eu/ubi-bad-idea-welfare-state>

³ <https://www.socialeurope.eu/universal-basic-income-definitions-details>

means-tested benefits in place and recalculate them on the basis that household members now receive UBIs. According to research published by the Institute for Social and Economic Research at the University of Essex, the effects of such a UBI scheme would be interestingly different from the effects of Rothstein's. ...

On the 18th December, at an event at Friends' House on Euston Road in London, Annie Miller launched her new book, *A Basic Income Handbook* (Luath Press, 2017, 304 pp, pbk, £12.99, ISBN: 978 1 910745-78-6). A good discussion was held. This event was filmed and can be viewed via facebook. ⁴

In Scotland, planning for Citizen's Basic Income Pilot Project to be hosted by four local authorities is progressing. The Scottish Government has promised seed-corn funding of £250,000 to facilitate the planning stage of the experiment, and the think-tank Reform Scotland has published a report: ... 'Reform Scotland believes that a radical reform is required and that a Basic Income Guarantee is the best way forward. ...' ⁵

The London School of Economics

The London School of Economics is increasingly the location for debate.

A year ago, Professor David Piachaud led a seminar on his paper *The Rights and Wrongs of Citizen's Income*. ⁶ And this year, to mark the 75th anniversary of the Beveridge Report, the London School of Economics is holding a series of events entitled 'Beveridge 2.0', culminating in the LSE Festival: a whole week of events in February 2018. The opening event, held on the 29th November 2017, comprised a lecture by the LSE's new Director, Dame Minouche Shafik, and a panel discussion. Both the lecture and the panel discussion explored the possibility of Citizen's Basic Income. ⁷

⁴ www.facebook.com/quakercentre/videos/vb.199495716778734/1637075703020721/?type=2&theater

⁵ <https://reformscotland.com/2016/02/the-basic-income-guarantee/>

⁶ <http://sticerd.lse.ac.uk/dps/case/cp/casepaper200.pdf>. A review of the paper can be found here: <http://citizensincome.org/book-reviews/a-review-of-articles-by-david-piachaud-and-john-kay/>

⁷ <http://www.lse.ac.uk/website-archive/newsAndMedia/videoAndAudio/channels/publicLecturesAndEvents/player.aspx?id=3945>

A Citizen's Basic Income day at the LSE on the 20th February

Readers will be interested to hear that during the LSE Festival, Tuesday 20th February will be a Citizen's Basic Income Day. The morning and afternoon will consist of lively mixtures of presentations and participation, and, in the evening there will be a significant debate. Topics to be discussed will include the following:

During the morning

How should we define a Citizen's Basic Income?

'Unconditional, nonwithdrawable, and individual' might sound simple, but there is plenty of controversy as to what it means. Participants will join in the controversy and then draw up a detailed definition.

Is a Citizen's Basic Income politically feasible?

Following brief presentations from different political viewpoints, participants will construct descriptions of political viewpoints, will discuss the advantages that proponents of those viewpoints would see in Citizen's Basic Income, and the objections to Citizen's Basic Incomes that those viewpoints might generate, and will ask how trajectories of Citizen's Basic Income debate might evolve among people committed to different ideological positions.

Is a Citizen's Basic Income financially feasible?

Following presentations about available research methods for evaluating whether a Citizen's Basic Income could be funded from within the current tax and benefits system, participants will evaluate recent research results and will construct a research plan. A second part of the session will encourage participants to propose different longer-term funding options, to decide on their advantages, disadvantages, and feasibilities, and to construct plans for the research required.

During the afternoon

Is it possible to run a Citizen's Basic Income pilot project?

Presentations will be offered by representatives of pilot projects undertaken in Namibia, India, Iran, Finland, the USA and Canada. Following questions to the speakers, participants will be invited to construct a list of requirements for a pilot project, and to evaluate the pilot projects presented. Presentations will then be offered on pilot projects currently being planned in Scotland, the Netherlands, and Serbia, and participants will then apply the list of requirements constructed during the first part of the session.

At 6.30 p.m.: The debate: 'Beveridge Rebooted'

Professor Philippe Van Parijs (Louvain University) will propose the motion: 'This house believes that if the Beveridge Report were being written today, then it would have recommended a Citizen's Basic Income'. Professor John Kay (University of Oxford) will oppose the motion. The event will be chaired by Dr. Enkeleida Tahiraj (Visiting Senior Fellow, LSE, European Institute); at the beginning, Dr. Malcolm Torry (Visiting Senior Fellow, LSE, Social Policy Department) will offer a brief description of Citizen's Basic Income; and, at the end, the *Guardian* journalist, Polly Toynbee, will offer her reflections on the event.

Registration will be required

There will be no charge for attendance, but only those who register will be able to attend. Different parts of the day are being organised by different LSE departments, and separate registrations will be required for the morning, the afternoon, and the evening debate.

To register for the morning session:

<https://citizens-basic-income-day-morning.eventbrite.co.uk>

To register for the afternoon session:

<https://www.eventbrite.co.uk/e/citizens-basic-income-day-afternoon-session-tickets-42008869660>

To register for the evening debate:

<http://www.lse.ac.uk/Events/LSE-Festival/Events/20180220/beveridge-rebooted>

Main articles**The ideal meets the practical**

By Anna Wood

Towards an unconditional Citizen's Basic Income

At a time when the idea of Citizen's Basic Income is gaining traction, discussion and debate continues to break down when the idea meets with pragmatism and practicality. Questions of feasibility aside, this is particularly apparent during discussion of Citizen's Basic Income experiments, or pilot schemes, currently taking place across the world. That such and such experiment focuses on unemployment, or that another involves targeting, somehow taints the purity of the idea. A full Citizen's Basic Income would be unconditional, would not be income- or work-tested, and would be paid to the individual. This is radically different from the conditional benefits that

characterise prevailing welfare and social protection, and which are income- and/or work-tested, often paid on a household basis, and often stipulate conditions like school attendance and health check-ups. The issue of implementation, however, was addressed during the closing remarks at the 2017 Basic Income Earth Network (BIEN) conference, when Louise Haagh, the BIEN Chair, reflected upon 'a necessary move from idealism to realism.'

Recent literature has taken up the question of what a notion of realism might mean within utopian thought (see for example, Levitas, 2013; Bregman, 2014 [2017]; Sarr, 2016). Rutger Bregman distinguishes between forms of this thinking: between a sort of rigid and immutable 'blueprint', and a set of more abstract ideals which offer 'guideposts' (Bregman, 2014: 12, 13). He writes: 'Instead of forcing us into a straitjacket, [a guidepost] inspires us to change' (Bregman, 2014: 13). This literature emphasises utopian thought as essential for bringing about new realities: but how might policy change sit within it and respond to this move?

Social protection floors as stepping stones

An approach set out in a UN report published in March 2017 offers one way to think about this. It suggests that 'if it is to be recognised that basic income is not an idea that can be achieved in a single leap, there could be no better and more elaborate and widely supported programme than that for the social protection floor' (Alston 2017: 20). As with Citizen's Basic Income, the idea of a social protection floor is not new. What is relatively new, however, is its formalisation in policy in 2012 when the International Labour Organisation (ILO) adopted its Social Protection Floor Recommendation. This sets out a minimum guarantee for states to aspire to: that 'over the life cycle, all in need have access to essential health care and to basic income security which together secure effective access to goods and services defined as necessary at the national level' (ILO, 2012). And it recommends processes of expansion and gap filling of existing policies, while at the same time asserting a key commitment to the principle – an ideal – of universality. I'll take each of these in turn.

Revolution or patching – a comparative exercise

The tension between overhaul and more gradual change recalls William Beveridge's claim that a 'revolutionary moment in the world's history is a time for revolutions, not for patching' (Beveridge: 1942: 6). The Beveridge Report certainly was a watershed moment in the development of the welfare state in Britain. However, it is worth unpacking the story a little to help shed light on some of the

processes taking place today. A combination of the 'ecstatic' reaction from the public and press, as well as its sweeping political support, had an effect of masking important histories and alternative ideas (Timmins 1995 [2001]: 23, 43).

Beveridge himself was the first to acknowledge that his Report was not necessarily such a radical break with what had been happening before. In the same document, a few paragraphs down, he added: 'the scheme here proposed is in some ways a revolution, but in more important ways is a natural development from the past. It is a British revolution' (Beveridge, 1942: 17). Beveridge cites the Workmen's Compensation Act of 1897 as the first step towards social security in Britain (Beveridge 1953: 55). Next important steps included the first state pensions in 1909 – the 'Lloyd George' – and the adoption of the National Insurance Act in 1911, which brought together health and employment measures which had crept in during the previous decade. Over the next thirty years, these policies would expand and evolve in a piecemeal manner, constituting what has been dubbed the 'ambulance state.' This process of patching was vital to the development of the welfare state in Britain, and it epitomises the sort of ad-hoc emergence of social protection that has occurred in many developing countries around the world.

Senegal is one country that is in the process of adopting a social protection floor (Safiétou Ba et al, 2016). Social security linked to formal employment dates back to the post-war years when, in line with the French *Code du Travail* (Labour Code), family allowances were allocated to families of wage earners in urban areas in French West Africa (Cooper, 1996). Shortly before independence, two bodies were created to administer social protection: the *Caisse de Sécurité Sociale* (Social Security Fund) in 1956, and the *Institution de Prévoyance Retraite du Senegal* (Senegal Old-Age Pension Insurance Institution) in 1958. Recent tax exemptions, an increased regularity of payments, and greater institutional harmonization, are subtle indications of the government's commitment to these bodies. However, in a country where sixty percent of the active population is employed in the informal economy (Sarr, 86), the more recent expansion of social protection and increased budgetary provision for this sector is significant.

Policies and programmes that have emerged over the past decade include *Plan Sésame*, which provides free medical cover to the elderly, the *Programme pour l'égalité des chances* (Equality of Opportunities Programme), which provides assistance for disabled people, and the *bourse familiale* (family grant), a

conditional cash transfer allocated to the poorest families nationwide. The latter is usually paid to the mother, and there are eligibility criteria - including having children of certain ages, or there being disabled or elderly people within households – and in theory there are conditions attached to the grant once it has been given, including schooling, healthcare, and registration for civil status if the family had not already done so. The most recent addition to this constellation of programmes, currently being rolled out, is *Couverture Maladie Universelle* (Universal Health Cover: CMU), which aims to fill the gaps in health care for those between the ages of six and fifty-nine: and the government is considering signing it into law - another key commitment required by the ILO Recommendation.

This process of patching, then, begins to build up to something analogous to the ambulance state. The forms of social security described are in many ways interrelated, and convergence between them is part of the *Plan Sénégal Émergent* (Emergent Senegal Plan). Disabled people, for instance, are eligible for the *bourse familiale*, while those who receive the *bourse familiale* and the *Programme pour l'égalité des chances* are automatically signed up for the CMU. Moreover, developments within this process can help contribute to wider debates, vital to those about Citizen's Basic Income. For instance, one important shift in the debate, brought about by cash transfers, has been that of just giving money to the poor (Hanlon et al, 2010). However, current cash transfers are modelled on 'poor relief,' and they are limited, with targeting, conditionality, and the focus on women, that compromise efforts towards an entitlement culture (Schjoedt, 2017). Another shift, then, could be brought about by universality, a principle being introduced in Senegal through the CMU.

Towards universality

In Britain, although universality characterised the National Health Service and the Family Allowances that Beveridge called for, the principle of universality was lost amid fervent support for the Beveridge Report's National Insurance and National Assistance benefits. Social activist Juliet Rhys-Williams provided one of the most important alternatives to the Report with her proposal for a universal basic income (Sloman, 2015). She had a longstanding commitment to universalism, and her proposals were much more radical than those of Beveridge, crucially in the sense that they were less gender and labour oriented than his assumptions of the ideal household and full employment (Sloman, 2015). If there was not the 'social space' for alternative ideas at the time (Torry

2016: 216), the principle might now find that social protection floors offer a way forwards. While a gradual spread of universal policies – in the form of pensions, child benefit, health care, income guarantee – would still be a long way from a Citizen's Basic Income, they could be part of the necessary 'groundwork' (Bregman 249), establishing a move away from conditionality, and offering a 'guide' to the direction that future policy might take. It is this commitment to universalism which underscores the UN's sixth and 'most important' conclusion, on the necessity of bringing debate on social protection floors and Citizen's Basic Income together (Alston, 2017: 19).

What might next steps in each country look like?

At a time when the IMF appears to be changing its views on tax and growth, and when the World Bank (WB) is being 'open minded' on universal basic income, the intention to scale up social protection in Senegal is significant (IMF, 2017; Gentilini, 2017). The poor relief oriented policies described above are largely backed by these international financial bodies. And while, in the words of the WB senior economist working on social protection, 'a sudden introduction of BIGs [basic income grants] in a LIC [low-income country] may be closer to moon-shooting than leap-frogging', it is likely that Citizen's Basic Income will increasingly be included 'as an option on a policymaker's social assistance menu' (Gentilini 2017). Senegal, a country with historically 'extroverted' policies (Bayart, 2000), is likely to take up the idea of Citizen's Basic Income, and is particularly likely to do so if other countries implement Citizen's Basic Incomes first. Government and policy officials don't hesitate to point out that the *bourse familiale* is the French for the more famous *Bolsa Familia* in Brazil, which has always been intended as a step towards a Citizen's Basic Income. In the context of structural adjustment policies, alarm bells might ring particularly loudly at yet more polices from the IMF and the WB. It is beyond the scope of this piece to offer a fuller critique, although it is essential to stress the importance of opening debate on Citizen's Basic Income to the many contexts in which it might be considered. One conversation might begin with the way the debate on Citizen's Basic Income resonates with aims set out by Senegalese scholar Felwine Sarr in his broad-ranging critique of development. His idea of *Afrotopos* as an 'active utopia' aims for balance between the realms of the economic, social, cultural and spiritual (Sarr, 2016: 14), and while his central thesis is to put Africa at the centre, he calls for the 'selective incorporation'

of ideas and practices that might initiate elsewhere (Sarr, 2016:14, 34).

Conservative Party rejection of Citizen's Basic Income during a debate in the House of Commons in September 2016 highlights current intransigence on the matter in the UK. Main objections rest on it being unaffordable as well as undesirable, and that Universal Credit, with its commitment to making work pay, is the 'right' system for this country. In some respects, cross party support for many of the principles underpinning Universal Credit might suggest that it a sort of stepping stone. Even stumbling blocks (such as the initial six-week absence of benefits) at the very least provide leverage for debate and symbolic victories for opposition parties which are seriously considering Citizen's Basic Income. The same debate, however, highlights the very real discrepancy between principles and practice – between idealism and realism – making any serious move towards Citizen's Basic Income seem a long way off. Scotland is probably the closest to implementing a Citizen's Basic Income in the UK, with its plans to implement pilot schemes. Indeed, such small countries like Scotland (population five million) and Senegal (population fifteen million) might be among the first to implement Citizen's Basic Incomes.

Bibliography

- Alston, Philip. 2017. 'Report of the Special Rapporteur on extreme poverty and human rights,' UN General Assembly. Downloaded from: <http://basicincome.org/wp-content/uploads/2017/06/UN.report.pdf>
- Bayart, Jean-François. 2000. 'Africa in the World: A History of Extroversion', in *African Affairs*, 99, 217-267
- Beveridge, William. 1942. 'The Beveridge Report.' http://www.nationalarchives.gov.uk/pathways/citizenship/brave_new_world/welfare.htm
- Beveridge, William. 1953. *Power and Influence*, Hodder and Stoughton
- Bregman, Rutger. 2014 [2017]. *Utopia for Realists*, Bloomsbury
- Cooper, Frederick. 1996. *Decolonization and African Society: The Labour Question in French and British Africa*, Cambridge University Press
- Diop, Safiétou Ba, Dia, Ibrahima, Stirbu, Mariana and Sow, Awa Wade, 2016. 'On the path to economic emergence: social protection in Senegal' in *Social Protection for Sustainable Development, Dialogues between Africa and Brazil*, UNDP World Centre for Sustainable Development (ROP+ Centre)
- Gentilini, Ugo. 2017. 'Being open-minded about universal basic income,' The World Bank. Link:

<http://blogs.worldbank.org/developmenttalk/being-open-minded-about-universal-basic-income>

Hanlon, Joseph, Barrientos, Armando and Hulme, David. 2010. *Just Give Money to the Poor: The Development Revolution from the Global South*, Lynne Rienner

ILO 2012. Social Protection Floors Recommendation (No. 202).

http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:R202

IMF. 2017. 'Fiscal Monitor: Tackling Inequality.' <https://www.imf.org/en/Publications/FM/Issues/2017/10/05/fiscal-monitor-october-2017>

Jones, Margaret and Lowe, Rodney. 2002. *From Beveridge to Blair, The first fifty years of Britain's welfare state 1948-98*, Manchester University Press

Levitas, Ruth. 2013. *Utopia as Method, The imaginary reconstitution of society*, Palgrave Macmillan

Sarr, Felwine. 2016. *Afrotopia*, Philippe Rey

Schjoedt, Rasmus. 2017. 'Pathways to a universal basic income in low- and middle- income countries,' *Development Pathways*. <http://www.developmentpathways.co.uk/resources/1556-2/>

Sloman, Peter. 2015. 'Beveridge's rival: Juliet Rhys-Williams and the campaign for basic income, 1942-55,' in *Contemporary British History*, 30:2, 203-223

Timmins, Nicholas. 1995 [2001]. *The Five Giants, A Biography of the Welfare State, New Edition*, William Collins

Torry, Malcolm. 2016. *The Feasibility of Citizen's Income*, Palgrave Macmillan

Alternatives to Citizen's Basic Income

Discussion of alternatives to Citizen's Basic Income are increasingly debated, so we are here publishing for the first time a paper prepared in 2015 for a consultation organised by some of the UK's major charities on options for reforming the benefits system.

Introduction

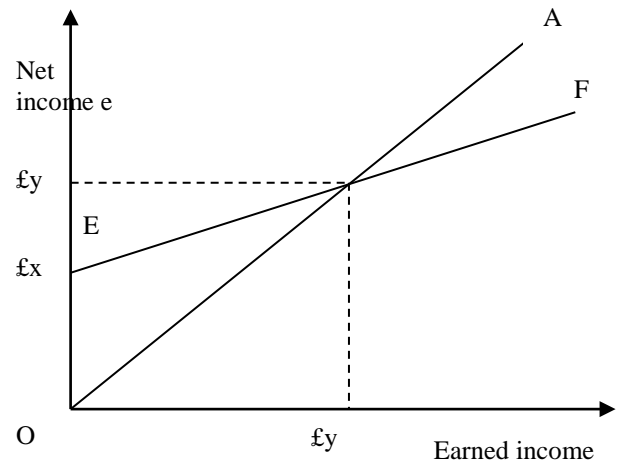
This short article outlines three options for the reform of the UK's tax and benefits system: Tax Credits, Negative Income Tax, and Citizen's Basic Income.

The descriptions and discussions assume that both the tax unit and the benefit unit are the individual and not the household. The complexities related to household-based options would require additional description and discussion.

Tax Credits

(- real ones: not what the Government calls 'tax credits')

A credit is allocated to every individual. If someone is earning nothing, the full credit is paid. As earnings rise, the credit is withdrawn. At the point at which the credit is exhausted, Income Tax starts to be paid. (A Tax Credit that is withdrawn as unearned income rises is theoretically a possibility, but the administration would be even more complicated than for the version described here.)



In the diagram, the credit is worth £x per week. As earnings rise, the credit is withdrawn, so net income rises slower than earned income. At earnings of £y per week (the break-even point), the credit has all been withdrawn. Above this point, Income Tax is paid.

The diagram assumes that the rate at which the credit is withdrawn is the same as the tax rate. If the rates are different then the slope of line EF is different above and below earnings of £y per week.

Administration

The tax credit can be administered by the Government or by the employer. If the Government administers the Tax Credit, then the employer must provide regular and accurate earnings information to the Government, as with the current Universal Credit. If the employer administers the Tax Credit then, if someone moves between employers, their Tax Credit administration has to be transferred between employers. If they have a period of unemployment, then administration of the Tax Credit has to be handed to the Government and then on to the new employer. If someone has two employments, then the employers have to decide which of them will administer the Tax Credit. And if someone has occasional other earnings, then their employer needs to be informed so that the Tax Credit can be withdrawn accordingly.

If every working age adult receives the same Tax Credit then neither their employer nor the Government needs to know any personal details. If people in different circumstances receive different levels of Tax Credit then their employer and the Government will need to know individuals' circumstances in order to allocate the correct credit.

Our current income tax system is cumulative. An annual amount of income is not taxed. Each week, or each month, the employer has to calculate how much tax to deduct so that, by the end of the year, the correct amount of tax has been deducted. With Tax Credits, the tax system would be non-cumulative. Each week, or each month, the correct amount of the Credit would need to be paid in addition to earnings, or no Credit would be paid and earnings would be taxed. A non-cumulative system requires a single tax rate, so anyone paying higher rate tax would need to pay additional Income Tax at the end of the tax year.

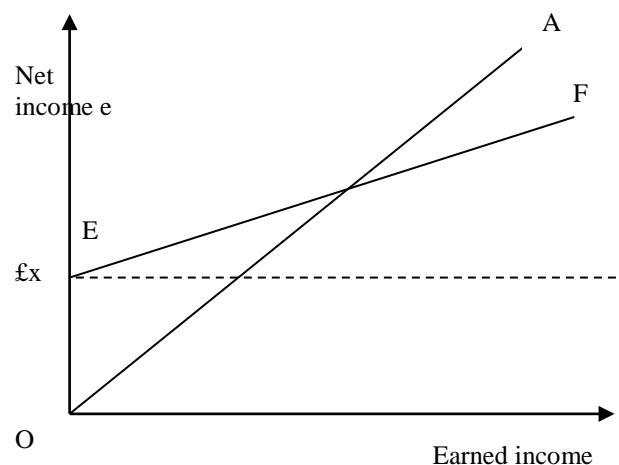
Negative Income Tax

Income Tax deducts money from earnings above an earnings threshold, and a Negative Income Tax pays money to the employee below the threshold: so a Negative Income Tax scheme functions in the same way as a Tax Credit scheme. The only difference is in the specification. A Tax Credit scheme specifies the amount to be paid out when there are no earnings, along with a withdrawal rate as earnings rise. For a Negative Income Tax, the threshold is specified along with tax rates above and below the threshold. If the rates above and below the threshold are the same, then for earnings below the threshold, the same amount is paid out for earnings of £z below the threshold as would be collected in tax on earnings of £z above the threshold.

As the system is essentially the same as a Tax Credit scheme, the same diagram applies. Different rates above and below the threshold would result in the EF having different slopes above and below earnings of £y per week. Administrative considerations would be the same as for Tax Credits.

Citizen's Basic Income

A Citizen's Basic Income is an unconditional income paid to every individual by the Government, and it is not withdrawn as earnings rise. Tax is paid on all or most earned income.



In the diagram, a Citizen's Basic Income of £x per week is paid to everyone. All earnings are taxed. The line EF shows the net income.

(The diagram assumes that a single tax rate is charged on all earnings.)

The Government pays a Citizen's Basic Income to every individual, the amount depending only on the person's age (- larger amounts could be paid to older people as a Citizen's Pension, and lower amounts to children and young people). Employers would continue to administer Income Tax via PAYE as they do now.

(A variant is a Participation Income. This would require fulfilment of a 'participation condition' before receiving it. The graph would be the same as for Citizen's Basic Income, but only for those receiving it. The participation conditions would need to be specified and each individual's fulfilment of them would have to be monitored. This would result in considerable administrative complexity, and would also mean that many of a Participation Income's effects would be closer to those of means-tested benefits than to those of a Citizen's Basic Income.)

Comparison

Negative Income Tax, Tax Credits, and Citizen's Basic Income, all generate the same net income diagram, so all three schemes would reduce marginal deduction rates (the total rate of withdrawal of additional income), would incentivize employment, and would enable families more easily to earn their way out of poverty.

The differences between the schemes are administrative.

(For more detailed discussion of all of these options see Malcolm Torry, *The Feasibility of Citizen's Income* (Palgrave Macmillan, 2016), pp. 214-230.)

News

The **Institute for Chartered Accountants of England and Wales** has published an article entitled *Is business doing enough to reduce inequality?* ‘... With the increase in technology and AI, social and economic policies can no longer be conceived separately, and basic income is increasingly viewed as one viable way of reconciling two of their respective central objectives: poverty relief and full employment.’ The article references the report which the Institute published last year on different methods for implementing a Citizen’s Basic Income. (<https://ion.icaew.com/talkaccountancy/b/weblog/posts/is-business-doing-enough-to-reduce-inequality>; <http://www.icaew.com/-/media/corporate/files/technical/sustainability/outside-insights/citizens-income-web---final.ashx?la=en>)

A slightly revised version of an **Institute for Social and Economic Research** working paper on tax and benefit reform options in the UK has now been published in the *Journal of Economic Inequality*. (Readers might wish to note that the working paper and the article say that they are modelling Tony Atkinson’s proposal for a Participation Income, but, because it is impossible to model the participation conditions that he proposed, what is in fact modelled is a Citizen’s Basic Income.) (The original article: <https://www.iser.essex.ac.uk/research/publications/working-papers/euromod/em13-17>; the *Journal of Economic Inequality* article: <https://link.springer.com/article/10.1007/s10888-017-9365-7>)

A new report from the **International Labour Office** discusses Citizen’s Basic Income as an option for the reform of social security: ‘There is a renewed debate about a universal basic income (UBI) as a way of improving income security in the face of uncertain availability of jobs. As argued by proponents, it would guarantee a minimum standard of living for everyone irrespective of employment, age and gender, and would give people the freedom and space to live the life they want. Its proponents also argue that a UBI may contribute to alleviating poverty while reducing the administrative complexity and cost of existing social protection systems. A wide range of proposals are being discussed under the label of UBI, highly divergent in terms of objectives, proposed benefit levels, financing mechanisms and other features. Opponents of UBI proposals dispute its economic, political and social feasibility, question its capacity to address the structural causes of poverty and inequality, and fear that it may entail disincentives to work. Moreover, it is argued that a

UBI – especially neoliberal or libertarian UBI proposals that aim at abolishing the welfare state – may increase poverty and inequality and undermine labour market institutions such as collective bargaining.’ (p.180) (http://www.ilo.org/global/publications/books/WCM_S_604882/lang--en/index.htm)

The **International Monetary Fund Fiscal Monitor** for October 2017 contains a discussion of Citizen’s Basic Income (Universal Basic Income):

In countries where both coverage and progressivity are relatively high, such as France and the United Kingdom, expanding coverage by replacing the existing systems with a UBI would result in a very large reduction in progressivity and losses in the size of benefits for many poor households and could even lead to higher poverty. ...

In advanced economies, where existing safety nets are often generous and progressive, a UBI is unlikely to be an effective substitute. Where existing systems have gaps in coverage or progressivity, countries should first focus on addressing these gaps, such as by reforming eligibility rules or promoting benefit take-up. Indeed, many advanced economies already have an extensive array of categorical family benefits that have universal reach (such as child benefits and social pensions). Countries with means-tested programs also need to address any disincentives for labor force participation by strengthening administrative capacity and information systems as well as through the design of reforms, including greater use of well-designed in-work benefits.

In emerging market and developing economies, a UBI could be an attractive alternative where existing systems have large coverage gaps and low progressivity, provided it can be efficiently financed. This is more likely in countries that currently rely heavily on inefficient and regressive universal price subsidies (such as those on food or energy) and that have large gaps in their consumption tax bases. However, the adoption of a UBI would need to be consistent with other fiscal priorities such as generating fiscal space to finance other spending needs while ensuring fiscal sustainability. It would also require strengthening the capacity to distribute cash transfers and developing a strong communications campaign to generate support for a broader package of reform measures.⁴⁸ Administrative, political, and fiscal constraints

therefore suggest that a gradual approach to reform would be desirable, possibly focusing first on universal coverage of subgroups of the population, such as children and the elderly. Recent technological developments such as biometric identification, information digitalization, and electronic finance have greatly enhanced the attractiveness of a UBI to strengthen the social safety net quickly while continuing to enhance administrative capacity to better target redistributive spending.

Where the case for a UBI is predicated on the need to strengthen social insurance mechanisms in the context of growing labor income uncertainty (such as that caused by continued technological change), its role needs to be considered as part of a broader set of income insurance instruments.⁸

In a letter to Ronnie Cowan MP written on the 8th November 2017, the Rt. Hon. Elizabeth Truss MP, Chief Secretary to the Treasury, wrote that 'As the International Monetary Fund's Fiscal Monitor (October 2017) cautions, a fiscally neutral move to UBI in Britain would reduce progressivity and diminish the benefits receipts of poorer households, potentially increasing poverty'.

The Citizen's Basic Income scheme assumed by the International Monetary Fund abolished existing means-tested benefits rather than leaving them in place and recalculating them on the basis of households' Citizen's Basic Incomes and changes in net earnings related to changes to Income Tax and National Insurance Contributions. This alternative approach, as described and evaluated in research published by the Institute for Social and Economic Research,⁹ delivers very different results: insignificant losses to low income households, substantial aggregate gains to low income households, reductions in all poverty indices, and a reduction in inequality.

8

<http://www.imf.org/en/Publications/FM/Issues/2017/10/05/fiscal-monitor-october-2017>

⁹ <https://www.euromod.ac.uk/publications/variety-indicators-evaluated-two-implementation-methods-citizen%E2%80%99s-basic-income>

Book reviews

Richard Anker and Martha Anker, *Living Wages Around the World: Manual for measurement*, Edward Elgar, 2017, 1 78643 147 9, pbk, xi + 379 pp, £29.95

It is all very well to argue for a 'Living Wage', but answering the question 'At what level should it be set?' can be rather more difficult. This book sets out to answer that question. But first it deals with an important terminological issue. A 'Living Wage' means a 'decent wage', and is defined as

remuneration received for a standard work week by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transport, clothing, and other essential needs including provision for unexpected events. (Global Living Wage Coalition, quoted on p.8)

The authors are clear that it does not mean 'minimum wage', and they criticise the UK Government for claiming the name 'National Living Wage' for a national minimum wage. (It is a pity that the UK's Living Wage Campaign is not referenced, nor the Joseph Rowntree Foundation's or the Greater London Authority's Living Wage Unit's roles in calculating the UK's Minimum Income Standards and Living Wage levels.)

The authors develop a method that is transparent, as cheap as possible to undertake, and normative (that is, based on normative standards for nutritious food, healthy housing, adequate health care, and education), and designed to deliver estimates for a Living Wage that are both time and space specific and internationally comparable. They also develop a method for estimating a country's prevailing wages so that the gap between prevailing wages and the country's Living Wage can be calculated.

The book is what it says it is: a manual. It describes in great detail how to estimate the cost of a basic but acceptable living standard (the majority of the book); how to base a Living Wage estimate on that living standard; how to estimate prevailing wages; and how to write and update a Living Wage report. The book is full of survey methods, instructions on secondary research, tables, and sample work sheets, along with justifications for the method's general outline and its detail.

The first section of the book, on how to calculate an acceptable living standard, will be of particular interest to anyone researching Citizen's Income levels for illustrative Citizen's Income schemes. While it will rarely be either possible or desirable to peg working age adult Citizen's Income levels directly to estimates of countries' acceptable living standards, it will always be instructive to know the proportion of an acceptable living standard that a particular level of Citizen's Income would constitute.

A further important significance of this book to anyone researching illustrative Citizen's Income schemes is the example that the authors give of comprehensive and detailed research applied to multiple countries. To undertake similarly comprehensive and detailed research on illustrative Citizen's Income schemes for a wide variety of different countries would do for the now global Citizen's Income debate what these authors have managed to achieve for the global Living Wage campaign.

This book is a substantial achievement, and evidence of a research project with the potential to make a real difference to the world.

Simon Birnbaum, Tommy Ferrarini, Kenneth Nelson and Joakim Palme, *The Generational Welfare Contract*, Edward Elgar, 2017, vi + 182 pp, 1 78347 102 7, hbk, £70

The agenda for this book is set by an ageing society, which raises the question of justice between generations in an acute fashion. The theoretical underpinning of the book is a concept of implicit generational welfare contracts: and the strategy is to study the extent to which different social policies do in fact enhance generational justice in order to discover those policies that we shall need if we are to achieve generational justice in the future. Along the way, the authors offer detailed discussions of many of the complex issues facing social policy researchers – an aspect of the book that will make it particularly useful to researchers, whether or not they are particularly interested in intergenerational justice.

Following an introductory chapter, chapter 2 offers three perspectives on generational justice: a) intergenerational cooperation for mutual advantage; b) interacting as equals here and now; and c) saving for the future – all of which require empirical study in order to identify which policies do in fact achieve these aims. Chapter 3 studies different age-related risks, and seeks positive sum solutions and 'a balanced generational welfare contract, where the

structure of social citizenship rights treats all age-related risk categories more equally' (p. 40). Chapter 4 categorises countries in relation to the institutional structures of their welfare contracts (the United Kingdom is 'pro-old' and 'unbalanced'). Chapters 5 to 8 contain a mass of empirical detail, and find that in countries with more balanced generational welfare contracts poverty is lower, people are happier, social and political trust and employment market participation are higher. Chapter 9 finds that positive-sum solutions and balanced generational welfare contracts correlate with the presence of strong left-wing parties.

The final chapter recognises the limitations of the research, which relies mainly on wage replacement rates in age-related social insurance programs – which is why the UK appears to do so badly. A more balanced picture would have been provided by taking account of the institutional structures of public services, such as the UK's National Health Service, which could not be more balanced in its treatment of different generations. But this is not to criticise the book: it is to ask for another one. This book is a model of good research: a clear theoretical framework, detailed empirical study, and careful conclusions.

Danny Dorling, *The Equality Effect: Improving life for everyone*, New Internationalist, 2017, 280 pp, 1 78026 390 8, pbk, £9.99

Danny Dorling's new book is in many ways similar to his *No-Nonsense Guide to Equality*, published by the same publisher in 2012: but one difference is this volume's higher production values. Another is the evidence of a significant shift in the global equality debate: governments are increasingly recognising that inequality is a problem; and yet another is an even more determined emphasis on the positive value of equality – although there is still plenty of description of the extent and effects of inequality. For instance, in the first chapter we discover that inequality corals both the rich and the poor in their own social silos, thus reducing choice for everyone, whereas greater equality offers increasing choice to everyone in relation to occupation and much else; that more equal countries, including poor ones, provide better healthcare and other services for everyone than less equal countries do; and that more equal countries experience greater economic prosperity and more environmentally friendly economies. The good news is that the world as a whole has become more equal. The bad news is that in some countries, including the

UK, the richest one per cent have experienced significant gains in income and wealth.

Chapter 2 recounts the history of equality. Hunter-gatherers experienced significant levels of equality and sustainability; unequal societies enslave the poor; cultural advances have often followed revolutions against inequality; and countries are very different: both the UK and France experienced significantly less inequality after the Second World War, but now the UK is exhibiting far more inequality than France. A similar relationship holds between the USA and Canada.

Chapter 3 shows why this issue is so important for children. Greater equality correlates with lower child mortality rates, better educational attainment, and better teenage happiness levels. In chapter 4, Dorling shows that equality correlates with a healthy environment, and that in more equal countries people consume less, produce less waste, use more water, and emit less carbon. They are also better at mathematics. Chapter 5 is a somewhat complex chapter that relates fertility rates, migration and housing to each other; and, in chapter 6, Dorling suggests that it is the greater equality that we tend to experience at the weekend that means that we enjoy weekends more than the rest of the week, and he goes on to discuss some of the more equal places in the world: Cuba, Costa Rica, Norway, Sweden, Denmark, Finland, Japan, Germany, and Kerala in India.

Dorling's final chapter suggests routes towards greater equality, including Citizen's Basic Income, which would enable us to choose not to do jobs that don't need doing, and to spend our time more usefully. Dorling interestingly argues that Citizen's Basic Income would be easier to implement in more unequal countries; and he suggests that the higher the Citizen's Basic Income could be set, the more successful the country would be thought to be. The chapter ends with a discussion of 'harmony', which is perhaps a more evocative term than 'social cohesion', and the way in which greater equality would promote it.

The book is full of informative statistics and graphs, and some nice cartoons: but there might be questions to be asked about some of the graphs, such as those on pp. 154 and 155, where if the relevant axis had started at 0 (as it does, for instance, on page 157), then it would have been difficult to recognise a correlation, suggesting that the inequality effect is small. And Dorling makes a common mistake on p. 247: Child Benefit is still an unconditional income for every child. What has changed is that someone

paying higher rate Income Tax pays additional tax if they live in a household that receives Child Benefit. The UK is now in the bizarre position of having an unconditional income for children alongside a tax on children.

Occasionally Dorling offers discussions of causality, suggesting the mechanisms that might connect inequality and the social factor in question (for instance, mathematical ability might be lower in more unequal countries because exam results become more important, so teachers might teach to the exam rather than for understanding). A more general discussion on causality would have been useful. Either income inequality is the cause in the various correlations that Dorling discovers, or some other factor is causing both income inequality and the other social ills. On page 262 social class is recognised as a possible cause of educational inequalities, and it is possible, and perhaps even likely, that the class structure underlies both income inequality and a variety of other inequalities.

This book is classic Dorling: well-researched and passionate. Whatever the causal connections, inequality matters, and greater equality would be good for us.

Jeffery J. Smith, *Perfect Timing*, Rogue Phoenix Press, 2017, no page numbers, 1-62420-321-3, £3.97, www.roguephoenixpress.com

We don't normally review fiction in the *Citizen's Income Newsletter*, but we have been sent this book because of its mention of unconditional incomes, described here as 'Citizen's Dividends, like the Alaska oil dividend'.

The book is a science fiction novel in which Crik is transported to the future and finds himself in a world both familiar and unfamiliar. Perhaps the best way to describe the book is to quote from it:

Crik moves in for a closer look of Murky upgrading the chronoscope into a functioning time machine. He recalls working with Randy's Dad on his first car, a Mazda rotary. Crik holds a part in place as the historian tightens it down. 'What's your nutshell explanation?'

Murky wipes his brow. 'Space travel is changing your location. Time travel is changing your vibration. Not the vibration of your matter, but the vibration of your aura, so that you no longer fit in this time, the present, but fit in another era, one of the futures or pasts.' Murky holds up a part that looks like a multi-spouted oil can.

'Zuminators to bring an aura into focus.' He pats another that looks like a flabby fish. 'H80 dynamators to intensify the aura.' He holds a dual cylinder. 'KYJays to keep the intensified aura attached to the body.' He pats the heart-shaped part. 'Solmatol Series X to tune into another era's frequency and an LKM 78 to match the aura's frequency to it. Presto, you're gone.' He breaks into an aria.

This dude probably knows lots about lots of topics. Crik shows him the crystallized thread. The scientist shrugs. Crik clears his throat. 'So about that extra income, your dividend for citizens.'

Murky doesn't look up from his sweaty work. 'As soon as we all shared society's surplus, and everyone felt secure materially, then all of us could contribute our unique talents. Look at me, I used to be a banker.'

'Wooh. It'll be our little secret.'

'It was an ex-con who broke the nano barrier. Never would've happened without everyone finally getting a fair share. Once they divvied up the commonwealth, progress took off, went ballistic.'

Wow. Amazing. The way things should be.

Mark Walker, *Free Money for All: A Basic Income Guarantee solution for the twenty-first century*, Palgrave Macmillan, 2017, xi + 249 pp, 1 137 47132 1, hbk, £75

This book is a bit like a holdall, in the sense that is an exploration of a wide variety of aspects and consequences of paying to every US citizen a Citizen's Basic Income of \$10,000 per annum in monthly instalments.

Mark Walker relates Citizen's Basic Income to capitalism, socialism, and the welfare state; finds that it promotes individual freedom in relation to all three; and suggests that it should be understood in terms of 'good consequences' rather than as a right. He understands Citizen's Basic Income as a dividend on such public assets as infrastructure and federally owned land; he argues that it would increase happiness; he finds that it would increase substantive freedom - that is, the ability to choose one's own course in life; and he sees Citizen's Basic Income as a response to technological unemployment, which he predicts will be a significant problem - 'if we are to believe that new job opportunities will open up for humans after the robotic revolution, then surely

capitalism should have found jobs for horses after the internal combustion engine revolution' (p. 105). At the end of the book he argues that a Citizen's Basic Income would reduce the danger of technology-induced destitution and would therefore reduce the likelihood that technology would be used for terrorism and war. It is no surprise to discover that Walker's primary research interest is emerging technologies.

Although this book sets out from a very particular proposal, it takes a broad-brush approach to its subject: that is, it evaluates Citizen's Basic Income in relation to large ideological themes ('happiness', 'freedom', etc.) rather than in relation to detailed social policy considerations. This has consequences for the argument. For instance, the argument that Citizen's Basic Income would increase substantive freedom leads to the conclusion that individuals would be able to decrease their hours of employment. What is not argued is that a Citizen's Basic Income of \$10,000 per annum would reduce reliance on means-tested benefits (including the Earned Income Tax Credit), would reduce marginal deduction rates, and would therefore result in greater incentives to increase employment income for anyone currently on means-tested benefits. The 'freedom' and 'incentives' pressures would pull in different directions in relation to the number of hours for which someone chose to be gainfully employed, and the employment hours consequences of a Citizen's Basic Income would not in fact be as predictable as Walker suggests.

Chapter 2 somewhat interrupts the main argument by asking who should receive the Citizen's Basic Income (only American citizens) and how it should be funded (a new Value Added Tax, cutting military spending, and implementing universal tax-funded healthcare, which would be a lot cheaper than the current US system). This material might have been better located as an appendix.

Walker discusses some large themes (human happiness, justice, and world peace among them) in an engaging way: and it is this characteristic of his book that makes it a distinctive contribution to the current debate. Perhaps it's the size of the country. US scholars such as Karl Widerquist and Alan Walker deal in overarching themes and arguments based on such universals as happiness and justice, whereas scholars from the smaller UK are more concerned with the detail of social administration. We need them both.

**Centre for Social Justice (no editor),
Reforming Contributory Benefits, Centre for
Social Justice, 2016,
www.centreforsocialjustice.org.uk/library/reformi
ng-contributory-benefits**

This report on a discussion that took place in July 2016 raises an important issue: The UK's contributory benefits system is no longer fit for purpose. They are of 'decreasing value ... [and] there is little relationship between the amount claimants receive and the amount they contribute' (pp. 2-3). The report suggests that as the UK will soon be leaving the European Union, it will no longer need to retain an 'exportable' element in its benefits provision (that is, it will no longer have to ensure that UK citizens moving within the rest of the EU retain their rights to benefits, as UK recipients of the Basic State Pension do now), so an opportunity for reform now exists. The report outlines the complex relationships between contributory benefits, current means-tested benefits, and Universal Credit, and, quite understandably, suggests that reform is required. (The report ought to have been clearer that it is about contributory unemployment and sickness benefits, and not the Basic State Pension, or its replacement the State Single Tier Pension, both of which are part of the National Insurance system.)

The solution offered is one proposed by the insurance company Legal and General (its logo appears on page 1, and its own policy document on *Lifestyle Insurance* is referenced, although we are not told whether the company paid for the round table discussion or the publication of the report):

The suggestion was to replace the contributory benefits system with a low premium social insurance scheme delivered by employers through an auto-enrolment structure. This new social insurance scheme would take the form of a 'rainy day guarantee', where beneficiaries would make regular payments into the scheme, which would protect against the risk of future income shocks as a result of long term sickness or unemployment.

The typical recipient of contributory benefit support – and therefore the target for the new social insurance scheme – would not be part of the long term unemployed demographic, or even a regular claimant of income support. Instead, the new scheme would suit individuals from the professional and skilled class who have fewer transactional experiences with Government. They are less likely to suffer a shock to income from illness or sudden unemployment and often

need support infrequently and for less than six months. (p. 6)

L&G suggest an auto-enrolment mechanism, and 'a cost of around 0.5% of payroll earnings at approximately £11 a month. Total pay-out would be £900 a month for a maximum period of one year, with a 50% replacement rate' (p. 7).

A number of objections to the scheme are discussed: employer resistance to yet another administrative burden; public acceptability of a private insurance product, particularly if it is made compulsory; and the plan's relationship to the welfare state.

While the CSJ is to be commended for asking about the future of National Insurance benefits, it is doubtful whether either the general public or employers would take kindly to L&G's pitch for a private insurance product as their replacement for a particularly profitable segment of the market, especially as the proposal completely ignores the widespread perception that National Insurance Contributions paid throughout a working life have generated a right to National Insurance Benefits, however flawed the reality of the National Insurance system might be. This is the reason for recent Citizen's Income proposals published by the Institute for Social and Economic Research leaving the National Insurance system exactly as it is. We commend the approach.

Richard Pereira (ed.), *Financing Basic Income: Addressing the cost objection*, Palgrave Macmillan, 2017, xiii + 116 pp, hbk, 3 319 54267 6, £37.99

In his introductory chapter Richard Pereira sets out his agenda: a Citizen's Basic Income 'at a sufficient level to ensure a dignified existence and a measure of social inclusion' (p.1), and the retention of all existing public services. It has to be said at the outset that the editor is wrong to suggest that 'the goal of a basic income as presented in the academic literature and in more common political and popular presentations of the concept' is a Basic Income set at a level at or above official poverty lines (p.2). The Basic Income Earth Network's definition does not imply any particular level, neither does the Citizen's Basic Income Trust's definition; and the majority of the detailed costings exercises undertaken in the UK assume that a Citizen's or Basic Income can be set at any level and remain a Citizen's or Basic Income as long as it is unconditional, nonwithdrawable, and paid to individuals. Somewhat inconsistently, the editor himself recognises that in his book 'the level of

basic income is set much higher than normally found in the academic literature' (p.2). Concentrating only on a Basic Income sufficient for subsistence will restrict the usefulness of the book to policymakers favourable towards Basic Income but aware that the only politically feasible one would be a small one.

Pereira is of course right to suggest that a Basic Income should not leave individuals worse off than they are now: although, as we shall see, neither he nor his collaborators is able to operationalise this requirement. A further problem is that Pereira decides that the definition of Basic Income can include a Negative Income Tax and an annual dividend. Only the third option, the demogrant, fulfils the normal definition of a Basic Income. This matters. It might be true that the earned income/net income graph looks the same for a Negative Income Tax as it does for a genuine (demogrant) Basic Income, but their administrative processes are very different. And in today's increasingly complex employment market a Negative Income Tax would impose administrative complexities similar to those with which the UK's new Universal Credit is failing to cope. The editor suggests that a Basic Income can 'eliminate a lot of waste of public resources and provide significant public savings'. (p.3) A demogrant would do that: a Negative Income Tax less so.

When it comes to approaches to financing Basic Income, the editor again restricts the agenda by assuming that social assistance ('welfare payments') and a variety of other programmes will be eliminated or restricted. The reason why he thinks that he can do this is that it would 'allow for a higher basic income payment than what individuals currently receive from various income support programmes' (p.4).

Pereira's second chapter reviews a Canadian case study and suggests that abolishing a variety of existing welfare schemes, taxing carbon, taxing financial transactions, savings from the better health outcomes that a Basic Income would generate, and closing tax loopholes, would be sufficient to pay for Basic Incomes at a significant level without income tax rates having to be raised. In theory, it might be possible to close tax loopholes, but in practice there are significant problems with this approach. (Chapters 12 and 15 of Piketty's *Capital in the Twenty-first Century* should be required reading: Piketty shows just how much global wealth is hidden in tax havens, and how difficult it would be to tax it.) A serious problem with Pereira's second chapter is that it is full of estimates – for instance, in relation to closing tax loopholes - which are then combined into a figure which we are told would be available to fund a Basic Income. But there is an even more significant

problem in relation to the existing programmes that Pereira would abolish in order to fund his Basic Income. What Pereira has not proved is that the elimination of these programmes would not leave some households worse off, and, in particular, that it would not leave some low-income households worse off. Only microsimulation can provide such evidence, and we are offered no microsimulation results.

In chapter 3 Albert Jörmann calculates the gross cost of a Basic Income at 2,500 Swiss francs per month for everyone in Switzerland, and suggests that this could be paid for by abolishing existing social insurance and social assistance programmes, by increasing VAT, by increasing income tax, and by taxing energy. At the end of the chapter, the author sensibly considers the possibility that a lower Basic Income might be a useful first step. But again, we are provided with no evidence in relation to household gains and losses. Energy taxes and VAT increases are regressive taxes, and calculating the potential losses to low income households would be a complex matter. The datasets and computer programmes currently in use to microsimulate the disposable income effects of tax and benefits changes can only deliver results relating to income taxation, social assistance, and social insurance. (EUROMOD is now working on a method to estimate the effects of changes in VAT, and we await the results of this work with interest). In the absence of microsimulation results it would be politically infeasible to propose that VAT increases and energy taxes could be used to close the Basic Income funding gap.

In chapter 4, Gary Flomenhoft proposes funding an Australian Basic Income by capturing the economic rent generated by the commons and natural monopolies – which in practice means the taxation of land value, resource extraction, electromagnetic spectrum, water, public utility and transport privatization, airports, forestry, patents, gambling, internet domain names, satellite orbits, carbon, the value of a company attributable to the existence of the stock market, and taxi, banking and fishing licences. This is an interesting chapter on the possibility of additional taxes: but what is not clear is whether a government that implemented such additional taxes would wish to use the new revenue to fund a Basic Income. The only funding method that would avoid such a question having to be asked would be to pay for a Basic Income by increasing income tax and reducing social insurance and social assistance payments.

Pereira's final chapter concludes that 'the cost objection to BI is based upon inadequate and/or

misleading information ... Financing BI can produce fairer results for individuals and society while producing significant public cost savings' (pp.105-6). Unfortunately, the evidence provided in this book does not support this conclusion. Only a microsimulation study of the detailed effects of the various proposals on household gains and losses, household employment incentives, and society's inequality and poverty levels, would provide the required evidence. This matters. The answer to the question 'Can we pay for a substantial Basic Income' is always 'Yes, in theory'. It is always possible to propose a funding method. The important questions are different ones: 'Is the funding method proposed politically and administratively feasible?', 'Would this funding method have adverse consequences for any households in terms of disposable income loss, employment disincentives, or administrative complexity, and particularly for low income households?' and 'Would this funding method increase or decrease poverty and inequality?' It is these questions that are not answered.

Having said that, this short book is a useful contribution to the field, because it sets an agenda for further study of the funding methods proposed.

Kate Murray (ed), *Fair and Free: Labour, liberty and human rights*, Fabian Society, 2017, x + 75 pp, pbk, 0 7163 0644 3, £9.95

An interesting issue raised at the BIEN Congress in Lisbon in September 2017 was the question: Is a Citizen's Basic Income a human right? In relation to various agreed international statements of human rights, no it isn't. The right to work might be a human right, as might be the right to a minimum level of income (by whatever means): but none of the declarations suggest a right to an unconditional income for every individual. There is clearly a debate to be had. However, the context for that debate is not an easy one. In the eyes of many communities, and of some elements of the press, 'human rights' can mean violent men and women extracting privileges for themselves through the courts; and the term's association with individual rights can sometimes feel like a denial of social rights.

This timely little book contains chapters on a wide variety of aspects of human rights. Shami Chakrabarti's introduction finds a common theme in many of the chapters: 'freedom to' as well as 'freedom from'; and the opening chapter by Lisa Nandy calls for a 'liberal socialism [that] provides an essential counterbalance, built on the restatement of

equal worth and guaranteed by a human rights framework' (p.6). Other chapters tackle freedom of expression; immigration; law and order; and access to legal remedies.

In their chapter on rights and responsibilities, Frank Field and Andrew Forsey find that today's benefits system has been good at transferring people 'from a low benefit income to jobs paying poverty wages from which they struggle to escape' (p.57). They propose a locally-managed, active labour market policy, in which participants would sign up to 'a clear and agreed set of duties outlined in a contract aimed exclusively at helping those workers earn more money and lifting themselves free of means-tested benefit' (p.57). Much would depend on the conditions attached to the contract, but this idea could be useful, particularly if accompanied by a Citizen's Basic Income which would itself lift a lot of households free of a number of means-tested benefits, and would bring a lot more people within striking distance of coming off them.

Virginia Mantouvalou suggests that a right to work is a right to high quality employment; Andrew Fagan calls for the placing of 'economic and social rights at the centre of the human rights debate' (p. 44); and Jason Brock suggests that

liberty is to be found in ensuring that all individuals are free from fundamental privation and therefore able to exercise their individuality and passion. The 21st century offers an opportunity to look beyond the 'big state' as a means of achieving this and we should consider whether, for example, universal basic income has come of age. (p.17)

Human rights declarations are children of their times, reflecting the particular crises, hopes and challenges of the contexts in which they were written. It is not impossible that some future context of crises, hopes and challenges will give rise to a human rights declaration that includes a right to an unconditional income for every individual. That possibility suggests that today's task is to research and debate the relationship between human rights and Citizen's Basic Income: a task that could receive much assistance from the book under review.

Phil Mullan, *Creative Destruction: How to start an economic renaissance*, Policy Press, 2017, ix + 348 pp, 1 4473 3611 2, pbk, £12.99

The agenda which this book tackles is the fact that ten years after the 2008 financial crisis we are only

now and only very slowly beginning to climb out of recession. Mullan explores a number of related causes of this problem: companies' unwillingness to invest (because of lower profitability, and uncertainty about the future of the economy); technological innovation is slowing down; and the state's abdication of responsibility for economic growth, and its withdrawal from facilitating innovation. Mullan discusses in some detail today's deterioration of productivity, declining living standards, low job creation, the increasing number of poor quality jobs, and a decreasing ability to fund consumption and therefore production by creating debt. We are experiencing a 'zombie economy' (p. 167).

What is required, according to Mullins, is 'creative destruction', whereas, for political reasons, our governments tend to prefer to subsidise failing industries and our banks are reluctant to foreclose on failing businesses. There is nothing new about change and uncertainty. What is distinctive today is that businesses are risk averse and that they are encouraged to be so. We now have an attitude very different from that which characterised the Enlightenment and almost every period of change since then. 'Rather than uncertainty propelling change, human-directed change ... is increasingly seen as contributing to unnecessary uncertainty.' (p. 195). We know that economic growth requires innovation and investment, but those are the things that we aren't doing: and where innovation is occurring we are keener to see it as a threat than as an opportunity. Artificial Intelligence is one obvious example of this tendency; and another is that we are quicker to identify climate change as a requirement to restrict economic growth rather than seeing economic growth as a means of abandoning more primitive and more damaging methods of production. We 'muddle through' (p. 227). Companies improve their profits by reducing costs rather than by innovating, and governments promote stability rather than innovation and in particular fail to invest in the new infrastructure that other innovation requires.

Mullan's prescription is, quite simply, innovation, with businesses and governments working together to promote research and to facilitate new kinds of production. The problem is that change can be painful – and that's where the book ends. We are left knowing that creative destruction is required, that change can be painful, and that governments are understandably hesitant about launching their countries into painful economic transitions that are bound to have unpredictable social consequences.

That is not where the book should have ended. It should instead have included an additional chapter on

how governments could protect their populations through the necessary economic change: because that is the only way to make radical economic change socially and therefore politically acceptable. Mullan might have pointed out that the NHS is the obvious exemplar. In the UK, whatever someone's economic or employment situation, the NHS will provide for their healthcare needs. The same principle would apply to incomes. Economic transitions destroy old jobs and create new ones, and they destroy employment market structures and create new ones. Such painful transitions would be bearable if a Citizen's Basic Income were to underpin everyone's net income, because then a proportion of everyone's net income would be entirely secure, whereas today someone's entire net income is at risk. A significant additional effect of a Citizen's Basic Income would be to provide every individual with greater freedom in the employment market, whereas today's tax and benefits systems lock people into a narrow range of options. Such new kinds of freedom are precisely what is required to facilitate the changing economic structures that we need.

This is a persuasive book. A second edition would be even more persuasive if the author were to explain how governments might provide the kinds of security that people will need if radical economic change is to be socially and therefore politically acceptable. That is the only way in which governments will find it possible to promote the innovation that the economy requires, and to provide the security that people will need if they are to participate in the economic change that we need.

Robert J. Brent, *Advanced Introduction to Cost-Benefit Analysis*, Edward Elgar, 2017, xiv + 139 pp, 1 78536 176 0, pbk, £17.95

This book does precisely what an 'introduction' to cost-benefit analysis (CBA) ought to do. It doesn't make complicated what needs to be simple: '... if the calculated benefits are greater than the costs, do it; if the calculated costs are greater than the benefits, don't do it' (p. 2); and it offers comparisons with alternative approaches (- markets, democracy, employing 'basic needs' criteria, are all shown to allocate resources less efficiently than CBA). Throughout, the book employs case studies to illustrate important points. The evaluation of a bus service has to take into account the congestion, fuel cost, and other savings to car drivers and pedestrians, so net benefits might be positive even if net direct revenue benefits are negative: and where this is the case, public subsidy is clearly warranted. Similarly,

an evaluation of policies designed to tackle dementia illustrates a 'willingness to pay' methodology to discover the value of a service, which can then be compared with the cost. This case study interestingly reveals that net benefits can be positive at the same time median benefit is negative, suggesting that democratic processes are not necessarily the best method for deciding on public policy. (I leave the reader to suggest an obvious recent example.)

In conformity with its 'introductory' intention, the book mainly eschews technical detail, although it quite properly includes it where necessary: for instance, in discussions of the 'willingness to pay' survey methodology for evaluating the value of a public service, of different questionnaire questions, of the differences between 'willingness to pay' and 'willingness to accept [money in place of a service]' methodologies, and of the associated 'quality adjusted life year', 'human capital', and 'value of a statistical life' quantities. Also discussed in some detail are discounting, the 'social discount rate' (an important parameter in *The Stern Review of the Economics of Climate Change*, which is discussed), and the 'internal rate of return': the rate that discounts the future (additional) lifetime earnings stream such that it equals the value of the private net costs. In this context a particularly interesting case study is an evaluation of the net cost of publicly funded education. When such public benefits as better health and fewer prisoners are added to the calculation of the private benefits of publicly funded education, the social optimum is shown to require a higher educational output than would be required if only the private benefits were taken into account. A similar shift would clearly apply to Citizen's Basic Income, suggesting that calculations of net costs that take into account only revenue benefits (of the Citizen's Basic Incomes) and private costs (of tax increases and changes to other social security benefits) need to be augmented by calculations that recognise that savings would accrue to better physical and mental health. Such augmented calculations would generate higher levels of Citizen's Basic Income for the same tax increases and benefits changes. Another discussion in the book that would be relevant to any cost-benefit analysis of a Citizen's Basic Income scheme would be that on distributional weights: that is, weights applied to benefits and costs according to the income levels of those receiving benefits or incurring costs. A scheme that redistributes from rich to poor fares better than one that redistributes in the opposite direction. To illustrate the method, the book contains a detailed cost benefit analysis of conditional cash transfer programs in Mexico and Kenya. It would be

interesting to see such an analysis carried out for entirely unconditional cash transfer programs.

Graphs are used sparingly and appropriately: for instance, to explain consumer surplus (the difference between the benefit of a good or service to a consumer and the price paid), producer surplus (the difference between the benefit to the producer and the cost of production), and the marginal excess burden of taxation (the social cost of taxation reducing economic activity: a significant issue for any social policy that increases tax rates).

As the concluding chapter suggests, CBA is an essential public policy tool. It has been underused in relation to Citizen's Basic Income illustrative schemes. Anyone who decided to repair that deficit would find this introduction a most useful guide.

Roger A. McCain, *Approaching Equality: What can be done about wealth inequality*, Edward Elgar, 2017, v + 224 pp, 1 78643 143, hbk, £75

This book tackles some important and interconnected questions:

Can we envision a future social economy in which equality would be realized, to the greatest possible degree, and a social economy that is at the same time workable, efficient, and progressive? Would this social economy require our posterity to sacrifice other values, such as individual autonomy and liberty, or may we hope that these values too could be perfected? If we do envision such a social economy, what are the steps that could take us from our present status to the social economy we envision? (p. 1)

The early chapters understand capitalism as a class structure within which income inequality is inevitable and in which wealth inequality drives rent-seeking behaviour and thus further inequality. The results are 'plutocratic oligarchy' (p. 22), an inefficient market economy, stagnation, and economic instability. There are therefore economic as well as social reasons for tackling income and wealth inequality. The later chapters discuss what can be done about the situation, and McCain's suggestion is a wealth tax that builds a Social Endowment Fund (with the wealth tax accompanied by a more onerous transaction tax to discourage the wealthy from avoiding the wealth tax, and with the fund's increasing ownership of the means of production changing the ways in which companies are governed).

Two minor criticisms might be in order. The author employs a 'working class' and 'employers' class' framework, into which he then inserts a mediating 'middle class'. Today's class structure is far more diverse than that framework suggests. Now a highly complex class structure is better defined in matrix fashion by differing levels of social capital, different levels of wealth and income, and increasing employment market precarity across broad earnings ranges. Fortunately, the book's economic and social policy arguments are not necessarily tied to the class structure employed, so the anachronism does not compromise the book's diagnosis and prescriptions in relation to income and wealth inequalities.

The second criticism relates to chapter 8, in which McCain recommends the allocation of resources according to 'need' (his discussion of which would have been enhanced by reading Hartley Dean's work on the concept's complexity). McCain suggests that 'there are problems with the demand for distribution according to need' (p. 152), and he understands the difference between individual and group needs, but then he does not recognise the different policy implications. To satisfy a population's need for an income might suggest that the proposed Social Endowment Fund should pay a Citizen's Basic Income, whereas to satisfy each individual's need for an income might suggest means-tested benefits.

In framing his responses to his initial questions McCain employs economic and political theory from a broad spectrum of traditions (and particularly Marxist analysis), and he employs methods from a broad spectrum of disciplines. Other scholars' work is treated both fairly and critically, and the more complex mathematical material is usefully located in appendices. The book's basic argument is clear and persuasive. This is an important book that tackles an important problem, and it could usefully inform governments' economic policies.

Jonathan Portes, Howard Reed, and Andrew Percy, *Social Prosperity for the Future: A proposal for Universal Basic Services*, University College London, 2017. Free to download at <https://www.ucl.ac.uk/bartlett/igp/news/2017/oct/igps-social-prosperity-network-publishes-uks-first-report-universal-basic-services>

Every day, the stories mount up of the impending disaster that is Universal Credit: Iain Duncan-Smith's Frankenstein offspring of tax credits. Simultaneously, persistent low pay, job insecurity, millions of

households dipping in and out of poverty and a cycle of insecure work and insecure lives is now a constant. Even without considering potential impacts of automation, robots, and AI, it is clear that the social contract between citizen, state and market is failing.

So new ideas are at a premium. The one idea that has captured the imagination of advocates and critics alike is Universal Basic Income. At its simplest, UBI is a regular, unconditional payment made on an individual basis to each citizen. The strongest case in favour is that it provides a bedrock of security on which people can develop their lives and those of their families. It is an investment in human potential.

Utopian dreamers have imagined UBI at a level that would usher in a post-work future, a machine world with little need for human labour. This is more a diversion in Blade Runner-esque sci-fi than serious public policy. The more compelling case for UBI is that it enables people to better navigate their working lives - investing in themselves, trying new ideas, and fulfilling other important responsibilities, such as caring, as they go. The aim is for enhanced working lives, not for an impossible and undesirable post-work world.

There has never been a greater need for innovative thinking about creating a more creative and secure future. The most significant risks from technological developments are not from mass structural unemployment. They are from distributional consequences; a person's skills, locale, gender and adaptability to change will all influence whether they end up on the winning or losing side of economic and technological change. The challenge is to design a new social contract that enables adaptation.

A new and welcome voice in the debate came from UCL's Institute for Global Prosperity last week. As an alternative approach to UBI, their proposal is for universal basic services including access to mobile and internet, housing, food, and transport at a cost of 2% or so of GDP per annum. Would this be a better way to go than the politically challenging route of UBI?

On the face of it, it is attractive. The politics of giving people services rather than cash seems easier. The NHS is founded in just this way. The report finds that the maximum value of this approach is £126 per week. The same money distributed as a UBI would deliver just £12.47 a week. Slam dunk right? Not so fast.

On closer reading, it turns out that 'universal' basic services are no such thing. The maximum value would accrue to 1.5 million households - those who

benefit from the free housing component. For the other tens of millions, the value is quickly reduced to £39 a week. And if you don't or can't use public transport, for example if you live outside of cities, then the value is a mere £18 per week. And if you don't wish to take up the food support? Then the value to you is £5 of free broadband and mobile – the only 'universal' element.

It turns out therefore that 'universal' basic services is actually 'targeted living cost support'. And this is why the politics would likely backfire, with a whole host of unintended consequences lurking in the shadows such as stigmatisation of food support claimants as is entrenched in the US. 'Universal' basic services feels very much like an expansion of welfare – along with the political barriers of that approach - rather than a different approach to supporting all.

There is an opportunity cost too. The £42bn a year cost is a sum that would unlock UBI. It may be only worth £12.47 per week but it's rather like broadband services: it's the investment that connects the final mile to actually put in place a decent UBI. By turning personal tax allowances into a cash payment, merging in much of the welfare state (with the exception of disability, housing and childcare) plus this extra investment, we would have a full UBI and the greater freedom and security that goes with it.

The authors of the report are right to highlight that other things matter and not just cash support. Our housing needs are at emergency levels. Transport and digital infrastructure matter in support of economic opportunity. Food insecurity in a country as wealthy as the UK is shameful. A series of responses are needed; UBI is just one element of a possible new social contract.

In the early years of New Labour, too often it resorted to easy politics such as free TV licenses and winter fuel payments for the elderly (albeit alongside the important intervention of the Pension Credit). These are expenditures that have been difficult to reform. Later it concentrated on more fundamental interventions such as increasing the Basic State Pension. It could have started earlier on that journey but went for smaller, tactical interventions.

Targeted living cost support ultimately feels like that type of tactical intervention rather than transformational policy. It also has the faint aroma of the state doing things for people that, given security and resource, they are perfectly able to do for themselves in a way that meets their particular ambitions and needs. The debate about how we develop a sense of security amidst change is an

entirely healthy one and is very important. Yet let's not lose sight of the transformational potential of UBI in favour of more tactical responses.

Anthony Painter, Royal Society of Arts.

This review was first published by the Royal Society of Arts. We are grateful for permission to reprint it here.

Ian Gough, *Heat Greed and Human Need: Climate change, capitalism and sustainable wellbeing*, Edward Elgar, 2017, ix + 250 pp, 1 78536 512 6, hbk, £25

This book has a very simple message: that in order to avoid runaway climate change, we need to consume less; and that social welfare requires consumption tailored to meeting human needs; and that we therefore need 'a political economy based on needs, sufficiency and redistribution, not on continuing economic growth'. Gough envisages three stages that will enable us to reach such an outcome: green growth, recomposed consumption, and degrowth, and believes this to be 'the only way to progress from the hard-headed "greed" and technological might of contemporary capitalism to an ethical, just and sustainable future' (p.2).

Chapter 1 summarises current knowledge about climate change and its likely effects, and it introduces us to the 'Raworth doughnut': a way of visualising the constraints within which social and economic policy now needs to operate. The outer ring is composed of the environmental effects of 'overshoot'; the inner ring of the social requirements that will not be met if we 'undershoot'. The middle ring, between these two, represents 'the safe and just space for humanity'. As Gough summarises: 'The goal must be to respect biophysical boundaries while at the same time pursuing sustainable wellbeing: that is, wellbeing for all current peoples and for future generations' (p.37).

The second chapter offers an understanding of human needs as universal, as only such an understanding can enable human wellbeing to be measured and compared across space and time. There are of course other possible understandings of human need (for instance, Hartley Dean's rather more complex understanding of it as both inherent and interpreted: unfortunately Dean's *Understanding Human Need* is not in the bibliography): but Gough's decision is understandable given his purpose of constructing a universal theory for sustainable global wellbeing.

Chapter 3 shows how the current global capitalist economy results in climatic instability and increasing inequality. Chapter 4 discusses the 'necessary emissions' that meeting human needs would entail, and finds that other emissions mitigation strategies would still be required, even if the economy were to satisfy only needs and not wants.

The second part of the book turns from the global discussions in the first part towards consideration of the policy change required in the rich world. Chapter 5 begins the discussion of how to balance the decarbonisation of the economy with the requirement that climate change mitigation policy should be equitable. Chapter 6 recommends raising the carbon price, regulation of housing and domestic energy, and a strategic green investment policy, and suggests that we shall need a more proactive State, if production is to be decarbonised. Chapter 7 recognises that simply redistributing income towards lower income households could increase carbon emissions, and recommends taxation of high-carbon luxuries, the rationing of carbon at the household level, and socialising consumption wherever possible. Such consumption will have to be actively managed and can no longer be left to individual choice. Chapter 8 goes further, and insists that, as well as 'green growth' and recomposing consumption, we shall have to reduce aggregate demand by building an economy based on social relations and a sustainable environment. Such an economy will require redistribution of wealth as well as income, and it will require employment hours to be reduced, thus reducing incomes, consumption, and emissions, and providing more time for the 'core economy':

caring for and socialising children within households, building and maintaining communities, creating shared meanings and social cooperation'. (p.108)

It is in chapter 8 that we find a section entitled 'The illusions of Universal Basic Income'. Gough discusses the ways in which a Basic Income would promote sustainability and post-growth:

It would provide more freedom of choice over citizens' life courses; it would promote a better work-life balance, enhance gender equality and expand choices between paid and unpaid work. It might enable more people to contribute to the 'core economy'. (p. 184)

In addition, it would provide a solution to labour market disruption and precarity, especially for young people; it would not require official enquiry into people's activities or household arrangements; and it would 'reduce division and stigma and enhance social

solidarity' (p. 185). Gough then suggests that a Basic Income would be either too expensive, or too low to provide sufficient to live on; that Basic Income focuses on money, whereas collective provision for needs is more efficient, equitable, and sustainable; that a 'more demanding state' would be required; that a Basic Income would abolish numerous existing entitlements to social insurance and means-tested benefits; and that a Basic Income would devalue 'participation in productive and reproductive activities' (p. 185), and by implication employment. Gough has drawn these negative conclusions about Basic Income because he has studied illustrative Basic Income schemes that might indeed have some of these effects. But not all illustrative schemes are of this nature. There are others that would cost no additional public expenditure, would impose no losses on households at the point of implementation, would compromise no public services, would incentivise employment, would reduce the State's interference in people's lives, and would leave in place all existing entitlements.¹⁰ As Gough's negative verdicts on Basic Income can be answered, he is left with only the positive contributions of a Basic Income to his agenda, so that he could, if he wished, conclude that a Basic Income would indeed be able to contribute to 'a realistic transition strategy from the present to a post-growth society' (p. 186).

But that criticism of Gough's argument aside, this is a well-researched, well-argued, well written, timely, and important book: and unlike some other contributions in this field, it is a realistic book. As Gough recognises in his concluding chapter, post-growth would be in nobody's immediate interest, even if it would save the planet from catastrophic climate change: hence the two transitional phases of green growth and recomposed consumption, with the main driver of these being local action which then integrates vertically into national and global action.

This is not just an academic book by an academic. It is a manual for policy-makers.

© Citizen's Basic Income Trust, 2018

¹⁰ For instance, 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