

CITIZENS INCOME

BULLETIN 17

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[*A Citizens Income scheme (sometimes called Basic Income or Universal Benefit) is intended to overcome the failings of the present welfare state. It would be simple in application, increase economic efficiency, help prevent poverty and unite our society.* **]**

STEPHEN QUILLEY ON
THOMAS PAINE

HERMIONE PARKER ON
CITIZEN'S INCOME

SUSAN RAVEN TALKS
TO SIR GORDON BORRIE

CHANTAL EUZÉBY ON
EXISTENCE INCOME

BI IN THE NETHERLANDS
AND THE NEED TO CONSULT

CI AND FAMILY BUDGET STANDARDS

CITIZEN'S INCOME DEFINED

*For every citizen the inalienable right
Regardless of age, sex, race, creed, labour-market or marital status
To a small but guaranteed income
Unconditionally*

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Editorial

Step by step, with Machiavellian guile, Britain's welfare state is being run down and replaced. The change started soon after Margaret Thatcher's first government took office in 1979 and has continued ever since. At first there were denials, now it is in the open and the process of change is being speeded up.

Universal benefits, say Treasury adviser Patrick Minford, are wasteful, and by universal he means national insurance (i.e. contributory) benefits as well as child benefit. While Labour's Social Justice Commission ponders the pros and cons of means-testing, the right wing of the Tory Party — including key Cabinet ministers Michael Portillo and Peter Lilley — are forging ahead in their quest for Victorian values. But it would be wrong to suppose that the Prime Minister's *Back to Basics* campaign is about morals as generally understood. In social security and Treasury terms the main concern is money and the starting point is the belief that *welfare is bad for you*. Former Minister Tim Yeo retained the Prime Minister's support despite his indiscretions, but the situation would have been different had there been any question of his love-child becoming a burden on the state; it is fathers who leave tax-payers to foot the bill who are the targets of *Back to Basics*.

It is also 'scroungers', including lone parents who prefer not to leave their children unattended, unemployed people who can't find jobs at a family wage, and people with disabilities who don't fit into the neat little boxes prescribed for them by the Department of Social Security. Between 1979 and 1992 claimant numbers soared, especially lone parents, invalidity pensioners and the unemployed. These people are the main target of *Back to Basics*. Minford's solution is selectivity, by which he means case-by-case scrutiny of benefit applications as well as means-testing, and that the reforms announced last November are all of this type (see Books and Papers Received p32).

Clearly, unless the opposition parties move fast, the Poor Law will be back. Time is not on the side of those who dither. Within the establishment influential voices are saying that the 'poor' don't matter, because economic success depends on middle to high earners. If the opposition parties want to undo the damage done by fifteen years of propaganda against universal benefits, they have to get their act together fast. And that means consultation with the grass roots — listening as well as explaining.

In a report from the Netherlands in this Bulletin, Rik van Berkel confirms the importance of grass roots consultation. In the 1990s the Dutch trade union Voedingsbond FNV voted in favour of a full Basic Income, but neglected the opinions of its own wider membership, as a result of which the initiative was not a success. Nearer to home, Britain's Liberal Democrats voted in favour of Citizen's Income (CI) at their 1990 conference, but have failed dismally to promote wider discussion about it — so much so that at the last general election at least one Liberal Democrat candidate didn't know it was party policy. Yet there is small chance of CI being

taken seriously until the solutions offered are tailored to meet the day-to-day requirements of potential voters.

We can only hope that Labour's Commission on Social Justice will give CI a fair hearing, but the signs are not good. We nevertheless greatly appreciate the time and trouble taken by Sir Gordon Borrie for his interview with Susan Raven. At one stage in the interview Sir Gordon mentions the widespread support the Commission has found for the contributory system, which is perceived by many as having a 'genuine moral strength'. Sir Brandon Rhys Williams would have agreed. He always said that the tax raised to finance his *Basic Income Guarantee (BIG) scheme* should be called a *Basic Income Contribution*. The main differences between Sir Brandon's BIG schemes and national insurance are that the tax base for the BI contributions would be wider and everyone would get a BI, regardless of status or contribution record. Instead of redistributing between present and past earners, which is the function of the National Insurance Fund, CI would redistribute according to need, which in many cases would reflect the different stages of the life cycle. In childhood and old age most people would be net recipients, during child-rearing many women would be net recipients, but most adults of working age would be net contributors, each according to his ability.

In the light of the Social Justice Commission's deliberations, and its possible preference for CI with a participation element, we also welcome Chantal Euzéby's intervention. In her article Professor Euzéby, who used to be an outspoken critic of CI, develops Timothy Whitton's analysis in Bulletin No. 16 of France's *Revenu Minimum d'Insertion (RMI)*, and sets out the case for France's equivalent of CI, which the French call *Revenu Minimum d'Existence*. European Union must surely include learning from each other's mistakes. It would be unwise for other members of the European Union to move towards greater reliance on means-tested benefits, despite the UK experience of escalating case loads. Likewise it would make little sense if the UK espoused participation income, regardless of France's experience with its RMI.

Finally a subject close to your Editor's heart: family budget standards. It is unhelpful to talk about CI (whether full or partial) without a pretty good idea of the amounts of money families of different composition need to live on. In *Citizen's Income and Family Budgets* Autumn Yu puts the average weekly cost of a child under 11 at £25 in June 1993. At the same low-cost but healthy standard, the weekly cost of two adults (excluding housing but including transport) is £90, or £45 per person. If housing costs, which are immensely variable, were dealt with through a new, enhanced housing benefit (including elements for water rates, insurance and maintenance as well as rent or mortgage), the adult CI necessary to prevent poverty would be close to existing Income Support levels. But the CIs for children would need to be higher than the amounts payable with Income Support.

Further research is necessary, but the work of the Family Budget Unit should facilitate as well as stimulate debate. In the past too many people involved in the CI debate have plucked their CI figures out of thin air. Henceforth the debate will be better informed.

What's Left? Citizen's Income and Thomas Paine (1737-1809)

Stephen Quilley

Starting from the premise that the Left desperately needs new ideas, Stephen Quilley looks for inspiration to the writings of CI's first known exponent, the eighteenth century radical Tom Paine.

A democracy of ideas?

The culture of the political Left has always been self-consciously theoretical, and its commitment to ideas has always been coupled with inordinate faith in the intellectual capacities of ordinary people. The success of Chartist papers like the *Northern Star* in the nineteenth century, the fact that factory workers in Italy spent hours deliberating the finer points of Marxist dialectics in Gramsci's uncompromising but popular newspaper *L'Ordine Nuovo*¹ — right through to the activities of the Workers Educational Associations — all testify to this heritage of popular but informed dissent. And the pedigree of this democracy of ideas goes back to the mass circulation of Tom Paine's *The Rights of Man* in 1791-2.²

It is paradoxical, therefore, as well as alarming, that the British Labour Party is so unreceptive to new ideas. Nobody could accuse the modern Labour Party of reverberating with radical dissent. For 'lost its soul', read not only its commitment to traditional notions of social justice and socialist values, but also its radical, intellectual edge. Whatever happened to the New Jerusalem?

The prosaic tedium of left-wing politics is not only a result of the Labour Party having expelled its so-called 'lunatic' fringe. An intellectual quiescence has apparently becalmed all sections of the Left — leaving social democrats and socialists alike bereft of any convincing economic programme. Locked into a debilitating state of apostasy, many people on the Left ask not *Where Now?*, but the more defensive *What's Left?*

In fact not everyone on the Left has been standing still. The involvement of socialists in Charter 88 and the Helsinki Citizens Assembly³ testifies to a genuine reappraisal of the importance of individual human rights, basic human needs and the institutions of democracy in Left-wing thinking. However this involves a searching re-evaluation of the Left's intellectual heritage — particularly the relationship between equality and social welfare on the one hand and individual autonomy, liberty and political democracy on the other. In this context much can be learnt from forgotten dialogues between liberalism, libertarianism and socialism.

Liberalism and socialism in the eighteenth and nineteenth centuries

Marxist socialism was never conceived as the negation of liberalism. Rather it was to be the extension and realisation of the rights and equalities first heralded by the Liberal ideologues of the bourgeoisie. Any implicit assumption that socialist ideas come *after* and somehow supercede liberal ideas is misleading — socialism and liberalism are perhaps better seen as siblings. They were both present at the dawn of the modern world, and are more appropriately seen as different responses to the breakdown of pre-industrial societies.

Although they certainly represented the aspirations and interests of different classes, it was not until this century that liberalism and socialism became so antagonistically defined in opposition to each other. This was partly because they could both claim to be radical. Tom Paine, perhaps the most successfully revolutionary of all time,⁴ can legitimately be claimed by either tradition: as defender of private property and the operation of the market, *and* as a radical republican, egalitarian, champion of the poor and scourge of the landed classes.

Thomas Paine and Citizen's Income

Born in 1737, son of a Quaker stay maker, Thomas Paine was the first international revolutionary. His first major pamphlet *Common Sense* (1776) sold over 150,000 copies, and played a major part in crystallising the republican and separatist mood in America. Written in response to Burke's denunciation of the French revolution, Paine's *Rights of Man* (1791-2) quickly sold over 100,000 copies and paved the way for an extended period of extra-parliamentary agitation for democratic (and republican) reform (1792-95). For present purposes, however, his essay *Agrarian Justice* (1797) is the best place to start, since it is there that he advocated a rudimentary CI.⁵

The end of the eighteenth century was a time of extreme poverty and distress, as a result of the enclosure movement and growing competition between cottage handicrafts and the new industries. So great was the poverty that in 1795 the magistrates of Berkshire (meeting at the Pelican Inn in Speenhamland) decided to introduce a system of means-tested relief for families with children. There was also talk of a minimum wage and even child benefit.⁶ These debates, which touched on both the sanctity of private property and the responsibility of the state for securing the welfare of the poor, were given greater urgency by the turmoil in France.

The text of *Agrarian Justice* is too long to reproduce in full, but I hope that the following extracts and commentary will be sufficient to demonstrate the nature of Paine's proposal, his philosophical justification for it, and its relevance to the present debate. Although he was fundamentally a liberal in his defence of individual property rights, Paine's radical republicanism was very much concerned with the iniquities of poverty and inequality. He sought to combine a libertarian conception of inalienable, individual 'rights' rooted in nature with a radically egalitarian notion of the common good.

Paine's argument for a Citizen's Income rests upon the idea that the world and its natural resources initially

belonged to no one, and that everyone has an equal right to them. Each person is the full owner of goods he or she has legitimately acquired (Paine's *artificial property*), which therefore cannot be taxed for redistributive purposes. But all material things contain natural resources to which every human being has an equal moral right.⁷ Taxation of this *natural element* of material wealth, and its subsequent redistribution in the form of a Citizen's Income is therefore legitimised. Notice especially that Paine's CI, unlike poor relief or Speenhamland, was conceived of in terms of an inalienable human right. Taxation of the natural element of material wealth and its subsequent redistribution in the form of a CI is thus legitimised. *In advocating the case of the ... dispossessed*, he says, *it is a right and not a charity that I am pleading for*.⁸

Now for the quotes, which are taken from *The Thomas Paine Reader*.⁸

First comes the universal right to *natural property*:

Liberty and Property are words expressing all those of our possessions which are not of an intellectual nature. There are two kinds of property. Firstly natural property, or that which comes to us from the creator of the universe — such as the earth, air, water. Secondly artificial or acquired property — the invention of men. In the latter, equality is impossible; for to distribute it equally it would be necessary that all should have contributed in the same proportion, which can never be the case; and this being the case every individual would hold on to his own property, as his right share. Equality of natural property is the subject of this essay. *Every individual in the world is born therein, with a legitimate claim on a certain kind of property, or its equivalent* (*op cit*, pp 471-2).

... the earth, in its natural and uncultivated state was, and ever would have continued to be, the common property of the human race (*op cit*, p 476).

Next comes the need for government intervention.

According to Paine, civilisation brings great *advantages which flow from agriculture, arts, science and manufactures*, but it also brings abject poverty and degradation:

Civilisation therefore has operated in two ways: to make one part of society more affluent and the other more wretched than would have been the lot of either in a natural state (*op cit*, p 475).

Even if we so wished, the increase in population brought about by the agrarian revolution makes any return to a state of nature impossible.

It is never possible to go [back] from the civilised to the natural state ... because [without civilisation] there cannot be sustenance for more than a tenth part of its inhabitants (*op cit*, p 475)

Thus, for Paine, the problem is how to remedy the ills

of 'civilisation' (extreme poverty and inequality) whilst retaining its material benefits. He is staunch in his defence of individual property rights:

While therefore I advocate the right, and interest myself in the hard case of those who have been thrown out of their natural inheritance by the introduction of the system of landed property, I equally defend the right of the possessor to the part which is his (*op cit*, p 477).

But he also argues that these individual property rights are only equal to the value of the improvement on the natural resources used. All proprietors are to a greater or lesser extent (unwittingly) expropriating natural wealth which belongs to society:

Every proprietor therefore, of cultivated land, owes to the community a *ground rent* (*op cit*, p 476).

This ground rent, it is proposed, will generate enough revenue to finance a Citizen's Income. His plan was:

to create a national fund, out of which there shall be paid to every person, when arrived at the age of twenty-one years, the sum of fifteen pounds sterling, as a compensation, in part, for the loss of his or her natural inheritance, by the introduction of landed property; and also the sum of ten pounds per annum, during life, to every person now living, of the age of fifty years, and to all others as they shall arrive at the age (*op cit*, pp 477-78).

In common with twentieth century BI and CI schemes, entitlement to Paine's CI was an inalienable human right. It was on an individual basis, unconditional and unrelated to sex or marital status. Nor was it means-tested or work-tested. Notice also that although, at this stage, we are mainly concerned with CI at a European level, Paine's argument would logically have to be extended to cover all human beings as citizens of the world.

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Citizen's Income

Hermione Parker

*This article is based on a paper prepared for the Conference at York University in September 1992 to celebrate the fiftieth anniversary of the Beveridge Report, and published in **The European Face of Social Security**, edited by Jos Berghmam and Bea Cantillon (Avebury 1993, see Book Reviews). First the case for a Citizen's Income (CI) is argued, then the characteristics of different CI models are explained, with special reference to a Transitional CI scheme costed for the financial year 1991-92. Although those costings are two years old the analysis remains valid. Even quite small CIs (about £15 a week for adults and £12 for children at January 1994 prices and incomes) would redistribute income from rich to poor and would improve work incentives at the bottom of the income distribution, without requiring excessive tax increases. The article ends with a plea to Europe's politicians and the European Commission to take CI seriously.*

1. The Ultimate privatisation?

Imagine a situation in which every European had a bank account a smart card and a small, unearned income credited monthly by central government, through the banking system. Would this not represent the ultimate privatisation? In the UK, along with abolition of the Department of Social Security, one can foresee the undoing of work tests, means tests and the cohabitation rule — as well as the stigma of being treated as a second-class citizen. Instead, every legal resident (man, woman or child) would receive a small but dependable CI, upon which the adults would be able to build through paid work or past savings, and the older children would be able to depend during study or training — all without any form-filling or fear of prosecution.

2. Crisis in the welfare state

Throughout most of Western Europe welfare states that were set up to abolish poverty are in crisis. During the past thirty years, Europe has undergone a period of change so rapid that it is hard to distinguish cause from effect. Micro electronics and world markets have catapulted Western societies into the post-industrial era. Modern science has freed women from domestic drudgery and launched them *en masse* upon the labour market, at the very time when modern medicine has led to the emergence of a new generation of very old people, and an unprecedented demand for carers. The initial result is that the social insurance systems inherited from Bismarck and Beveridge no longer match the conditions in which people actually live (if indeed they ever did). The end result is crisis: in the labour market, in the family, and in the welfare state. Few people are exempt, but those worst affected are undoubtedly the young, caught as they are (through no fault of their own) between the twin evils of unemployment and family breakdown.

Notes and References

1. Antonio Gramsci played a crucial role in the revolutionary upsurge in Italy following World War One.
2. Written in response to Burke's *Reflections on the Revolution in France*, Paine's pamphlet triggered a period of agitation between 1792-95.
3. Charter 88 is a broad based campaign for constitutional and electoral reform. The Helsinki Citizens' Assembly is the 'citizens' arm' of the Conference on Security and Cooperation in Europe.
4. He played a crucial part in both the French and American revolutions.
5. Paine never used this term. His proposal involved payment of a lump sum to citizens on their coming of age, and an annual income on reaching the age of 50. Various publication dates are given for *Agrarian Justice*: 1795 in Michael Foot and Isaac Kramnick Eds, (see Note 8); 1796 in the Blackwell Encyclopaedia of Political Thought, ed. David Miller; 1797 in Gregory Claeys *Thomas Paine's Social and Political Thought*, Unwin & Hyman (1989).
6. In 1795, Prime Minister William Pitt presented a Bill to introduce the equivalent of child benefit (see Walley, J., *Public Support for Families with Children*, BIRG Bulletin No. 5, 1986).
7. In using this argument Paine was attempting to revive a tradition of 'natural law', premised on an 'original community of property' ordained by God. (See Claeys, G., *Thomas Paine: Social and Political Thought*, 1989, p 196.)
8. Michael Foot and Isaac Kramnick Eds, *The Thomas Paine Reader*, Penguin Classics, Harmondsworth, 1987, p 477.

Concern for people who are poor is the starting point for CI, especially:

- Their low living standards
- Their exclusion from mainstream society
- Their wasted talents
- Their increasing numbers
- The impossibility within existing social security systems of resolving their problems

Perhaps the most striking feature of the new poverty is its spread across Europe, notwithstanding the different political priorities of the different national governments. In this article it will be argued that the new poverty and the return of mass, long-term unemployment are at least partly due to the social security systems currently in operation — especially benefits paid as replacements for earnings, and the social insurance contributions (effectively payroll taxes) by which they are financed. Family break-down cannot be blamed on social insurance, but social insurance does nothing to help those affected by it.

3. Limitations of social insurance

Of course, millions have benefited from social insurance and millions still do. The problem concerns the growing minority who do not. Here, I will concentrate on design flaws which apply to both the Bismarck tradition, with benefits paid as fixed percentages of former earnings, and the Beveridge tradition, with its flat-rate (allegedly) subsistence benefits plus dependency additions. In each case the design flaws are:

- Exclusion
 - Social insurance contributions
 - Moral hazard
- **Exclusion.** In Britain the Beveridge Report won instant acclaim because it promised “comprehensive” insurance “in respect of the persons covered and of their needs”.¹ Unfortunately, not everyone is covered, nor every contingency — lone parents being one typical example. Instead, like private insurance, social insurance is a system of exclusion, and Figure 1 lists some of the excluded categories.

Figure 1: Social insurance, excluded categories

Category	Reason for exclusion
Carers	Not available for work
Children (and school students)	ditto
Students	ditto
Trainees	ditto
First-time job seekers	No contribution record
Lower paid	Already in work
Lone mothers (except widows)	Absent parents still alive
Congenitally disabled	No contribution record
Partially disabled	Fit enough to work
Long-term unemployed	Entitlement used up

The exclusions help to explain the large numbers of people without entitlement to benefit. In the UK in November 1992 only 23% of unemployed men were receiving national insurance unemployment benefit, 65% were wholly dependent on means-tested Income Support, and 12% were receiving neither benefit. Similarly, because of the contribution conditions, only 16% of British women reaching State pension age get a full (Category A) national insurance pension of £243 a month (£56 a week), and about one-third have no entitlement at all.

Because entitlement to social insurance depends on the claimant's contribution record and previous earnings, it sends out messages concerning the relative values of paid and unpaid work that weaken family life and social cohesion. In the UK married women are in some ways in a stronger position than their sisters in mainland Europe, because British women can claim partial old age pensions (£146 a month or £33.70 a week) through the contributions of their husbands. Even so, for all sorts of reasons including divorce and separation, about one-third of British women reach pension age with no entitlement at all,² and about 22% depend on means-tested Income Support, compared with only 9% of men pensioners. Nor will the problem be resolved by the increasing labour market participation of married women, since most of them work part-time and do not pay contributions.³

● **Social insurance contributions.** The maintenance of employment (meaning the avoidance of mass unemployment) was a key assumption of the Beveridge Report (para 301),¹ partly because the only way to be sure that a claimant is genuinely unemployed is by offering him or her a job (para 440). Unfortunately, the contributions through which social insurance is financed add to insecurity of employment by putting up the price of labour — thereby encouraging investment in labour-saving technologies, the employment of uninsured workers (eg the part-time women mentioned above), and cheap imports from countries where social insurance does not exist.

● **Moral hazard.** Like private insurance, social insurance results in some people putting in benefit claims that are not strictly necessary — an effect which the insurance industry calls *moral hazard*. Claimants may be tempted to take a few extra days off work when they have been sick, or to wait until their children's school holidays are over before 'finding' a job. Unsurprisingly, most claimants also look for jobs that will pay at least as much as their unemployment or 'dole' money grossed up for tax and work expenses (the *unemployment trap* effect). For which reason it is imperative that governments keep tax allowances well above benefit levels, make travel-to-work costs tax deductible, provide good quality childcare at affordable prices and/or allow mothers to put their childcare costs against their income tax.

Instead the British government does the opposite. About one-third of British children live in families at risk of moral hazard. About three million live in families in receipt of Income Support, which means that their parents are probably caught in the 'unemployment trap'. A further one million live in families working for low wages and claiming Family Credit, as a result of which the parents may be only a few pence better off out of each extra £ earned — i.e. they are caught in the 'poverty trap'. These disincentive effects arise from a combination

of factors, some of which may not apply in all the Member States of the European Union:

- Benefits paid as a replacement for earnings.
- Taxation beyond ability to pay
- Over-reliance on means-tested benefits
- Low pay
- Under-investment in the infrastructure, e.g. transport and childcare

In Britain the unemployment trap effects of benefits paid as compensation for loss or interruption of earnings were well known during the 1930s, and re-emerged during the 1960s. Various in-work (but means-tested) benefits were introduced to counter these effects, but the experiment failed — largely because income tax, social security contributions and local authority taxes were — and still are — deducted *at the same time as* claimant families are having their means-tested benefits withdrawn. It is crazy! The Treasury complains about the escalating costs of social security, yet the main reason why the Department of Social Security's budget is out of control is the flood of applications for means-tested benefits as a result of Treasury tax policies.

Figure 2 illustrates the effects of the unemployment and poverty traps on the disposable income of a couple with two children in January 1994 compared with January 1993. Out of work, they now have a guaranteed income of £115.29 a week (plus rent or mortgage interest and their local council tax in full). On earnings of £195 a week (roughly 70 per cent of average male manual earnings), their disposable income is barely £20 more than on Income Support, and that is *before* work expenses. Families living in rural areas, and needing a car to get to work, probably need a further £45 a week, ie total earnings of £240 a week gross. But average male manual earnings are only about £280 a week.

In Figure 2 net spending power is defined as gross earnings plus all social security benefits to which there is entitlement, less income tax, national insurance contributions, council tax and rent. Work expenses are not included and the families are assumed to live in local authority rented accommodation. Although it is hard to see on the graph, the net spending power of families just above the entitlement levels for means-tested Family Credit is lower in January 1994 than in January 1993. On earnings of £195 a week they have lost nearly £1.

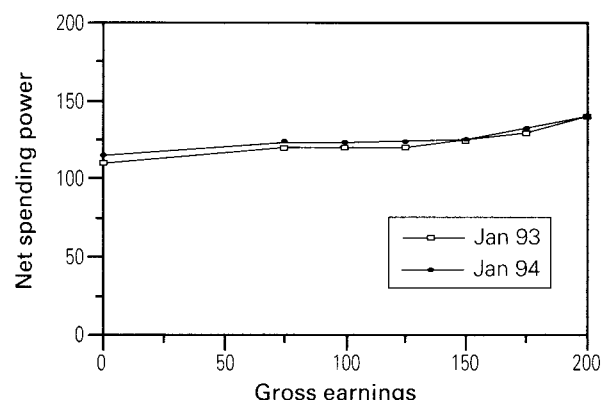
Due to recession, millions of British families are at risk of these and similar effects. At the latest count about three-quarters of lone mothers depended on Income Support. By contrast child benefit — which is payable on behalf of every child regardless of the work status of the parents — has no disincentives effects. Citizen's Income is modelled upon it.

5. Citizen's Income

The purpose of CI is to prevent (rather than relieve) poverty, by giving every legally resident man, woman and child an income that does not disappear when their circumstances change. Instead it would be withdrawn gradually through income tax, at rates that could be flat-rate or graduated. In its simplest form, CI can be defined thus:

Figure 2: WHY WORK syndrome, January 1993 and 1994

UK Poverty and Unemployment Traps
Couple with 2 children aged 4 and 6, £ week



Source:

Department of Social Security, Tax/Benefit Model Tables, April 1992 and April 1993

Assumptions:

Jan 93: Rent £29.98, community charge £10.54 a week
Jan 94: Rent £32.54, council tax £10.35 a week

For every citizen the inalienable right, regardless of age, sex, race, creed, labour-market or marital status, to a small but guaranteed, tax-free income, unconditionally

This definition, with its emphasis on equal treatment, automaticity and autonomy, is in stark contrast to most social security reform options currently being discussed. In addition to its potentially beneficial impact on work incentives,⁴ CI would strengthen family life. Recent research by the Citizen's Income Research Group has drawn attention to a gender gap between the social security requirements of men (representing paid work) and women (representing less well paid and unpaid work).³ Men (on average) do better than women out of social insurance. Women (on average) would do better out of CI, because most women, despite their need to earn money and their desire for personal fulfilment, put their family responsibilities before their jobs and pensions.

High-fliers of either sex think they would do best if all benefits were means-tested, because taxation would be lower. But they are over-optimistic, because experience shows otherwise. The catch lies in administration and incentives. For as more and more families are affected by the high marginal tax rates and red tape associated with means-tested benefits, so the benefit system becomes increasingly expensive to administer and difficult to control, and the tax necessary to pay for it goes far higher than originally predicted. This is already the case in the UK.

By contrast a CI would reduce the number of families needing means-tested benefits, husbands and wives would be assessed independently, people would be free to build on their benefits by taking whatever work was

available without fear of prosecution, and administration could be automated without fear of abuse. Women would gain more than men — not because CI would be unfair to men, but because the existing system is unfair to women. Unfortunately, partly because the debate about benefits is dominated by men, the case for CI is seldom heard.

This is how the French economist Professor Henri Guitton has described Citizens Income⁵:

In order to escape the connotation of assistance, every citizen should receive, as of right from birth to death, the same standard amount, which we have called the *existence or dignity income* ... It is not necessary to be in paid employment in order to qualify for the benefit that I propose. The link between income and work disappears. Contrary to what is so often said: *he who does not work must nevertheless eat* ... An *existence income*, determined in this way, should be gradually introduced, and should replace the existing highly complex system of social protection (Guitton, H., *Existence Income and Activity Income*, BIRG Bulletin No. 9, 1989).

Many people regard CI, with its emphasis on universalism, as the product of starry-eyed benevolence. Yet there are strong economic arguments in favour of poverty prevention (investing in people) rather than poverty relief (removing its symptoms). In Britain the idea of a guaranteed income that is automatic and universal, that replaces existing cash benefits and income tax reliefs and takes the individual as the assessment unit, descends directly from the work of the economist Juliet Rhys Williams, whose starting point was the need for strong work incentives and strong families. As early as 1943, with prophetic foresight, she warned against the Beveridge Plan on the grounds that it would leave large sections of the population unprotected against poverty, erode work incentives, and eventually necessitate 'some form of State compulsion', to avoid which 'the prevention of want must be regarded as being the duty of the State to all its citizens, and not merely to a favoured few'.⁶

Today Lady Rhys Williams must be turning in her grave. To outsiders Britain's system of social assistance (first National Assistance, then Supplementary Benefit and now Income Support) may look admirable, but not to those trapped in dependence upon it. Contrary to Beveridge's intention, claimant numbers have grown dramatically: from 1 million in 1948 (about 2% of the population), to an estimated 5.7 million in 1993-94 (nearly 10% of the population, and almost one in 5 families).

Speaking at the December 1992 Poverty Summit in Edinburgh, Professor Tony Atkinson warned against the temptation to see means-tested assistance as the answer to Europe's problems:

Britain has the dubious advantage that it has experimented extensively with a minimum income guarantee, and we have seen its shortcomings. The saying of Santayana that those who do not remember the past are condemned to repeat it, should perhaps be extended to include those who do not learn from the experience of their neighbours. A means-tested second tier is not the route for Europe to follow (Atkinson, A.B. *Beveridge, the National Minimum, and its Future in a European Context*, Discussion Paper WSP/85, STICERD, London School of Economics, 1993).

6 Citizen's Income variants

Not unexpectedly, those who have costed CI schemes have concluded that a CI sufficient to purchase a tolerable living standard would be hideously expensive.⁷ But a 'Modified Citizens Income', with an element of income testing, is a realistic option. Finding one's way through the morass of CI proposals put forward in recent years is a difficult task. But it helps to start by distinguishing the key variables:

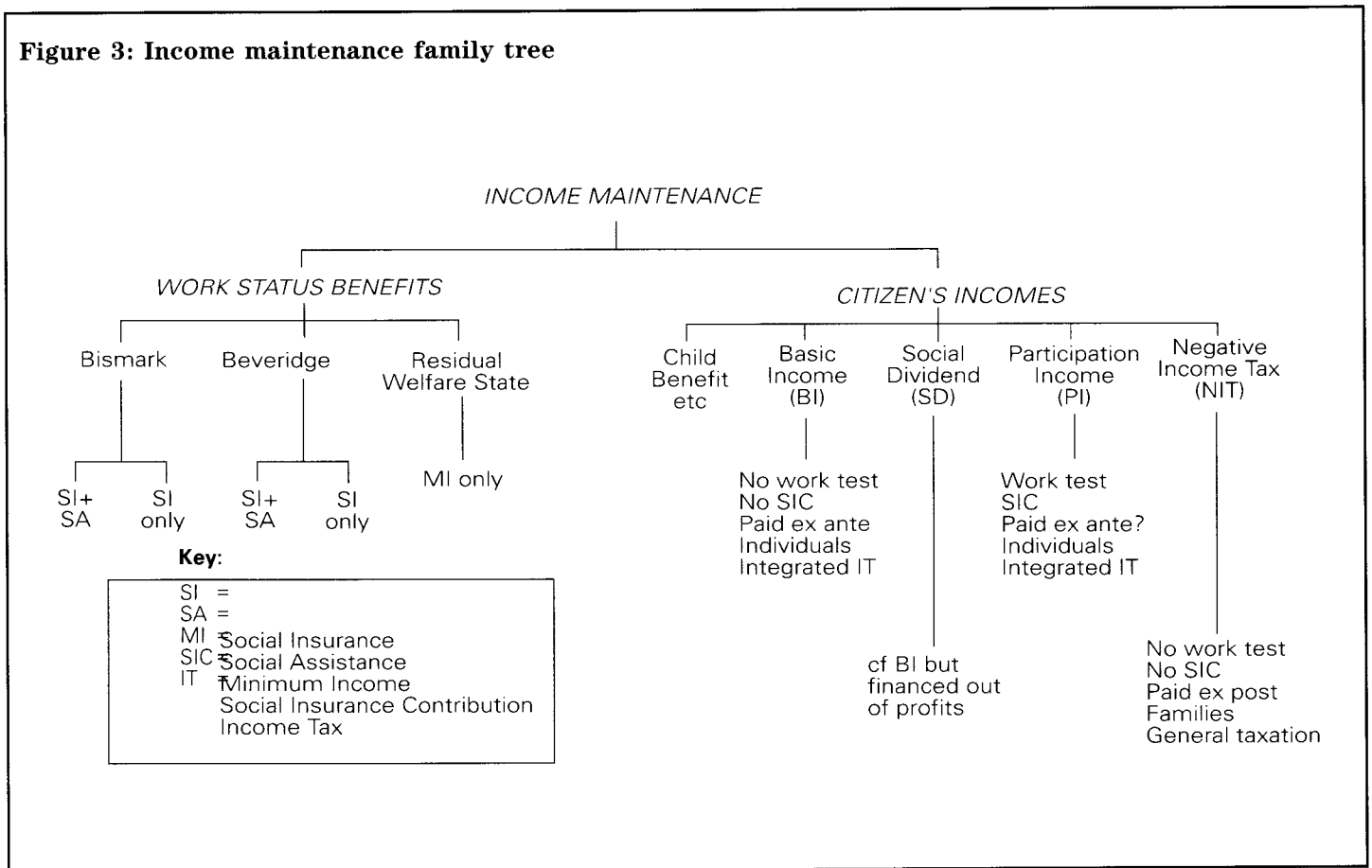
- The basis of entitlement
- The unit of assessment

Figure 3 distinguishes between systems where benefit entitlement depends mainly on work status and systems where it is a right of citizenship (or legal residence). Work status benefits are products of the Industrial Revolution, work is defined as paid work, and entitlement also depends on contribution record or tests of needs. Most current systems operate a combination of Social Insurance (SI) and Social Assistance (SA), with the latter sometimes referred to as Minimum Income (MI) or Minimum Income Guarantee (MIG). British Income Support is a form of Social Assistance, as is France's *Revenu Minimum d'Insertion* (RMI).⁸ Social insurance takes the individual as the assessment unit, social assistance takes the family or household. Neo-Liberals (including most Thatcherites) would prefer all benefits to be family based, with a work test and test of need, options that belong under Residual Welfare State. It is important to emphasise the large and growing number of CI variants in Western Europe — alas too many to fit into Figure 3. Like Tony Atkinson's Participation Income, the *Revenu Minimum d'Existence* (RME) described by Chantal Euzéby elsewhere in this Bulletin retains a second layer of statutory social insurance, as did the Partial BI scheme put forward in 1985 by the Netherlands Scientific Council for Government Policy.⁹ Unlike Participation Income, however, both schemes abolish work tests.

As Figure 3 shows, the main CI systems are Basic Income (BI) — with or without social insurance — and Social Dividend (SD). Variants shown here are Participation Income (PI) and (more doubtfully) Negative Income Tax (NIT). In so far as the main basis of entitlement for all of them is citizenship (or legal residence), all are CIs — but NIT schemes also apply a test of need, and PI and some NIT schemes include a work test.¹⁰ Not shown here is the French variant *Revenu Minimum d'Existence* (RME), which is described by Chantal Euzéby elsewhere in this Bulletin.

Regarding the assessment unit, Basic Income, Social Dividend, the RME, and PI all take the individual as the tax-benefit unit, while NIT takes families or households. Basic Income, Social Dividend and France's RME pay automatically in advance, and withdraw benefit through the tax system, using flat-rate or increasing tax rates. NIT pays in arrears, after a means test, and uses decreasing tax rates. NIT (and some alleged BI schemes)²¹ also incorporate economies of scale into the benefit amounts, with the result that families who split up get more benefit than those who stay together. NIT is therefore a close cousin of the Residual Welfare State, the main difference being that, as originally proposed by Milton Friedman, it would not carry a work test.

Figure 3: Income maintenance family tree



Certain embryo CI systems already exist, the nearest being child benefit, but only in those countries where payment is unrelated to the labour-market participation of the parents. The residence-based old age pensions payable in Denmark and the Netherlands, and Canada's Old Age Security (OAS) pension resemble CIs for elderly people. And an existing Social Dividend is the *Alaska Dividend Distribution Program*.

Basic Income (BI). In Britain, BI descends directly from Juliet Rhys Williams, via the 'three worlds of welfare' (social, fiscal and occupational) of Richard Titmuss,¹¹ the Tax-Credit proposals of Edward Heath's government,¹² the writings of James Meade,¹³ and the work of Juliet Rhys Williams' son, the late Sir Brandon Rhys Williams MP and MEP.¹⁴ With BI, every legal resident has the unconditional right to a minimum of subsistence. The BIs replace adult income tax allowances and existing benefits, just as child benefit replaced child tax allowances and existing family allowances. With the Rhys Williams and Parker¹⁵ proposals the BIs are integrated with a new income tax, which does not mean the BIs would be credited and tax debited in a single operation, but does mean that the same rules and regulations would be applied from top to bottom of the income distribution — an important innovation. Administration would be simplified, because delivery of the BI could be automated without fear of abuse, though the problem of tax evasion would remain.

Social Dividend. SD is less researched than BI. The idea, which goes back many decades, is to distribute a share of each nation's wealth (including natural resources and inherited knowledge) between all citizens.¹⁶ The only operative scheme known to CIRG is in Alaska, where part of the profits from oil extracted at Prudhoe Bay are

redistributed annually, on a *per capita* basis, to all residents (including children). The origins of this programme go back to Governor Jay Hammond's 'State of the State' speech in 1976, when he used the term *Alaska Inc* to refer to the idea that Alaskans should be treated as stockholders in a corporation (the State of Alaska) that was extracting oil at Prudhoe Bay.¹⁷ The economic effects of this programme look good. Not only has it contributed to total personal incomes, it also appears to increase economic activity during periods of recession. Between 1982 and 1990 per capita payments ranged between \$331 and \$1000 a year. By 1995 they are expected to reach \$997, and by 2000 they are expected to reach \$1,275 (over \$5,000 for a family of four).

The Alaska Programme has echoes of Professor James Meade's *Topsy-Turvy Nationalism*.¹⁸ Instead of old-style nationalisation where the State owns and operates the country's real assets, or Thatcherite privatisation where the private sector takes all, Meade proposes that future governments cease to manage any of their countries' real assets. Instead those assets should be run by privately managed competitive investment trusts, with a share of the profits distributed to all its citizens.

Partially withdrawable Basic Income. Meade has long argued that the first slice of "a really adequate Basic Income" should be subject to a surcharge, thus making it a hybrid between a fully conditional and a fully unconditional benefit. Partial withdrawal offers a variable compromise between the disincentive effects if the whole amount were subject to a 'surcharge' on the normal rate of income tax, and the "hideous expense" of no surcharge at all.¹⁹ In some ways Meade's recommendations resemble the CI scheme adopted by Britain's Liberal Democrats in 1990.²⁰

Basic Income Guarantee (BIG). Working with Brandon Rhys Williams during the 1980s, I costed another modified approach, which he called his *Basic Income Guarantee* (or BIG) scheme. All BIG schemes combine universal, partial BIs (not enough to live on) with BI supplements for pensioners, people with disabilities and carers, and an income-tested housing benefit for people on low incomes.^{14, 15} The aim, after a transitional period, is a partial BI (per adult) equal to half the rate of Income Support for a married couple (about £150 a month or £34.50 a week in January 1994). This BI would be augmented by the BI supplements for selected groups, and there would also be the income-tested housing benefit, and a reformed Social Fund (grants instead of loans) as safety net of last resort. The value of the BI supplements would depend on the speed with which the non-personal income tax reliefs (e.g. for mortgages and private pensions) could be reduced or phased out, but the target BI amount per pensioner (partial BI + supplement) is one-third average earnings, or about £460 per pensioner per month (£106 per week) in January 1994. A work test could be incorporated with the new housing benefit and Social Fund. But the only condition for the BIs would be legal residence, and, in the case of the old age BI supplements, length of residence in the UK.

Participation Income. In recommending a PI, Professor Tony Atkinson has followed Juliet Rhys Williams, whose BI was conditional upon signature of a contract between the State and the individual. For both of them, however, work includes study, training, caring and approved forms of voluntary work as well as paid work. Atkinson justifies conditionality (as well as retention of social insurance) as a means of winning political support:

In my view, it is ... a mistake to see BI as an *alternative* to social insurance ... It is more productive to see BI as complementary ... The BI would complement an improved social insurance scheme by reducing dependence on means-tested social assistance and by helping low-wage workers ... But this is not enough to ensure political support. I am sure that a major reason for opposition to BI lies in its lack of conditionality (Atkinson, A.B., *Beveridge, the National Minimum, and its Future in a European Context*, Discussion Paper WSP/85, STICERD, London School of Economics, 1993, p19).

The drawbacks of the scheme are obvious, namely the cost of running two systems (social insurance and BI) in tandem, the costs of applying the work test, and the difficulties of providing the necessary jobs. Given the problems experienced with France's much more narrowly targeted *Revenu Minimum d'Insertion* (see Chantal Euzéby elsewhere in this Bulletin), it is unrealistic to suppose that governments could provide suitable activities for every adult of working age. Like Atkinson, Juliet Rhys Williams included her *Social Contract* to win political support, but it made no difference, her scheme was not adopted. Clearly a major public education exercise is necessary before voters are likely to adjust their value systems to the problems of post-industrial societies. Fudging the issues could delay this process.

Fully withdrawable CIs/Negative Income tax (NIT). Some CI supporters advocate fully withdrawable, *quasi* BIs, with the family as the unit of assessment, and smaller BIs for married couples than for single people living

together.²¹ At this stage we cross the boundaries between BI, Negative Income Tax and a Residual Welfare State, for a BI that varied according to marital status would be a contradiction in terms. Although it is possible, within certain narrowly defined assumptions, to produce diagrams that make BI and NIT look identical,²² the resemblance ceases once administration, income distribution within families, and incentives are taken into account.²³ With a family-based quasi 'BI', governments would have to keep track of the personal relationships of every adult, in order to impose unequal treatment of married and (presumably) unmarried couples by comparison with single people sharing accommodation. Implementation of the much hated cohabitation rule would be extended and the number of families affected by the poverty trap would go up. For many people (especially women) it is therefore a non-starter.

The danger is that by using quantitative analysis only, and by omitting the behavioural effects of different reform proposals, a fully withdrawable, family-based NIT can be made to look more cost-effective than a BI. Advocates of NIT-style proposals, for example Britain's Institute for Fiscal Studies (IFS),²⁴ seldom mention the administrative difficulties of running means-tested welfare on a national scale, nor its effects on family life. This is partly because they rely on microsimulation models that cannot measure the non-quantifiable aspects of decision making, nor the administrative difficulties in policing large-scale, means-tested benefit systems.

During the 1970s and 1980s many NIT-style proposals were promulgated in the UK. On paper they may have looked good, but in practice they are unsustainable. As evidence one need only examine the reports of the North American NIT experiment, for instance the effects of the Seattle Denver experiment on labour-market participation, marriage break-up and household formation.²⁵ Regarding the disruptive effects of NIT on family life there is widespread agreement. The problem in the UK is that some of our most influential commentators, for instance Professor Patrick Minford of Liverpool University²⁶ and John Hills of the London School of Economics,²⁷ seem not to comprehend the differences between NIT and BI schemes, nor the differences between Full and Partial BI schemes. For advocates of a sustainable, modified BI, the worry is that this confusion discourages interest in CI generally. Hence my letter to *The Guardian*, reprinted in the **Letters to the National Press** section of this Bulletin.²⁸

7 A costed, transitional BI for the UK

In Britain, Basic Income is the CI variant upon which most quantitative research has concentrated. A Full BI (defined as one-third average earnings) would be too expensive, but a 'partially withdrawable' BI (Meade) is feasible, as is a Partial BI for everyone plus BI supplements for selected groups (e.g. pensioners, people with disabilities and carers), plus an income-tested housing benefit. Precise costings are hazardous, but the indications are that BIs equal to half the Income Support rate for a married couple (£150 per adult per month or £34.50 a week) and up to £460 a month (£106 a week) for pensioners would be revenue neutral, assuming a flat-rate tax on all other income of 35-40%, abolition of virtually all income tax allowances and reliefs, and the rapid closing off of existing benefits, including the State

earnings-related pension (SERPS). The new income tax would replace employees' and self-employed national insurance contributions. Employers' contributions would be replaced by other corporate taxation.²⁹

A flat-rate 35% income tax compares favourably with the UK's existing tax regime, since most people pay income tax at 25% plus national insurance contribution at 9% (soon to become 10%). Low income pensioners who currently pay tax at 20% and no national insurance contribution would be compensated through the BI supplements. But there is little doubt that better-off taxpayers (including better-off pensioners) would lose. Hence the need for a period of transition.

At the London School of Economics a number of illustrative, transitional BI schemes were costed using TAXMOD, a micro-simulation model of the tax and benefit systems written by Professor A.B. Atkinson and Holly Sutherland. The results showed that even quite small Transitional BIs would redistribute significant resources from rich to poor, reduce dependence on means-tested benefits, carry forward the individualisation of benefits, and improve work incentives. The main problem group is lone parents, hence the idea of a Guaranteed Maintenance Allowance (paid in advance, but recoverable from the absent parents afterwards) to boost the incomes of lone parents and reduce their dependence on Income Support.³⁰

Unfortunately — due partly to the November 93 Budget and partly to the replacement of TAXMOD by a model which is not yet user friendly — the most recent detailed BI costings are two years old. Preliminary work indicates that Transitional BIs of £65 a month (£15 a week) per adult and £52 a month (£12 a week) per child would be revenue neutral in 1993-94, but until that work is completed it is necessary to stick with the 1991-92 analyses, with their Transitional BIs of £56 a month (£13 a week) for adults and £43 a month (£10 a week) for children. Those figures assume abolition of all the personal income tax allowances except Age Allowance, benefit reductions equal to the BI amounts and the first £20 a week of earned income tax-free; but no change to National Insurance contributions, the rate of income tax, the non-personal income tax reliefs, or SERPS.

Figure 4 shows how this scheme would have operated for a single-wage couple with 2 children in January 1992. The family's weekly BI guarantee is $(2 \times £13) + (2 \times £10) = £46$. With weekly earnings of £200, net income becomes £186.64, compared with £176.50 under the existing system — a gain of £10.14.

Figure 4: Transitional BI, January 1992
Single-wage couple with two children

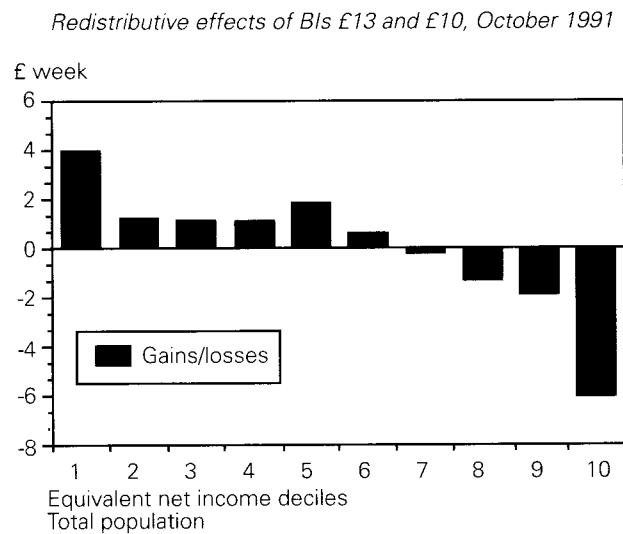
With earnings of £866.67 a month or £200 a week, the family's net income would have been:

	£ week	£ month
BI's	46.00	199.33
+ Earnings	200.00	866.67
- Income tax	45.00*	195.00
- NI contributions	14.36	62.23
= Net income	186.64	808.77

* Calculated thus: 25% £200 — £5.00 earned-income tax credit

Income redistribution. Initially the main purpose of the Transitional BIs is to increase autonomy and work incentives — not living standards — by lifting claimants off work-tested benefits. Yet the January 92 costings revealed considerable income redistribution from top to bottom and from families without children to families with children, especially two-parent families with only one wage earner. As can be seen from Figure 5, gains average £4 a week for families in the bottom tenth of the income distribution, and losses averaged £6 a week for families in the top tenth. Because large families need more than small families to reach living standard equivalence, all the figures have been *equivalised*, that is to say the incomes reported in the Family Expenditure Survey have been divided by equivalence ratios of 1.0 for single people, 1.6 for couples, and 0.4 for each child.

Figure 5: Redistributive effects of a transitional Basic Income, equivalent net incomes, October 91-March 92, £ week



Some readers may be surprised at the scale of the redistributive effects, which demonstrate the need for caution and patience when moving towards a CI system. When we examined the gains and losses experienced by individual families, we found three main reasons for the gains, and two for the losses:

- GAINS:**
- Full take-up of the CIs, compared with incomplete take-up of existing means-testing benefits
 - Full coverage by the CIs, compared with incomplete coverage by existing benefits
 - Automaticity of the CIs — everyone treated alike
- LOSSES**
- Increased liability to higher-rate income tax
 - Invalidity pensioners and lone parents could lose

At present a non-earning mother forfeits her income tax allowance — while with CI every adult would get £13 a week. At present also, the thresholds for each graduated tax band are £x, £y or £z a year *plus* the taxpayer's personal income tax allowance, which is therefore worth twice as much to taxpayers on the 40% marginal tax rate as to taxpayers on the 20% rate — an anomaly which CI would end. Analysis of the 1991 costings nevertheless revealed an estimated 3% of families in the bottom tenth of the income distribution who would lose up to £5 a week, and 2% who would lose £5-£15 a week, including some invalidity pensioners and lone parents — a finding which highlights the need for careful adjustments to make CI vote-worthy.

Work incentives. Contrary to the pundits, disincentives at the bottom of the income distribution are not remedied by marginal improvements in replacement ratios or marginal tax rates. Most people have never heard of either; they are more interested in the amounts of cash they have to spend after deductions for income tax, water rates, rent or mortgage costs, superannuation, trade union dues, fares to work and childcare costs. And they think their net income from working should be higher than on the dole. Most were unimpressed when Mrs Thatcher's government cut the top rate of income tax to 40% but left low earners worse off than on the dole (due to travel, mortgage and childcare costs), and sometimes with as little as 3 pence out of each extra £ earned.

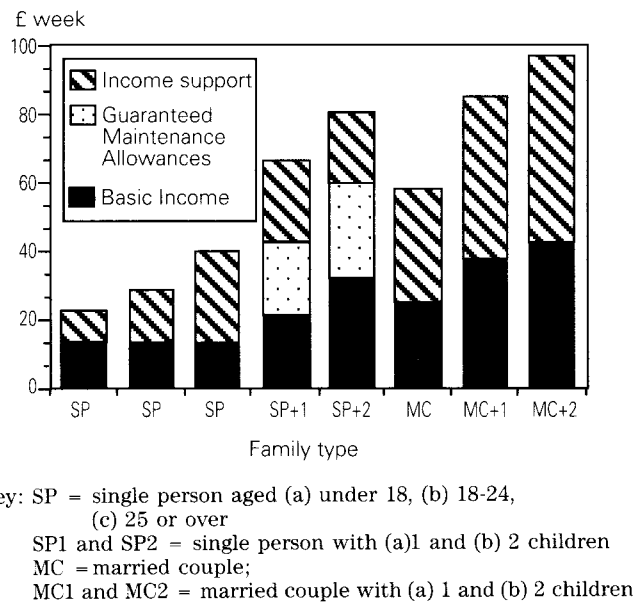
Instead of nibbling at the edges of the poverty trap, what is needed is a completely new benefit system that will enable and encourage people with low earnings potential to participate in the post-industrial labour markets now emerging — whilst providing them with guaranteed incomes below which they cannot fall. Introduction of even a Transitional CI would help the casualties of labour market change to take whatever training or work opportunities were available, without having to report back to the authorities or forfeit benefit. Once the CIs were large enough to replace Income Support, Family Credit could also be phased out.

At present most of Britain's poor are on Income Support. When calculating a family's entitlement, the Department of Social Security deducts their resources, including child benefit. Like child benefit, CI would count as a resource — but it would be a bigger resource than most claimants have at present, and it would go to everyone. Unemployed families could choose between topping up their CIs with residual Income Support (and its attendant hassle), or taking whatever jobs were available, knowing that each spouse could earn £20 a week tax-free on top of their CIs, and that Family Credit and Housing Benefit would remain available to those in need.

Figure 6 shows the effects in January 1992 of Transitional CIs of £13 a week for adults and £10 for children, plus Guaranteed Maintenance Allowances (for lone parents) of £10 per child and £10 for carer. The full height of each column equals the family's Income Support allowances plus premiums in January 1992. The two-child family's CI entitlement is £46 a week, compared with an Income Support amount at that time of £98.15. The lone mother's BI entitlement is £33 a week but she would also get Guaranteed Maintenance Allowances of £30, so her dependence on Income Support would fall from over £80 a week to £17 — a huge improvement.

Figure 6: Unemployment trap: CI amounts compared with Income Support allowances and premiums

Transitional BIs and Guaranteed Maintenance Allowances as % of Income Support, October 1991



How would these Transitional CIs affect work incentives? Imagine a family with two young children, wholly dependent on the earnings of the father, who then loses his job. What should the parents do? At present most such families are dragged into dependence on Income Support, from which their only escape route is a full-time paying at least as much as their income Support grossed up for tax and work expenses. With even a Transitional CI this situation would improve. If no paid work were available, the family would be no worse off than at present, because they could top up their CIs with residual Income Support (£98.15 — £46 = £52.15 a week). If either parent, or both, found part-time or irregular work, they would be free to build on their £46 BIs without any upper limit, the first £20 of earnings for each of them would be tax-free. They would not be allowed to claim residual Income Support, but residual Family Credit (for low-income working families) would remain.

8 Implications for the New Europe

Throughout Europe people are coming to recognise that the new type of society into which we are moving requires something much more fundamental than reform within existing institutions. The CI debate has spread to all the EC Member States. Participants look forward to a Europe that will include rights of citizenship as well as a single market. To quote Lord Dahrendorf:

Citizenship rights are at the heart of the open society. They need to be reformulated by precise minds, who do not use them for devious ends or to cloak vested interests. They need to be reasserted by those who recognise that reform is the only hope of liberty. And they need to be extended to cope with new challenges (Dahrendorf, R., *Some Remarks on the Quality of Citizenship* paper for Utrecht Symposium, 1991).

Faced with the single market, the European Commission has become more closely involved with social security, but has failed to address the key issues for instance:

- The extent to which endemic unemployment and mounting family breakdown correlate with the social security systems currently in operation.
- The pros and cons of social security systems based on citizenship instead of work status.
- Problems of transition.
- The pros and cons of retaining social insurance alongside CI.
- The longer-term hazards of excessive reliance on means-tested benefits.

Yet these are questions which Europe ignores at its peril. For we have created a society which puts too much emphasis on paid work, as a result of which our culture is debased, there is not enough paid work to go round and people who do unpaid work (mainly women) are treated as second-class citizens. Although the detail in this article refers to the UK, the problem is European, and requires a European solution.

Early in 1988 the Institute of Economic and Social Research (IRES) of the General Italian Confederation of Work (CGIL) set up a permanent research project into the future of the welfare state. Introducing it, IRES's president Elio Giovanni explained their interest:

We became interested in Citizen's Income because the values of distributive justice underlying the welfare state seem to have run their course. Since we refuse the idea of a society divided between those who are well-to-do and those who are dispossessed, we are called upon to invest in a new social system, where different kinds of work (care work, community service, professional work, etc) are accorded equal recognition and worth. We perceive the need for a new concept of social citizenship, sustained by new forms of income maintenance, diversified combinations of public assistance, opportunities for on-going education and active labour-market policies. In effect, we are talking about a new kind of welfare state (Quoted by Mirabile, M. L., BIRG Bulletin No 10, 1990).

Much of the opposition to CI comes from upholders of a work ethic that is ill suited to the world of the micro chip and women's emancipation. The solution may be a public education programme, rather than a Participation Income, for CI supporters are not advocating idleness. Certainly they seek a redefinition of work to include unpaid work, but they also seek mechanisms that will help people with low earnings potential gain access to post-industrial labour markets, including those who cannot master the new technologies.

Some CI supporters are also looking for a less aggressive and secularised version of the work ethic, one that leaves room for contemplation and celebration, is less acquisitive and reflects the Christian ethic of unconditional love.³¹ Others are looking for a system that will temper the economic efficiency of capitalism with the redistributive functions of democratic socialism

— without requiring exponential economic growth rates to sustain it.

Radical change is never easy and no one is suggesting that it is. Nor is it suggested that any particular CI system should be imposed on all the EC Member States, although there are clear advantages from a degree of uniformity. A start could be made by having a uniform level of family benefits as a right of EC citizenship, above which Member States would be free to operate their own social insurance and/or CI systems. Meanwhile the message for the New Europe is to beware of vested interests; move with the times; and start taking Citizen's Income seriously.

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Which way for forward?

Susan Raven talks to Sir Gordon Borrie

Sir Gordon Borrie QC is Chairman of the Social Justice Commission set up by the Labour Party under the auspices of the Institute for Public Policy Research. The Commission have already published several papers,¹ and will be making their final report later this year. For the past six months the Commission members have divided into three groups, studying work and wages, money and wealth (including benefits and taxation), and services and communities — all of which Sir Gordon tries to attend. Susan Raven went to ask him, a year after the Commission's launch, how their views on the reform of tax and benefits were developing.

SIR GORDON BORRIE QC

It's easy to criticise the present benefits set up; it's obviously socially unjust, and it's bad for the economy because it keeps out of work a lot of people whose partners are on means-tested benefits. The benefits system is causing a new divide between 'work-rich' and 'work-poor' families. It's one of the reasons we (like CIRG) are very critical of means-testing, which can only be a disincentive to working, and to saving as well. Saving is a positive human good, but hardly worth it when people find their savings disqualify them from benefits.

Part of the trouble is that we have a rigid benefit system, while the labour market is increasingly flexible. People are reluctant to take part-time jobs — there's no smooth transition in and out of the labour market. Why can't we, for instance, have part-time unemployment benefit for people who can only get, or take, part-time work?

Unfortunately it's easier to criticise the present system than to decide how to replace it. For example, child poverty is a national scandal, so I want to see us invest more in children. Developing child benefit, which is very low at present, would be one way. It has great virtues — no stigma, 100% take-up, no disincentive for the parents to work, save, study or do voluntary work, and inexpensive and quick to administer — which are all arguments in favour of citizen's income, of course, and arguments against means-tested benefits.

The problem is that child benefit, low though it is, costs the huge sum of £6,000 million because it goes, in full, to every family with children. There's the familiar absurdity that even the Duchess of Westminster can get it. You could tax it — but who do you tax? The father, who is normally the main breadwinner, or the mother who may have no other income and would not therefore pay tax?

There are a number of schemes for remedying that. The

Institute for Fiscal Studies has suggested various methods of clawing back a part of child benefit, or you could target it on children below a certain age — say five years, when the child starts school — which has been suggested by the Conservative MP David Willetts. We are enthusiastic about the Government's new child care allowance, and anything else "in kind", because services can be of as much benefit to children and parents as cash. But the Government have yet to show that they are serious about child care or pre-school education — which we believe are good for children, good for parents, and good for the economy.

We've received a number of papers on Citizen's Income and partial Basic Income, but haven't yet had a full discussion about that option. We are trying to get round to it early in the New Year.

On pensions, we have to work something out that will be relevant and make sense now and in the future. So we have two levels of policy, one immediate and one twenty years from now. A couple of days ago, I saw Jack Jones — now over eighty and chairman of the National Pensioners' Convention — and he pointed out forcibly that we have to do something immediate for his members; the year 2010 is going to be too late for most of them!

There are a lot of costs involved, because of the large number of pensioners, but we really must guarantee all old people dignity in retirement. At present a huge number of pensioners end up dependent on means-tested benefits, and it's dreadful that we penalise those whose savings put them just above the entitlement levels for Income Support when they have saved all their lives. They might as well have blown the lot.

The contributory system of national insurance benefits has been betrayed by this Government. They are cutting unemployment benefit in half by reducing the length of time for which it will be paid from twelve to six months. On top of that they expect unemployed people to become "job-seekers". Surely the public will notice that what was a right has been watered down? It goes against all social justice. Never mind that our welfare state has never, strictly speaking, been financed by people's contributions, it's how people perceive it to be.

We've done a lot of "out-reach" trips — Belfast, Birmingham, Newcastle and elsewhere — and we've found something that has rather surprised us: there seems to be a widespread feeling in the community that the contributory system has a genuine moral strength. So we think it's probably easier psychologically to increase national insurance contributions than to increase income tax; there's an element of hypothecation about it, people understand what they are paying for.

Our view is beginning to be, and perhaps we should build on it, that people outside the system should be credited in, especially to build up their retirement pensions. The contributory system seems to have a lot to recommend it in terms of people's attitudes — so let us adapt it. And make sure it's not only for men!

However, the greatest scourge of our lives today is unemployment. One of the Commission's great concerns is to be seen as a commission on economic opportunity as well as a commission on social justice. We want people

to have choices, and we believe there are many ways of creating real jobs. We must certainly devise ways and means of bringing back jobs and in the meantime lengthen the clawback taper or earnings disregard for those on employment benefit who do get jobs — people must have a real sense of getting something for any work they do. The scale of the poverty and unemployment traps are the concomitant of unemployment.

As a Commission, getting to know one another, we do now have a hopefulness born of a deeper understanding that — in capital letters — *something must be done*, and so it will be.

I am completely against this Government's minimalist welfare state. I do not believe that the welfare state is there only for a minority of the population. For one thing, the Government may pretend that only 10% will ever need the welfare state, but in fact many middle class people now need access to benefits — and certainly many of their children do. For another thing, it's of great value for social cohesion that we're all part of one community, whether we're talking about contributory or other benefits. I would not like a situation where the better-off only pay out and never get anything back, so I'm absolutely not for clawing back everything.

I'd like a system where the better-off pay out more, but also get something back. It helps bind everybody — rich, poor, middling — into a community, with a communal feeling, which is one of the on-going values of Beveridge's welfare state.

Notes and References

1. The following are available from IPPR, 30-32 Southampton Street, London WC2E 7RA tel 071 379 9400:
The Justice Gap
Social Justice in a Changing World
UK Income Distribution Poster
Social Insurance: Reform or Abolition? Fran Bennett.
Unemployment: The Beast and How to Slay it, Edward Balls and Paul Gregg
Families, Children and Parenting, Patricia Hewitt and Penelope Leach
Racial Discrimination and Racial Disadvantage, Tariq Madood
Making Sense of Benefits
Work and Welfare: Tackling the Jobs Deficit, Edward Balls and Paul Gregg.

From 'insertion' income to 'existence' income

Chantal Euzéby

*In Bulletin No. 16 we included an article by Timothy Whitton (University of Caen in Normandy) on France's **Revenu Minimum d'Insertion (RMI)**. Until December 1988 France had no benefit equivalent to the nationally operated systems of social assistance/income support in Belgium, Denmark, Germany, the Netherlands and the UK. Old age pensioners in France could apply for a national, non-contributory, means-tested benefit called the **Minimum Vieillesse**, and families with children could apply for **Aide Sociale**, but for people of working age without children there was virtually nothing. Then, in February 1987, France's **Conseil Économique et Social** published a report entitled **Grande Pauvreté et Précarité Économique et Sociale** (chaired by Father Joseph Wresinski of the international movement ATD Fourth World, see BIRG Bulletin No. 6), and in December 1988 the RMI was introduced. Here Professor Euzéby — described in the September 1993 BIEN Newsletter as "one of the most influential and competent French specialists of social policy", but formerly an opponent of Citizen's Income — criticises the RMI and argues in favour of a Citizen's Income variant — the **Revenu Minimum d'Existence (RME)** — which has long been advocated by the distinguished French economist Henri Guitton (see BIRG Bulletin No. 9). Following Guitton, Euzéby distinguishes two sorts of income: **Existence Income**, payable universally without a means test or a work test, and **Activity Income**, which individuals earn through their own efforts. This article is based on a paper she presented at the 1992 BIEN conference in Paris, and an article she wrote for the June 1993 issue of *Fluturibles*.¹ In translating and adapting it for a largely British readership, the French term RME has been retained in order to distinguish it from other Citizen's Income variants. Like Professor Tony Atkinson (see CIRG Bulletin No. 16), Professor Euzéby wants to retain social insurance as a second layer of protection. But on the basis of the French experience, she regards insertion — which resembles Atkinson's participation condition — as inoperable.*

France's Revenu Minimum d'Insertion (RMI) was introduced in December 1988 and renewed in July 1992, with only a few minor modifications to the original. Although its retention was necessary to cope with continuing poverty and social exclusion, it is arguable that more changes to it should have been made, in the light of new evidence of social and economic change since its inception. In 1988 it may have been reasonable to hope that economic recovery would be lasting and would lead to a fall in unemployment. France's Gross Domestic Product grew by 4.5% in 1988. But the minority view that economic growth would no longer have much effect on unemployment proved correct. Statistics published by OECD and INSEE show that the technological changes and productivity gains in France in the 1980s weakened

the links between production and employment on the one hand, and between employment and unemployment on the other hand.²

Today, we can see that economic growth no longer results automatically in the creation of new jobs, and higher employment no longer results automatically in lower unemployment. So the number of RMI beneficiaries and long-term unemployed 're-inserted' into the labour market is bound to be limited. Which is another way of saying that the idea of the RMI as a safety net linked to an insertion contract is out-dated. Instead the time has come to move towards a different method of distributing income, based on the introduction of a *Revenu Minimum d'Existence* or minimum existence income, which for short I shall refer to as the RME. The idea is to give every individual — from birth — a guaranteed basic income, on which in normal circumstances the adults will be able to build through earnings from paid work (*Revenu d'Activité* / activity Income).

Minimum Insertion Income (RMI) an Outmoded Model

France's RMI was conceived as a topping-up benefit for the relief of poverty, in cases where existing social security provisions were either inadequate or non-existent. RMI beneficiaries are entitled to free health care and means-tested housing benefit. But in order to receive the RMI, claimants must sign a *contrat d'insertion*/insertion contract, which is intended to facilitate their return to economic independence. In a sense this initiative was welcome, so great was the need to do something. Because of the RMI, France has managed to halt the reappearance and growth of extreme poverty, which was becoming increasingly visible in the streets and poorer districts of certain towns. Within its first three years of operation, the RMI provided 950,000 households (about 2 million people in all) with money, and found jobs for 213,000 claimants. Thanks to the RMI, about 20% of claimants who would otherwise have gone without free medical care have received it. All the same, the RMI will never be a completely satisfactory solution for at least four reasons:

- Not everyone can get it
- It is too complex
- It is not an individual right
- Too many conditions are attached to it.

● **The RMI is not for everyone.** It is not a universal benefit. Young people aged under 25 years are excluded, as are foreigners until they have carried a residence permit for at least three years, and asylum seekers after they have received the RMI for one year. Unfortunately these are the categories most at risk of exclusion from the labour market, and of family breakdown, isolation, and desocialisation. The rate of unemployment among young people aged 20-25 years is twice the rate for adults aged 25-49 years. Given that the majority of current RMI recipients are single people aged under 35 years, it would make sense to reduce the age of entitlement from 25 to 18 years.

● **The RMI is too complex.** Complexity results from means tests every third month, the drawing up and carrying out of the insertion contracts, and an excessive

bureaucracy. Also, when calculating the RMI amount, it is assumed that claimants have applied for and received all other social security benefits to which they are entitled — despite the fact that these too are extremely complicated.

Not only is the RMI difficult and expensive to administer, it also tends to put off those claimants whose need is greatest, because they are least able to claim their rights. One must question the justification for all this bureaucracy, to get a benefit that will probably have to be extended time and again as its claimants fail to find work. Would it not be more efficient to integrate all the different payments into a single transfer? Isn't it time for a major reorganisation of social security benefits, and for simplification of the income redistribution system generally?

● **The RMI is not an individual right.** The assessment unit is the household, and the amount payable depends on the size of the household. The starting point for calculating the benefit amount is the principle that people living together share their resources and their bills, of which some (e.g. rent, car, or electricity) result in economies of scale. An equivalence scale is therefore calculated which gives the head of household (who is assumed to pay all the fixed costs) a reference point of 1.00. A second adult gets a further 0.5, first children get a further 0.4, second children get 0.3, and each further child gets 0.4.³

The disadvantage of this system is that it weakens family life and encourages family break up, especially as the *allocation de parent isolé*/lone parent benefit (API) — which takes administrative priority over the RMI if the child is less than three years old — suffers from the same design fault. A lone mother in financial difficulties can continue receiving the API until her youngest child is three years old, and during this period it is in her interest to keep quiet about any plans for remarriage if she wants to keep the API, which is worth Frs 3,900 a month (about £105 a week) if she has one child. Similarly, if she goes on to receive the RMI and if her partner is also receiving the RMI, it is in her interest to avoid marriage, because two lone adults get more RMI than one couple.

There is no justification for retaining the API. Both the RMI and the API discourage marriage. It would be easier and less expensive to pay a Citizen's Income to every individual — without a means test, but varied according to age. This would reduce the administrative costs caused by means tests and would resolve the thorny problem of how to apportion benefit rights in cases of divorce or separation. For pensioners it would also have the advantage of treating former full-time workers, non-workers, and people with incomplete contribution records (e.g. home-makers, the unemployed and people on the fringes of the labour market) more equally. Surely every old age pensioner should receive a small income irrespective of his or her previous activity, and this guaranteed income should be the first pillar of the social security system. Additionally pensioners should have the right to public and private pensions (second and third pillars), according to their previous work records. In this way it would also be possible to simplify the tax and benefit systems.

● **Too many conditions are attached to the RMI**, with the result that it does not match the socio-economic

conditions of the early 1990s. Payment of the RMI for more than three months requires signature of an insertion contract which impinges upon the social life of claimants as well as their working life. From the experience of the first three years after its inception, three facts stand out:

- One in two claimants does not have a contract (with significant variations between the different regions).
- Two out of three contracts involve social insertion and fewer than one in five result in a job (only 18.6% of RMI beneficiaries benefited from an employment plan in 1991).
- The oldest RMI beneficiaries experience particular difficulty in finding work (40% have been on the books for three years).

Experience shows that the RMI is drifting further and further away from the “repair” benefit that it was originally intended to be. Exclusion from the labour market has increased and looks set to stay. Rationalisation of production processes, computerisation of commercial services, and the transfer of labour-intensive activities overseas are likely to intensify, and to slow down employment growth. If nothing is done to share jobs and to regulate business deals through GATT (for example through the inclusion of minimum social rights clauses) it will be impossible to safeguard existing social rights, and unemployment will go on rising.

If that happens the insertion contract will become even more meaningless. Once the right to work cannot be guaranteed, the right to the RMI has to become independent of the search for work. This does not mean that the idea of helping people in difficulty through social or professional intervention should be abandoned. The RMI could be transformed into a benefit to protect people in paid work (or seeking paid work) against poverty. It could replace existing benefits aimed at reinsertion in the labour market (for instance *l'allocation de parent isolé* or lone parent benefit, and *l'allocation spécifique de solidarité* for the long-term unemployed). It could still be subject to an age condition and a means test and could be administered by the *caisses d'allocations familiales* (family allowance organisations or the ASSEDIC).⁴ But it would no longer be subject to signature of a contract. Access to the social services and to labour market insertion measures would cease to be obligatory, so the organisations responsible for insertion would have fewer people to manage and would be able to do their job more effectively.

One could go even further and abolish all the conditions, including means tests and time limits. In that case the *revenu minimum d'insertion* (RMI) would be replaced by a *revenu minimum d'existence* (RME), payable on a permanent basis to each individual. This solution, as will be shown, would lead to a completely new distribution of income, based on the principle of social solidarity.

Minimum Existence Income (RME) solution for the future?

The idea of a guaranteed income for every individual citizen is by no means new. It was advocated by Thomas

Paine at the end of the eighteenth century, on the grounds that land appropriation by a minority justified payment of an unconditional income to the dispossessed (see Stephen Quilley elsewhere in this Bulletin). Since then the idea has been taken up by authors of varying ideological persuasions, who have also given it different names (national dividend, universal benefit, citizen's income, tax credit and so forth). If it has not managed to escape accusations of Utopia, and has failed to enter the mainstream of political debate, that is because until recently mankind's basic needs were too far from being satisfied, and also because unemployment had not become structural. Today we live in a state of abundance — to the point where our farmers produce agricultural surpluses and huge numbers of workers are thrown out of the workplace for long periods at a time. In these circumstances, there is no alternative (as René Passet has explained) to job sharing or cutting the link between incomes and work — unless it is a combination of both.⁵ Such solutions are attracting increasing interest, hence the recent proliferation of books and papers about job-sharing, and the increasing success of the biennial conferences run by the Basic Income European Network.⁶ Let me therefore summarise the advantages which could result from a change of this sort.

Advantages of the RME

The arguments in favour of the RME are beginning to be known. Here I will classify them round three key areas, in order to shed light on its socio-economic implications:

- Redistributive effects
- Effects on family life
- Labour market effects

● **Increased redistributive potential** The RME would make the social security system a more effective mechanism for redistributing income. It would replace the RMI, all family benefits, a large part of *Aide Sociale* (but not disability assistance), unemployment assistance, student grants and certain agricultural subsidies. It would also give the right to free medical care, on the grounds that a rich society has the duty to protect all its citizens against illness. Unlike the CI proposals favoured by Liberals of the New Right, the RME would retain most social insurance benefits, for instance retirement pensions and unemployment benefits. The existing social security system would therefore be underpinned by a universal, individualised benefit, payable without a work test and regardless of marital or family status. Everyone would avoid the risk of absolute poverty. People on low incomes would no longer be subject to a means test. Claiming one's right to a minimum income would no longer be stigmatising or humiliating. The sharing of benefit rights on divorce or separation would be simplified, because each spouse and each child would be entitled to an RME in their own right. And social protection would become more transparent, easier, and less expensive to administer.

● **Effects on family life.** The RME would allow people more free time, and in so doing would help them to exercise their family responsibilities. One can even look forward to the day when — as a result of the RME — some people in paid work will give it up temporarily or choose to work part-time, in order to bring up their children or look after their elderly parents, or work at home, train

or study. For the RME would facilitate career breaks without big cuts in people's social rights, since the link between social rights and the labour market would be largely broken. It could therefore strengthen family solidarity and local networks, and by so doing reduce public expenditure on the social services. The extra free time should improve the quality of life, by encouraging couples to share their family chores more equally, and by valuing the potential of all human beings more highly.

● **Less unemployment and more job-sharing.** The RME would reduce unemployment and facilitate job-sharing. It would also encourage some people to quit their jobs. Depending on the financing method, it could make part-time work more attractive to employers, by ensuring that social security contributions payable for part-time employees were no more expensive (or only marginally more expensive) than for full-time employees. It would also encourage businesses to negotiate contracts with fewer hours of work. Because the RME compensates for loss of salary, employers would no longer need to compensate their workers for short-time working. And they would be more willing to create jobs by extending the length of time per week during which their equipment was in use (for instance by taking on another team, each team working eight hours a day for four days). The enhanced income security as a result of the RME would also revive the spirit of enterprise and encourage the creation of small businesses, especially among craftsmen and in commerce. The RME would operate like a safety net for people who set up their own businesses, and would encourage flexible working in businesses that need restructuring. In short it would encourage the hiring of workers, facilitate the reorganisation of working time, and indirectly improve labour productivity.

Financing methods

Many options are possible according to the level of the RME and the way in which it is introduced. Three in particular merit attention:

- Redistribution of existing public expenditures
- Tax changes
- Increases in the money supply

Option One. With this solution, entitlement to the RME would be introduced in stages, starting with the old, the long-term sick or disabled, and working people in precarious situations. In order to reduce costs, people in paid work would not be entitled to the RME during stage one, or, if they were, the RME amount would be deducted from their earnings. In order not to penalise pensioners and people with disabilities in receipt of existing minimum benefits — for example the *minimum vieillesse* for old age pensioners and the *allocation aux adultes handicapés* for people with disabilities — the RME would be paid at the same rates as existing benefits (about Frs 3,000/£360 a month). The cost of extending the *minimum vieillesse* to all old age pensioners would be met by other pensioners, some of whom would have their pensions slightly reduced. The effect would be a redistribution of income from former wage and salary earners who have benefited from “thirty glorious years” of pension (and other wealth) accumulation to other less fortunate pensioners who were either not in paid work, or were at the margins of the labour force (housewives and workers with incomplete contribution records).

Regarding the RME for other people outside the labour force (12.6 million children aged less than 16 years and about 11 million potential workers), the amounts payable would be quite small (about Frs 1,600 a month/£43 a week for adults and Frs 1,000 a month/£27 a week for children). The money for these payments would come from savings in existing expenditures, for instance on family benefits, *aide sociale*, health care payments through *aide sociale*, student grants and some agricultural subsidies. Instead of subsidising farmers not to cultivate their land, it makes more sense to give them a guaranteed basic income. This would help to slow down the exodus from rural communities and to preserve the countryside. It would also make the income redistribution system more transparent.

Option 2. By shifting the tax burden from social insurance contributions to other forms of tax (without increasing total tax revenues as a percentage of Gross Domestic Product), it should be possible to pay slightly more generous RME amounts (Frs 2,000 a month/£54 a week per adult; Frs 1,200 a month/£33 a week per child; Frs 6,400 a month/£174 a week for a couple with two children; Frs 3,000 a month/£81 a week for a single pensioner). Most social security benefits, including the RME and health care, would be financed through taxation. Social security contributions would be restricted to old age pensions (second pillar), industrial accidents, and unemployment insurance (limited to perhaps six months).

Option 3. This proposal by Professor Yolande Bresson would involve increasing the money supply. A *banque de solidarité* / solidarity bank would be set up, which would receive the social security contributions and tax revenues previously used to finance the social security benefits that had been abolished, and also pay out the RME. Each month the account of every RME recipient would be credited, using a liquidity ratio (tax receipts divided by RME payments) of the order of 20% to 30%. The weaker the ratio the bigger the increase in the money supply. In order to avoid runaway inflation — and the damage it would do to the economy and to employment — the system would have to be phased in gradually. To start with only the poorest and most vulnerable people would receive the RME (existing RMI recipients, the long-term unemployed, and people already dependent on social security benefits). Next would come children, old age and invalidity pensioners, and non-earning mothers. Wage and salary earners and the self-employed would come last. It could take two or three years to phase in the RME. Much would depend on the RME amount, since on this would depend the distribution of work, including the division between paid and unpaid work.

The aim is to take advantage of France's comparatively low rate of inflation by comparison with her main competitors, in order to introduce the RME. The money supply would be increased to the point where it equalled the inflation differential, or beyond that point if the economic situation permitted it.

Of course, all three of these proposals require thorough evaluation, taking into account overall economic policy. But the potentially favourable effects of the RME should encourage political debate and give rise to more elaborate research. The proposal for a Basic Income put forward in the Netherlands in 1985 is a good starting point.⁷ Citizen's Income is a solution worth exploring, to try and

escape the dynamics of wealth accumulation alongside increasing social exclusion, as a result of liberalism run wild.

*Chantal Euzéby is a Professor in the Faculty of Economics at the University Pierre Mendès France in Grenoble, France. Her book **Le revenu minimum garanti**, Éditions La Découverte (collection Repères), was published in 1991.*

Notes and References

1. *Futuribles* is a monthly journal which, as its title suggests, promotes awareness of new socio-economic and environmental problems. Address: 55, rue de Varenne, 75341 Paris. Annual subscription Frs 600 in France, Frs 650 outside France.
2. According to the OECD the weakening of the links between production and employment was especially evident in France during the period 1974-88. Employment growth was almost zero while productivity increased at about the same rate as the Gross Domestic Product (an annual average of 2.1%). This situation compares with the United States where economic growth (2.7% a year) resulted mainly in employment growth (2% a year), but also in labour productivity (0.7% per employee per year). According to L'INSEE (*Institut National de la Statistique et des Études Économiques*), for every ten jobs created in manufacturing industry seven people come off the dole, compared with only three for every ten jobs created in service industries.
3. Editor's note: similar equivalence scales are incorporated in all the social assistance systems of the European Union, so Professor Euzéby's criticisms apply to all of them.
4. *Associations pour l'emploi dans l'industrie et le commerce* i.e. the organisations which pay out unemployment benefits.
5. Passet, R., *La logique d'une mutation*, Transversales No. 3, P 20.
5. Passet, R., *La logique d'une mutation*, Transversales No. 3, p 20.
6. The Association pour l'instauration d'un Revenu d'Existence / Association for the Introduction of an Existence Income (AIRE), which was started under the aegis of Professor Guitton, is a member of BIEN. In September 1992, it organised a conference in Paris, with the theme *Au-delà du RMI et de l'État Providence/Beyond the RMI and the Welfare State*.
7. See BIRG Bulletin No. 6, *Safeguarding social security in the Netherlands*, Jos Dekker.

Basic Income as trade union policy

Rik van Berkel

In Bulletin No. 12 we published the transcript of a talk given at BIRG's 1990 Toynbee Hall conference by Greetje Lubbi of the Voedingsbond FNV, Holland's biggest trade union for workers in the food and agriculture industries. "My trade union," she said, "has been pleading for a Full Basic Income — enough to cover the basic living costs of every Dutch citizen — since 1980. The BIs would be paid irrespective of marital status and irrespective of whether or not the recipients were in paid or unpaid work. The only condition would be legal residence. The amount for children would be lower than for adults, but higher than existing child benefits. The BIs would be financed by a mixture of income tax and value added tax." After explaining the reasons for interest in BI in the Netherlands and the direction of the debate about it, she ended with the following words: "In the Voedingsbond we look forward to a society where the ecological limits to economic growth are generally accepted, and where every individual receives an unconditional BI as a prerequisite for individual development and self fulfilment".¹ Three years later Rik van Berkel takes up the story. Despite some grounds for hope, BI and the Trade Unions make uneasy bedfellows. Van Berkel's conclusion that organisations interested in BI should consult their membership before jumping to conclusions applies to political parties and governments as well. A major educational and consultation exercise is necessary before a political party advocating BI can win at the polls.

The Trade unions fashion slaves, not fashion setters

It is well known that trade unions are in general unenthusiastic about Basic Income (BI) or *basisinkomen*, as it is known in the Netherlands. Historically, the increased importance attached by society to paid work is inextricably entwined with the development of trade unionism. Today the trade union movement seems to think that its whole destiny hangs on the future of paid work — as if trade union power varied in direct proportion to the number of jobs and the number of employed people in the economy. Despite the fact that — at least in the Netherlands — working people are a minority (albeit a large one), the trade union movement continues its pursuit of full employment, and BI schemes are depicted as incompatible with that objective. In short, the unions are slaves of fashion, not trendsetters.²

Voedingsbond FNV an exception to the rule

Against this background, the decision by the Voedingsbond FNV in the early 1980s to start a large-

scale debate with its members about BI was bound to provoke surprise. So did the decision of its council, in 1984, to make the pursuit of a full BI official union policy. Almost ten years later, for reasons that will be made clear in a moment, the Voedingsbond decided the time had come to reconsider that decision, so it commissioned a group of social scientists (including myself) from the University of Utrecht to carry out an investigation into its BI policy.³ We studied the development of that policy during the 1980s and early 1990s, and used interview and survey techniques to investigate the opinions and attitudes to BI of Voedingsbond members — paid workers as well as claimants. Respondents were asked about their work, social security benefits and other income, and their opinions concerning the relationships between paid work, unpaid work and income. We also asked for their reactions to a possible separation of the right to an income from the duty to do paid work, to the compulsory reduction of overtime where there is unemployment, and similar issues. And of course we investigated their attitudes to a full BI, and their expectations concerning the effects of introducing a BI.³ Table 1 summarises the main issues highlighted in the survey.

Table 1: BI survey of Voedingsbond members
Main issues raised

Issues	Working members	Claimant members
Opinions on work situation	x	
Participation in unpaid work	x	x
Income	x	x
Opinion on claimant situation		x
Rights and duties	x	x
Opinions on BI	x	x
Effects of BI on them personally	x	x
Expected social effects of a BI	x	x

This article presents some of the results of that study, with special reference to the following:

- Analysis of the Voedingsbond's BI policy
- Results of an opinion survey of the Voedingsbond membership
- Concluding remarks

The Voedingsbond's BI policy: voices crying in the wilderness

When the Voedingsbond decided in favour of the introduction of a Basic Income, it was well aware of the risks of isolation it ran — in both the trade union movement and society at large. Why else would it have given its first BI discussion pamphlet the title: *Met z'n allen roepen in de woestijn*, which translates into English as *Voices crying in the wilderness*. It was because the Voedingsbond leaders were aware of the risks they were running that they decided to concentrate on winning support for BI outside the Voedingsbond as soon as the decision had been taken to make the pursuit of a BI official union policy. The Voedingsbond was one of the founders of the *Werkplaats Basisinkomen/Workplace Basic Income*, now renamed the *Vereniging vrienden en vriendinnen van het Basisinkomen* (Association of the

Friends of Basic Income). In addition to the Voedingsbond and its sister organisation within the Christian National Trade Union Movement CNV,⁴ a number of pressure groups (especially claimants' groups and fractions of the political parties) are represented in the Association of the Friends of Basic Income.

Unfortunately, looking back over the last ten years, one is forced to the conclusion that by concentrating on winning support for BI *outside* the union, the Voedingsbond neglected the views of its own members, especially those with jobs.

The Voedingsbond concept of BI

As explained, the Voedingsbond recommends a Full BI, by which they mean an individualised, guaranteed income for every Dutch citizen above 18 years of age, amounting to about Guilders 1,000 a month (the equivalent of £380 a month or £88 a week) for single people, and Guilders 1,300 a month (equivalent to £450 a month or £140 a week) for married and unmarried couples. Also, because the Voedingsbond would like to combine the introduction of BI with a levelling of incomes, a ceiling of Guilders 60,000 (equivalent to £20,700 a year) would be imposed on annual earnings.

When reading the different BI pamphlets published by the Voedingsbond FNV during the 1980s one is struck by the Utopian nature of BI's alleged effects. These include improving the quality of work, stimulating the redistribution of paid and unpaid work as well as of income, increasing individual autonomy and encouraging labour market participation by women. In short the Voedingsbond presented its BI proposals as a panacea for the problems of contemporary society.

From euphoria to disillusion

By the late 1980s this mood of euphoria had subsided. Could it be that support for BI was bound to peter out once radicalism made way for realism? The main reason for the decline of enthusiasm was the disappointment felt throughout the union at the results of its attempts to gain outside support for its BI proposal. The risk of isolation seemed to have become reality. And this was particularly the case within the Federation of Dutch Trade Unions (the FNV) of which the Voedingsbond FNV is an affiliated member. Apart from the Women's Union, none of the trade unions affiliated to the FNV have supported the introduction of a BI, and some unions even refused to bring it up in serious discussions with their membership.

By the late 1980s a clear shift of focus from income guarantees to labour market participation was taking place in the Dutch debate on the welfare state. This shift of focus is clearly reflected in two reports by the Dutch Scientific Council for Government Policy.⁵ Whereas in 1985 the Council had advocated the introduction of a Partial BI (which was rejected by the Voedingsbond FNV because it wasn't a Full BI), in 1990 the Council rejected BI in a very influential report on the importance of increased labour-market participation.⁶

Lull before the Storm?

Since 1992 — coinciding with the period of our

investigation on behalf of the Voedingsbond FNV — the political climate seems to have started to move in favour of BI. Public debate has been dominated by problems to do with the Dutch social security system and its administration, and in anticipation of the 1994 General Election the political parties are under pressure to explain their views on the future of social security. In their election programmes, the Green Party advocates a (modest) Negative Income Tax, while Labour no longer rejects BI out of hand, especially in the long-term. BI supporters can also be found in the Liberal Party and the Democratic Party. Although the FNV still does not support BI, these developments may be having a positive influence on those “voices in the wilderness” within the Voedingsbond FNV membership.

Results of opinion survey of the Voedingsbond membership

After intensive interviews of 21 members of the Voedingsbond FNV, we sent out questionnaires to a sample of about 1800 members from two union branches. Almost 500 members returned the questionnaire (a response rate of 26%). In so far as we were able to test this, our respondents were representative of the membership of the two union branches taking part in the survey.

Of those who responded, almost 20% rejected the BI model recommended by the Voedingsbond, while 18% supported it fully. About 50% thought BI was a good idea, but had doubts about its feasibility. Leaving the doubts about feasibility to one side, a majority of both working and claimant Voedingsbond members thought BI was a good idea (see Table 2).

Table 2: Opinions on BI of working and claimant Voedingsbond members (N = 473)

Participants	Good idea	Good idea but doubts	Bad idea	Undecided	Row totals
Working members	10.4%	47.0%	28.7%	13.9%	48.6%
Claimant members	25.9%	52.3%	11.1%	10.7%	51.4%
Column totals	18.4%	49.7%	19.7%	12.3%	100.0%

Characteristics of BI supporters and opponents

I shall now compare the opponents of BI with its supporters, but first let me describe some of their general characteristics. Perhaps unsurprisingly, BI comes across as predominantly a *claimants' issue*. Most of its supporters (almost 75%) are claimants, whereas most of its opponents (again almost 75%) are paid workers. Although we did not investigate this finding, differences in union branch policies may be partly responsible. For it is our impression that the pros and cons of BI have been discussed more thoroughly in the claimants' union branch of the Voedingsbond than in the paid workers' branches.

Probably for similar reasons, the BI supporters are older than the BI opponents. Of supporters, about 65% are fifty

years old or more, and over 25% are less than 35 years old. Interestingly, supporters and opponents also differ in their educational achievements. Among the BI supporters we found a large group (45%) who have had no formal training or who completed only primary education. Amongst the BI opponents, on the other hand, a relatively large group (42%) had completed a technical and vocational training for 12-16 year olds. We thought this finding might be partly explained by the different kinds of jobs each group was likely to depend on, and by the different degrees of income security those different job prospects would provide.

Rights and duties

Based on statements we frequently heard during the interviews, we also formulated certain propositions reflecting the differences of opinion expressed about rights and duties, and the distribution of those opinions among different groups of citizens (see Table 3). The results show that BI supporters seem to put less emphasis on the traditional work ethic than its opponents. Furthermore, BI supporters seem to use a somewhat broader definition of work (to include unpaid work), while BI opponents hold on to the dominance of paid work.

Table 3: Differences of opinion between BI opponents and supporters*

Proposition	BI supporter		BI opponents	
	Agree	Disagree	Agree	Disagree
People have a duty to contribute to society, but not necessarily by doing paid work	78.5%	7.6%	72.0%	20.4%
Everyone aged 15-65 years has a duty to do paid work. Those who do not want to do paid work are not entitled to an income	63.1%	28.6%	82.6%	14.1%
Everyone is entitled to a minimum income, including those who do not want to do paid work	54.3%	40.7%	18.5%	79.3%
*Excluding respondents without a firm opinion				

Table 3 also shows that there is little or no correlation between people's opinions on BI and their responses to the different propositions put to them. There are undoubtedly some BI supporters and BI opponents who hardly differ in their opinions on rights and duties. Indeed for most people it appears that being a supporter or opponent of BI is not the result of rational judgement or serious consideration of the fundamental issues involved.

Expectations regarding the consequences of a BI

A third dimension through which to compare BI supporters and opponents concerns their expectations regarding its consequences. The BI supporters think it would have positive results. For example, they think that

employees would be able to expect more of their work, to change jobs more easily and to shorten their working hours. By contrast, BI opponents tend to question the probability of those effects, or to anticipate negative consequences. For example, while both supporters and opponents believe that BI would result in a levelling of income distribution, supporters are much more likely than opponents to approve of this effect.

Conclusion: The need to consult

The experience of the Voedingsbond FNV has shown how important it is for organisations interested in BI to discuss it with their members. Despite the lack of interest in BI shown by other trade unions in the Netherlands and the declining enthusiasm of the Voedingsbond itself, the Voedingsbond survey has shown that a majority of both its working and claimant members think BI is a good idea, although many doubt its feasibility. Although we could not prove it, we think that the Voedingsbond policy of promulgating BI was itself partly responsible for this favourable attitude.

At the same time we are forced to the conclusion that trade union members — be they workers or claimants — are not naturally predisposed in favour of BI. Here again trade union policies matter. Historically, as I pointed out earlier, the trade union movement has identified itself more and more with the dominance of paid work in society — as André Gorz pointed out more than ten years ago in *Farewell to the Working Class*⁷ and more recently in *Critique of Economic Reason*.⁸ Because the introduction of a BI would involve a huge break with the traditional work ethic, resistance to it by trade union members is inevitable. One of the advantages of investigating their attitudes is that it gives insights into the areas that most need discussion within the trade union movement. More important still, it can help to ensure that any future BI proposals by trade unions reflect the concerns and wishes of the membership. For there is little doubt that social Utopias like BI have little chance of being taken seriously unless sufficient attention is paid to the solutions they offer for the day-to-day problems of ordinary people.

Rik van Berkel is a social scientist working in the Department of General Social Studies, University of Utrecht, the Netherlands. In 1991, he wrote a thesis about claimants in the Dutch Trade Union Movement.

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Citizen's Income and Family Budgets

Autumn C.S. Yu

Although Citizen's Income (CI) supporters regularly distinguish between Full CIs (enough to live on) and Partial CIs (not enough to live on), there has so far been scant discussion of the income amounts necessary to reach an acceptable basic living standard. The Family Budget Unit (FBU) was set up in 1987 to help inform any such debate. By its constitution the FBU is committed to 'carry out research into the economic requirements and consumer preferences of families of different composition, for each main component of a typical family budget'.¹ Unlike the Department of Social Security, which relies for its poverty estimates on analyses of how people spend the money they have, the FBU uses a combination of normative judgements (how much people need) and empirical data (how they spend the money they have). For the normative data, the FBU expert working groups use established standards of nutrition, housing, fuel and so forth. For the empirical data, they draw on a wide range of consumer reports and national surveys. So far the FBU has concentrated mainly on budgets at a modest-but-adequate living standard, with the latter defined as a level 'sufficient to satisfy prevailing standards of what is necessary for health, efficiency, the nurture of children and for participation in community activities'. Autumn Yu has been closely involved with this work since 1990. Here she explains how she constructed low-cost (but healthy) budgets for three family types, taking modest-but-adequate as her starting point. Given the wide range of circumstances in which people live, this is a more complicated exercise that some readers may expect.

A budget standard is a specified basket of goods and services which when priced can represent a particular standard of living. Budget standards methodology was pioneered by Seebohm Rowntree at the beginning of this century,² and had a profound impact on Beveridge's recommendations for the setting of National Insurance and National Assistance scales in 1942.³ The purpose of this article is to put forward a low-cost standard,⁴ representing an acceptable basic standard for modern Britain; and in so doing to show how budget standards methodology can contribute to the debate about CI levels.

Family budgets can be constructed to represent different levels of living, such as low-cost, modest-but-adequate or affluent. To give an indication, the low-cost budgets described here work out at about one-half to two-thirds of the modest-but-adequate levels described in the Working Papers and other publications of the Family Budget Unit.⁵

These low-cost budgets are designed to sustain a healthy level of living, defined as one which will maintain the families in physical, psychological and social well-being. This requires not only a healthy diet, adequate warmth

and enough clothing, but also opportunities for social participation. Each budget has eight main components: housing, fuel, food, clothing, household goods and services, personal care, transport, and leisure goods and services. All the budgets are based on housing and travel costs within the boundaries of York.

When constructing a budget standard, five variables determine the outcome:

- The items selected for inclusion
- The quantity of each item
- The lifetime allotted to it
- Its quality
- The pricing method, e.g. where it is purchased.

By using more stringent inclusion criteria, fewer items are available in the low-cost budgets than in the modest-but-adequate standard. The basket described here includes only those items which more than two-thirds of the British population regard as necessities, or more than three-quarters of the population possess.⁶ For example, there is no allowance for alcohol or tobacco, and instead of a week's holiday there is an annual day excursion. Quantities and lifetimes are based on a combination of normative judgements about individual and family needs, the findings of market research, budget standards in other countries,⁷ and manufacturers' recommendations. The lowest prices are used wherever possible, but in the end there is always a trade-off between price, quality and lifetimes. For example a cheaper garment is likely to be of poorer quality and to have a shorter lifetime. The place of purchase also affects the price. Corner shops may be more convenient than larger stores — especially for families without a car — but they are also likely to be more expensive.

Low-cost budgets Tenant families, no cars

The budgets are for three family types:

- A single woman pensioner
- Two adults plus two children, aged 4 and 10
- A lone mother plus two children, aged 4 and 10

All are 'model' or 'hypothetical' families, which means that in compiling the budgets certain assumptions were made about their housing and other costs that are not universally applicable. For example not all families pay the rents assumed here, and travel-to-work costs are notoriously variable, as are childcare costs. On the other hand, food, clothing, personal care and the costs of household requirements are relatively standard.

Table 1 summarises the low-cost budgets for these three model families. The single pensioner is assumed to be 72 years old, retired, fairly healthy and independent, and with no serious disability. In the two-adult/two-child family, one adult is assumed to be working full-time. The lone mother is assumed to be working part-time. All the families are assumed to live in comparatively inexpensive, local authority accommodation, with cost-effective gas central heating systems and no car. Public transport to work is assumed to be available, as is childcare.

In June 1993, the single pensioner needed £91 a week to achieve the low-cost standard specified here. The two-adult/two-child family needed £182 and the lone parent needed £175. For the families with children, food represents the biggest part of the total budget, followed by housing (which includes council tax and water rates as well as rent). In the case of the pensioner, housing is the biggest item in the budget, followed by food.

Table 1: Low-cost summary budget for three model families, local authority tenants, June 93 prices.

	<i>Single pensioner</i>	<i>Two adults + two children</i>	<i>One adult + two children</i>	<i>Average costs of child under 11</i>
	<i>£ week</i>	<i>£ week</i>	<i>£ week</i>	<i>£ week</i>
Housing (including council tax & water rates)	40.32	42.51	38.87	5.15
Fuel (including gas central heating)	8.46	14.71	14.04	3.81
Food	19.54	54.30	40.24	10.25
Alcohol	0.00	0.00	0.00	0.00
Tobacco	0.00	0.00	0.00	0.00
Clothing	3.84	16.01	12.28	4.20
Household goods	7.84	17.73	16.65	} 3.93
Household services (including postage & telephone)	3.17	6.04	4.21	
Childcare	0.00	0.00	24.69	0.00
Personal care	2.57	7.18	4.55	0.45
Transport (no car)	1.86	9.40	7.25	0.27
Leisure goods	2.41	8.03	7.70	1.77
Leisure services (including annual daytrip to Blackpool)	0.52	6.32	4.29	0.61
TOTAL WEEKLY EXPENDITURE	90.53	182.23	174.77	30.44
TOTAL LESS HOUSING COSTS	50.21	139.72	135.90	25.29

Note: Purchase prices of all durables are amortised over assumed lifetimes.

Within the budgets shown in Table 1, the costs of a child under eleven (excluding childcare and housing) are £25 on average. As the children get older those costs go up. By age 16 the average weekly cost is over £36 a week excluding housing.

Variations on the low-cost budget

The budgets in Table 1 can be developed to cover a wider range of expenditures. Different families have different requirements according to their circumstances. Apart from family size and composition these include work status, travel-to-work needs (car or public transport), housing status (tenant or owner-occupier) and housing costs. The budgets in Table 2 take all these factors into account. Although people on low incomes are less likely than those on high incomes to own a car or a house, many low-income families do own cars and many have mortgages.

In the 1991 Family Expenditure Survey as many as 63% of two-adult/two-child families in the lowest expenditure quintile of the population owned a car, and 67% were owner-occupiers. Although a car is expensive, in rural areas it may be the only way to get to work.

Table 2 shows the effects of mortgages, car ownership and childcare costs on the total budgets of the different model families. The single pensioner has not been allocated a car because only 16% of women in her age group have one. Four examples are given for the two-parent family. In the first case, one parent works full-time; in the second case one parent works full-time and the other works part-time; and in each case the costs are shown assuming rented accommodation as well as owner occupation. The lone mother is also assumed to be in paid employment, either full-time or part-time.

Although childcare costs increase the low-cost budgets substantially, they are included in every case where the parents are all in paid work. It is assumed that the girl aged 4 and the boy aged 10 attend local primary school, the former in an infant class. Twenty-one hours of childcare, costing £24.69 a week, are needed for both children if the second earner or the lone mother works part-time. These costs are weekly averages which take into account variations over the course of a year, due to school holidays. All the figures are at June 1993 prices and assume that the parents use childminders, childminding being the type of formal childcare most commonly used. The costs are based on the minimum rates of pay suggested by the National Childminders Association in October 1991,⁸ uprated in line with the Retail Prices Index.

The pensioner's housing costs are less as an owner-occupier than as a tenant, because the owner-occupier is assumed to own outright. The high cost of the lone mother's budgets is due largely to her childcare costs, especially if she works full-time, although other work-related expenses like travel also play a part. These work-related expenses affect all the families except the pensioner.

Table 2: Low-cost budgets for three family types, by housing tenure and car ownership, June 93 prices, rounded figures

<i>Single Pensioner</i>	2 Adults/2 Children		1 Adult/2 Children		
	<i>1 adult</i>	<i>1 adult</i>	<i>Working</i>	<i>Working</i>	
	<i>works</i>	<i>works</i>	<i>part-time</i>	<i>ful-time</i>	
	<i>full-time</i>	<i>full-time</i>			
		<i>1 works</i>			
		<i>part-time</i>			
<i>£ week</i>	<i>£ week</i>	<i>£ week</i>	<i>£ week</i>	<i>£ week</i>	
Tenants					
No car	91	182	210	175	211
Tenant					
+ car	—	214	242	204	240
Owner-occupier					
No car	71	202	230	193	230
Owner-occupier					
+ car	—	233	261	222	258

Notes:

- Housing costs include rent or mortgage interest (on a ten-year-old mortgage); buildings and contents insurance; water rates; sewerage rates; external and internal maintenance; and council tax.
- The cars are five years old: a 1986 Ford Escort 1400, four-door saloon for the couple with two children; and a 1986 Ford Fiesta 1100 hatchback for the lone mother.

Gross incomes/earnings necessary to achieve the low-cost budgets

With the existing tax and benefit systems, because of income tax and national insurance contributions, most of the families need gross incomes above the levels shown in Table 2, even after adding in child benefit and one-parent benefit for the families with children. For the pensioner the difference is less, because she does not pay national insurance contribution and has a higher income tax allowance than single people of working age. For the working age couple the complexities of the tax system are such that it is advantageous for both partners to be in paid work (especially if they can avoid childcare costs), because then they can both take advantage of their income tax allowances of £66 a week each, plus £33 married couple's allowance for one of them. On the other hand, because national contribution cuts in at £56 a week many mothers work part-time for less than £56, and this was the assumption made here. In Table 3, the maximum benefits from the thresholds for national insurance contribution and income tax are taken into account.

Table 3: Net Incomes Required (NIR) and Gross Incomes Required (GIR) to achieve low-cost budget standards, existing tax-benefit system, June 93, £ week

<i>Single Pensioner</i>	2 Adults/2 Children		1 Adult/2 Children		
	<i>1 adult works full-time</i>	<i>1 adult works full-time</i>	<i>Working part-time</i>	<i>Working full-time</i>	
		<i>1 works part-time</i>			
<i>£ week</i>	<i>£ week</i>	<i>£ week</i>	<i>£ week</i>	<i>£ week</i>	
<i>Tenants no car</i>					
NIR	91	182	210	175	211
GIR	93	201	215	181	236
<i>Tenant + car</i>					
NIR	—	214	242	204	240
GIR	—	250	263	225	280
<i>Owner-occupier no car</i>					
NIR	71	202	230	193	230
GIR	71	231	244	209	264
<i>Owner-occupier + car</i>					
NIR	—	233	261	222	258
GIR	—	279	293	253	308

Summing up

By using budget standards methodology it is possible to estimate the expenditure costs and gross incomes required by families of different composition to provide a low-cost standard of living — including certain lifestyle alternatives like owner-occupation and car-ownership. The measurement of living costs is a fundamental prior step to determining the level at which a Citizen's Income should be set, and budget standards methodology has an important role to play.

To achieve the low-cost living standard illustrated here, a single woman pensioner living in sheltered accommodation and paying rent of £26 a week requires a net weekly income of about £91 (without a car). If she

owns her house outright, her required income reduces to £71. By comparison, a single-wage couple with two children needs at least £182 a week to achieve the same low-cost standard. Possession of a five-year-old, second-hand car pushes their required income up to £214. Assuming a weekly mortgage liability of just over £35, owner occupiers need £202 a week without a car — and £233 with a car. A lone mother working part-time without a car needs net income of £175 if she lives in the assumed local authority housing and £193 if she has a £34 mortgage; the comparable figures if she works full-time are £211 and £230 respectively.

These are the net incomes (ie the expenditure figures) required to achieve a low-cost standard of living. They therefore give an indication of the levels at which the CIs could be set. However, for a number of reasons it would only be an indication. For CI purposes travel-to-work costs could be excluded, but the budgets should perhaps include savings and debt.

Given that the purpose of the exercise is to indicate the income amounts necessary to maintain a healthy but basic modern living standard, budget standards methodology has a number of advantages over other commonly used methods for estimating living costs. One major advantage is that modifications can easily be made to include or exclude specific items. For example, car ownership adds about £36 to the weekly expenditure requirements of the lone-parent family. A second advantage of budget standards methodology is that it is based on a specified basket of goods and services, a family budget is easily understood.⁹ In a nutshell, budget standards have the potential to raise public concern and to inform the debate about the concept and feasibility of a Citizen's Income.

Autumn Yu is a researcher in the Department of Social Policy and Social Work at the University of York. She is currently writing her PhD thesis on low-cost budgets and living standards.

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At Home and Abroad

We rely on readers to keep us informed about events concerning Basic or Citizen's Income world-wide. If you know of something that may be relevant, please write to the Editor, c/o The Citizens Income Study Centre.

European Union

The Commission looks at CI

Kevin Donnelly writes: On 14th June the European Ecumenical Commission for Church and Society held one of its regular six-monthly Dialogue Meetings with the European Commission Forward Studies Unit (FSU). The subject was employment (or rather unemployment). The President of the Commission had asked the FSU to look at three issues:

- The impact of technology on unemployment.
- The consequences of industrial relocation within and without the EC
- The meaning of work in industrial society.

The key figures were Marc Luyckx, who showed an impressive grasp of CI/BI theory, and Jérôme Vignon who reports directly to Jacques Delors. There is concern about the 'Social Deficit of Europe', as a result of the social failure of the single market. The commission thinks that full employment may not be possible, so it needs alternatives. Hence Marc Luyckx' interest in CI, not simply as a policy option to resolve current difficulties, but as a logical development of trends already in progress.

European University Institute will look at CI

Hermione Parker writes: The theme of the 1994-95 European Forum at the European University Institute, Florence, will be *Gender and the Use of Time*, with special emphasis on the inter-related issues of work, family and politics. One question on the agenda will be the possibility of a new social contract, capable of offering full citizenship to women. In line with BIRG's Discussion Paper *Basic Income and Women* (CIRG 1993), the European Institute information brochure moves quickly to a comparison of Minimum Incomes and Basic Incomes. In so far as Minimum Income is discussed at Community level, they say, it is in the negative sense of combating social exclusion rather than the positive sense of promoting political participation. Basic Income could strip work of its role as sole determinant of social and political rights, and could act as a 'leveller' converting every man and woman into a full citizen, on the model of the Greek polis.

In pursuit of greater flexibility, and more space for life-cycle requirements and personal choice, the 1994-95 Forum will address the question:

How might a new Social Contract be formulated that would incorporate a notion of time which

permitted greater individual autonomy and a redistribution of the work of production and reproduction between the sexes?

For further information write to Mrs Kathinka Espana at: European Forum, Istituto Universitario Europeo, C.P. 2330 Firenze Ferrovia -1-50100

Netherlands update

Joe Roebroek writes: Since summer 1993 social security has reached the top of the political agenda in the Netherlands. Two government commissions presented reports on the system (*The right to social assistance/Het recht op bijstand*, and a Report by the Parliamentary Enquiry Commission/*Het Rapport van de Parliementary Enquête Commissie*). Although their conclusions are not startling — and point in the direction of further incremental reforms — the outlook for a more far-reaching debate has improved. Gradually public opinion is becoming aware of the gap between social realities — especially the illusion of ‘full employment’ in its traditional sense — and the social security system in operation. It is in that context that *Basisinkomen* or *Burgerloon* (as CI is called in the Netherlands) is gaining ground. In addition to intellectuals and representatives of claimant organisations who have long supported CI, members of the Conservative-Liberal, the Social-Democratic and Green parties, and some directors of social services (for example Rotterdam and The Hague social services) are now openly declaring that CI is a viable alternative to existing social security arrangements.

United Kingdom

1. What would CI do for us now?

Richard Clements writes: It is not easy in the present economic and social climate to get Britons to think long-term about their social security system. The problems appear to be so pressing that some regard it as sheer luxury to think about what we should be doing in the next twenty years. With unemployment staying at very high levels, with poverty for young and old alike increasing at a frightening rate, the inevitable response to arguments in favour of CI is: *but what would it do for us now?*

It is a difficult question to answer. That is not because CIRG has failed to assemble a strategy for getting from here to there, but because so many people find it difficult to imagine how those already struggling to maintain body and soul on the inadequate provision of the present social security system would exist at the levels which a transitional CI scheme would provide.

This quite natural feeling is reinforced by the hysterical attitude which is being generated towards the ‘cost’ of the welfare state. There is ‘crisis’ wherever we look — crisis for the givers and crisis for the receivers — for the rich who are supposed to provide the funds and for the poor who are supposed to receive them.

For a moment at the beginning of November there was

a momentary lull in the ‘crisis’ storm. This was the result of the Joseph Rowntree Foundation report *The future of welfare: A guide to the debate* — a masterly piece of research by John Hills (in cooperation with the London School of Economics Welfare State Programme) which flatly contradicts much of the accepted wisdom about the collapse of Britain’s social security system. No, Britain did not spend more of its national income on social security than its main competitors. The ‘demographic time bomb’ has been exaggerated. The debate about the future of the welfare state is supposed to be boxed in by fiscal restraints, but the report argues that in fact there are a wide range of options available.

Of course some CI supporters might well take the view that this more relaxed climate about the future of welfare is not conducive to positive measures to overcome the ‘crisis’. I don’t believe that to be true. On the contrary, I find from a very wide range of contacts (right across the political, media, academic and industrial spectrum) made in my first six months as CIRG’s Director that the ‘crisis’ in welfare makes it more not less difficult to get our arguments across.

Yes, of course we go along with the criticisms made by so many people of particular failings of the present system. But who can blame so many people involved in the social policy field from hanging on to the last vestiges of the Beveridge nurse, for fear of getting something much worse!

The danger here is that some of the system’s worst failings are being overlooked in the desire to preserve what is left of it. Indeed, there is a growing problem that we excuse the inexcusable. An explanation for this can be discerned from the fact that it is so difficult to get reliable information across about what is happening in our society. As citizens we face a continuous barrage of false claims and attempts to inflate prejudice into policy. As the Rowntree Foundation Report puts it so succinctly: *... even if it is hard to discern individual responses, the belief that, for instance, ‘people are better off on the dole’ may affect someone’s behaviour, even if in their own case it is untrue.*

So what all of us arguing the case for CI are crucially involved in is the information battle. What we are trying to overcome is the view that the ‘crisis’ in social welfare is so critical that all policy-makers can do is either panic the nation into cuts which ruin what is left of it, or into remedies which ensure the same problems arise a few years down the track.

I am impressed by the impact which the work done by BIRG (before we became *Citizens Income*) has on the social security debate. I am equally impressed by the fact that both the Rowntree Foundation report and an article by Sir Gordon Borrie in *The Guardian* should come to almost the same conclusions about why CI/BI is an immediate non-runner. Borrie wrote (and I have sent him a copy of the last Bulletin so that he can read the views of Christopher Monckton!):

Some on the left also advocate scrapping national insurance, but say it should be replaced by a citizen’s income, financed through the tax system and paid as of right to all citizens ... So far, however, citizen’s income has foundered on the twin difficulties of winning political support for a benefit unrelated to contributions or employment, and the high marginal

tax rates which would have to be levied, even on low incomes, to finance the new benefit (Guardian, 8 Nov 93).

The Rowntree Foundation Report says:

At the opposite end of the spectrum from proposals for fully means-tested social security, but closely related to some idea for tax-benefit integration, are those to replace both means-tested benefits and tax allowances with 'basic incomes' (sometimes known as social dividends or citizens' incomes) ... The problem lies in the marginal tax rates which would be involved. Basic income schemes remove the 100% 'tax' rates of Income Support and the almost equally high rates within the poverty trap. They do this, in effect, by spreading out withdrawal of net benefits over a wider income range. This means higher marginal tax rates for much of the working population — estimates range from at least 50% to over 80% (p.43).

The editor of the Bulletin countered the suggestion that all CI schemes require a tax rate of at least 70% in the Editorial for Bulletin No. 16, but, as the above quotes show, the argument does not get through without much pushing, hence her recent letter to the Guardian (see Letters to the National Press). Now we are facing a double bind: to explain (a) how a CI which would make an effective contribution to dealing with current social problems would be affordable (or plausible) in terms of increased taxation, and (b) how, in the longer term, it would act as a replacement for Beveridge. It is something which we must concentrate in the coming months.

It is by no means an impossible task. I write before the first budget of the new Chancellor, Kenneth Clarke. My suspicion is that after that budget there will be a whole new climate in which advocates of Citizens Income will be able to argue about changes in the tax and benefit systems.

2. CIRG'S 1993 annual conference

Richard Clements writes: The all-day annual conference heard a wide variety of speakers on topics associated with benefit and tax reform. It was chaired by Evelyn McEwen, who is, of course, chair of Citizens Income Trustees. The only disappointment of the day was that Christopher Monckton, who was to amplify his stimulating and controversial article in Bulletin No. 16, was forced by illness to withdraw.

There was much to discuss in the contribution from Professor Bill Jordan, although he deliberately emphasised the difficulties which CI advocates have to face in a Europe where growing social problems create a climate inimical to radical change. Philip Vince — also a CI Trustee — tackled some of the work which had been done by the Institute for Fiscal Studies, particularly in the pension field. Patrica Hewitt, from the Social Justice Commission, gave a wide-ranging talk on the work of the Commission, explaining its guidelines as well as how it would examine suggested reforms like CI.

The afternoon session heard Professor Peter Townsend defend continuing universality in benefits and explain why social insurance still demands attention. Kevin Donnelly, the indefatigable grass-rooter who has done

so much to spread the word in the North-West, gave a fascinating talk about the way he goes about it. The afternoon was wound up by CIRG's new Director, Richard Clements, who explained to the conference the strategy he would employ in getting a wider hearing for the CI concept.

Thanking all those who attended, Evelyn McEwen reported that there would be no annual conference of CIRG in 1994, since our efforts would be put into the fifth annual conference of the Basic Income European Network/BIEN (see inside back cover of this Bulletin). "We are hoping", she said, "to make this conference the most significant contribution to the Europe-wide debate about universal benefit".

3. Citizen's Income and the Left: Socialist Society Conference, 9th October 1993

Stephen Quilley writes: In Britain the Left has so far been notably absent from the CI debate. Whilst Left-minded Greens and a handful of liberal-socialists have made significant contributions, the Labour Party, the trades unions and most socialist-inclined academics have shown relatively little interest. For both the Socialist Society and the Fabian Society's Socialist Philosophy Group to highlight CI in their autumn 1993 programmes — a few months before it comes up on the agenda of the Labour Party's Commission on Social Justice — is therefore most encouraging.

The Socialist Society's one-day conference brought together some eighty CI activists, trade unionists and academics, who explored the role CI might play in a socialist programme. The seven seminar sessions, sandwiched between two plenaries, were all well attended and generated intense but constructive discussions.

Obviously one of the objectives of the conference organisers was simply to raise public awareness — a function that was well served by speakers Walter Van Trier and Richard Clements (CIRG's Director) at the plenary sessions, and by Abigail Thomas and Bill Jordan at the introductory workshops.

Another objective was to use CI as a focus for a wider process of reflection about subjects as diverse as the nature of citizenship, the need for an economically sustainable tax-benefit system, and the tensions between liberty and equality in socialist thought. Over the course of the day the debate zig-zagged between the down-to-earth practicalities of public policy and the more etherial realms of political philosophy.

In the opening plenary Ursula Huws surveyed the rapidly changing structures of the labour market as a context for possible adoption of CI by the Labour movement. Chris Pond (Low Pay Unit) tackled the issue of poverty among the low paid, and the question of a national minimum wage — subjects also taken up by John Chowcat (of MSF) and Barrie Sherman in their session on *CI and the Unions*.

Len Doyal (co-author of *A Theory of Human Need*, see Books and Papers Received) and Kate Soper provoked

perhaps the most interesting discussion, by questioning the legitimacy and practicality of uncoupling *rights* from *duties*. In the ensuing discussion the notion of duty was 'unpacked', with many participants pointing out that duty need not be equated with a commitment to waged work. An alternative definition could include work with a social purpose or civic activism (eg voting?). A consensus emerged that any concept of obligation attached to CI should be equally and positively applicable to people in regular employment as well as the low paid and the unemployed.

Other sessions included *Green Politics and CI* (Freda Chapman and Ian Wingrove), *Libertarianism* (Hillel Steiner), and *Liberal socialism* (Dave Purdy). Professor Meghnad Desai (London School of Economics and a Labour peer) wrapped the day up with a plea for boldness. It is only by winning the political argument (doorstep by doorstep), he said, that the Left can carry the idea forward. Therefore down with fiscal respectability and up with principles!

The Socialist Society followed up this event with a workshop on CI at the Socialist Movement Conference in Chesterfield in October. Also, a fifty-page pamphlet is planned for publication during spring 1994. Meanwhile conference papers (at £2 each) are available from: The Socialist Society, 25 Horsell Road, London N5 1XL.

5. Muddle in the Mother of Parliaments

Hermione Parker writes: In the Mother of Parliaments an astonishing remark in an astonishing debate (Hansard Volume 231, No 239, 4 November 1993, columns 455-477) brought further evidence of politicians' ignorance. It happened shortly before midnight on a cold November evening. MPs (about half of them) had assembled to vote themselves a pay rise, having previously seen to it that other public servants would get a pay freeze. Up gets Labour's Deputy Leader Margaret Beckett (Derby, South), and announces that in matters of pay one should be conscious of the financial pressures facing sole earners with "family responsibilities". Having no children she didn't need a pay rise, but others might — which is the very argument successfully turned on its head some seventy years ago by the great social reformer Eleanor Rathbone in her campaign for family allowances. If you want to help families with children without wrecking the economy, she said, by far the most economical way to do it is through family allowances, not wage rises — an argument that CI carries to its logical conclusion by including non-earning mothers as well as children. Had Britain had a CI, Margaret Beckett could have voted against her pay rise with a clear conscience.

Fortunately — despite the ignorance and double standards — the debate had some moments of inspiration, especially from Andrew Rowe (Conservative Mid-Kent), who said:

How should the public value us? What do they see? They see a number of supposedly grown up people shuffling through the Lobbies not just once or twice but five or six times in succession, almost entirely careless and ignorant of the detail of what we are voting about.

... Before we start seriously considering what we should be paid, we should ask ourselves what on earth we are doing. (Quoted from columns 461-2)

He nevertheless voted in favour of a pay rise.

6. CI the topic at LSE Seminar

Hermione Parker reports: On 24th November, Robert van der Veen from the Department of Politics, University of Amsterdam, was the speaker at a seminar in the series *Ethics and Public Policy* organised by Professor Brian Barry. Van der Veen's subject was the ethical case for CI. Economic feasibility on its own is not enough, he said, CI must also be politically relevant and ethically acceptable. In other words it must be shown to be just. The difficulty is that different people have conflicting intuitions about justice; for example some argue that giving priority to the least privileged conflicts with the principle of voluntary choice. For van der Veen the justification for CI can be found through the *Leximin* principle, which he defined as 'priority for the least advantaged'. Using a static model he argued that a Full CI (at a rate equal to the existing social minimum, e.g. Income Support), would always leave people better off from working, since the new income tax rate would be less than the 100% rate at which IS is withdrawn.

Unfortunately the preservation of work incentives is more complicated than that. Not only does van der Veen's model take no account of work expenses, but those costs must also be grossed up for tax. If CI is to become politically acceptable it must be shown that work incentives will improve under a CI system, and this will involve other changes as well. Otherwise, far from getting rid of the unemployment trap — which is one of the justifications for CI — the present vicious circle of high tax rates, high wage demands and high unemployment could be compounded. Hence the case for a Partial as opposed to a Full CI (except of course for pensioners and people with disabilities).

7. CIRG North-West

Kevin Donnelly reports: There is a growing network of contacts outside the North-West region. Abigail Thomas, Ruth Weston, Martine Waltho, Clive Lord, Ken Palmerton, Martin Clark, Henry Cox, David Pidcock, Joy Mitchell, Christine Warren and Keith Argyle have all been busy promoting CI dialogue, but there are also many others: community workers in Meadowell, Tyneside; students in Manchester, Bradford and Sheffield; and church groups, especially those linked to Church Action on Poverty, as far away as Berwick-on-Tweed. My journeys have taken me to all these places and others besides.

The growing interest in CI is not merely intellectual, it is practical and urgent. And there is frustration with "feeble" MPs and an unresponsive House of Commons. The wider political process seems to ignore low-income citizens; the élite are too busy defending their own interests. People are not amused that MPs have been discussing tax-benefit integration (a first step towards CI) for twenty years, without any positive results. The empty benches opposite John Smith when he replied to last November's Budget statement seem to support their case.

There is talk about growing deprivation — not only in the inner cities but much wider — as one local economy after another disintegrates. I've met bewildered graduates now reaching thirty who haven't yet found regular work, town planners whom nobody wants, chartered engineers with no future at 45, people who have cheerfully relocated with their companies only to be abandoned and end up as mortgage defaulters.

There are some pluses of course. At the *Respond* conference in Middlesbrough last June, nearly 300 Teesside people — mostly jobless — encouraged each other to take action. Although some platform harangues drew resentment from the floor, platform ignorance about local experiences of education, training and the labour market was rebutted with some glee. "Get qualifications", we were told. "We've got them," came the reply, "enough to paper a wall". One training centre ran out of timber for its joinery trainees. Another shut its doors and never reopened. Skills? "We've got those too: it's jobs we're short of". Family values? Of course: "All five of us sign on together".

A straw poll showed that nobody thought full employment would return; £10 a day is the going rate for casual work, since employers tend to assume that their workers are on benefit anyway. The twenty or so who came to the CI workshop liked the idea, yet support for CI was cautious. They want something implemented, not just enthusiasm about it.

South Yorkshire community groups expressed weariness with conferences about poverty, signing petitions and letter-writing to an uncaring Westminster. CI was welcomed as an idea, but there was doubt whether any of the UK political parties is capable of the imaginative thinking needed.

At a Manchester Business School seminar, Neil Kinnock MP (former leader of the Labour party) was asked how Labour — against all the trends — could create three or four million new jobs, all at an undefined minimum wage. His answer, effectively, was that things will be different under Labour! But things were going to be different in 1975 and 1979. In 1993 a glance at the Social Justice Commission's musings shows little sign of the radical thinking necessary.

The high spots? Visiting the European Commission in Brussels and finding some officials already well briefed on CI. Coming across local church leaders willing to challenge their national leadership on poverty issues.

Meeting people who have worked out a CI theory for themselves, without having to read about it first. Being surprised by a local councillor making a special 30-mile bus journey to meet me in remote Northumberland, because she couldn't attend a formal presentation. Most of all, hearing Abigail Thomas's able presentation of CI at the Socialist Movement conference in Chesterfield last October, and seeing other young people (like Martin Clark, Steven Quilley and Ruth Weston) become active promoters of CI. Abigail is anxious to get the Mothers' Union interested in CI — Hermione Parker is already in touch with their head office. Perhaps their interest in women's issues and strong families will lead them to press for CI. Watch this space for further news!

Book Review

THE EUROPEAN FACE OF SOCIAL SECURITY

Essays in Honour of Herman Deleeck

J. Berghman and B. Cantillon (eds)
Avebury, Aldershot, 1993, 423 pp
ISBN 1 85628 603 7, Hbk £35.

Graham Room writes:

This is a *Festschrift* in honour of the Belgian scholar Herman Deleeck, with contributions covering the main social science topics with which he has been concerned in his academic career. But it can also be read as a set of essays dealing with current issues in European social security: issues which are now the subject of renewed debate, as further steps are taken towards European integration.

The editors, somewhat defensively but not unreasonably, protest that with English the *lingua franca* of social science, Anglophone scholars have easier access to the international spotlight. It is no coincidence that the doyens of social policy — Titmuss, Marshall, Abel-Smith and Townsend for example — are Anglo-Saxon and that their continental counterparts — among whom the editors number Deleeck — are much less visible. It is in an effort to correct this imbalance that the editors — themselves Belgian — have produced this collection, and have produced it in English.

It is hardly contestable that non-Anglophone scholars are at a disadvantage in the struggle for international academic prestige. And it may even be that with the intensification of social and cultural exchanges across Europe, this dominance of English — and hence of Anglophone scholars and institutions — is increasing, disenfranchising their counterparts elsewhere in Europe and depriving them of their normal rights of "citizenship" within the academic community. Nevertheless, even the most sympathetic reader will have difficulty in discovering from this *Festschrift* the extent and form of Deleeck's contribution to social policy studies and appreciating his status as one of "the great old men" of social policy in non-Anglophone countries. The editors summarise his academic interests in a single page and provide a selected bibliography of his publications. However, few of the contributors set out, as one of their aims, to take stock of the contribution of Deleeck to their chosen topic and in some cases they make no reference to his work at all.

The book falls into four parts. The first is concerned with methodologies for measuring poverty. During the 1980s Deleeck coordinated a major programme of work for Eurostat, testing a variety of poverty lines in more than half of the European Community member countries. This work forms part of a more general discussion which Eurostat and DGV of the European Commission have been orchestrating and to which some of the authors in

this first part have also contributed. Brendan Whelan, in his chapter, presents his work on non-monetary indicators of poverty; Ruud Muffels, based at Tilburg University in the Netherlands and involved in the new Eurostat Panel Study of Household Incomes, writes on deprivation indices. Essays by Jonathan Bradshaw (budget standards) and Deleeck's colleague Karel Van den Bosh (comparative poverty measures) complete this first part. None of the four essays offers a major new contribution to the literature, but together they provide a useful survey of some of the current methodological discussions.

The second part deals with the impact of social security. These essays are more disparate. They range from Richard Hauser's stock-taking of methods of comparative social policy research to analyses of individual areas of social security policy — pensions and unemployment benefit — and, finally, to an attempt by Albert Mok to apply Michel's *iron law of oligarchy* to the social security field. Nevertheless, the themes running through this second part include some of those with which Deleeck has been particularly concerned: the distributive impact of social security, the adequacy of benefits and the so-called *Matthew effect*, when better-endowed social groups benefit disproportionately within the social division of welfare.

The third section of the volume deals with *Policy Paradigms*. This is, again, a rather mixed bag, but with various versions of a social minimum providing one of the principal connecting themes. Hermione Parker provides an overview of the different proposals for a citizen's income: proposals that will already be familiar to the readers of this journal. And in highlighting the current changes under way in the European economy, she bemoans the failure of the European Commission to address adequately the new forms of income support that may need to be incorporated into our social security systems. If her essay is rooted principally in the British experience, it is nicely complemented by Joop Roebroek's treatment of Dutch developments and Winfried Schmähl's consideration of proposals for flat-rate minima within German pensions. Roebroek provides a detailed historical account of the "pillarised" social system in the Netherlands, which provided a rather hostile context for the development of the various Dutch minimum benefit schemes; Schmähl deals with the history and politics of minimum benefits in the equally hostile context of a Bismarckian or conservative welfare regime. Such accounts are particularly valuable in underlining the cross-national variations in the social and political interests with which any new proposals for citizens' incomes would need to be negotiated.

In the final section of the book, it is the European dimension of social security that is the focus. This is fitting, not only because of the changes now taking place at the European level, but also because of Deleeck's own contribution to these debates. Chapters by Jeff Van Langendonck, Berndt Schulte and Yves Chassard and Odile Quintin deal, respectively, with three of the recent central issues in Community policy on social security: the coordination of national schemes, the development of some minimum income across Europe and, finally, convergence in the aims if not in the instruments of national social security policy. Yet, as the editors argue in their commentary, whereas economic integration underlines the need for an active Community policy on

social security, the Commission remains handicapped by a "vacuum of competence" and is obliged to be content with Council "recommendations that cannot be sanctioned". The final chapter of this section, by Bernd von Maydell, deals with the "other Europe" — the countries of the former Soviet bloc — and the reforms in social security which they face. What is common to both parts of Europe is this: that at a time when the market poses new challenges to the inherited social security policies, the political authorities are handicapped — in part by ideology — in taking the positive measures which may be needed.

No clear message emerges from this book, but that was presumably not the intention. What it offers is a convenient *smorgasbord* in European social security discussions. I will refer my postgraduate students to perhaps half of the contributions. Whether it will give them an appreciation of Deleeck's own contribution to social policy studies I doubt; but at least they will be made aware of non-Anglophone scholars whose work may hitherto have escaped their attention.

An index would have helped. The bibliographical details offered by some authors are imperfect and the editors might have been more zealous in tidying them up.

Graham Room is Professor of European Social Security Policy at the University of Bath.

Book Review

LIBERTY, EQUALITY AND EFFICIENCY Apologia pro Agathotopia Mia

J.E. Meade

Macmillan, 1993, 256 pp. ISBN
0-333-58530-5, Hbk £40

Hermione Parker writes:

The author of this major book Nobel prize-winning economist Professor James Meade, has a depth and range of achievements to his credit that put ordinary mortals to shame. He also possesses the rare ability to think through difficult problems and explain them with clarity and eloquence. In *Liberty, Equality and Efficiency* he puts forward a set of carefully coordinated policy recommendations for the control of unemployment which in my opinion — writing in the aftermath of Europe's worst recession since the 1930's — merit far greater attention by politicians and the media than they have so far received. All but one of the book's chapters have already been published, but this in no way detracts from its importance. On the contrary, it is in the bringing together of the separate papers and in the newly written introduction that the importance of Meade's message emerges. Either Europe will take note or its peoples will be left behind in the race for world markets.

First a few words about the author and his previous work

in this area. Meade's academic career began in Oxford in the early 1930s, where, as a disciple of Keynes, he produced the first Keynesian textbook for undergraduates. Employment policy and social security fast became two of his specialities, and at the time of the Beveridge Report (1942) one of the people he worked with was Juliet Rhys Williams of CI renown. Later, as director of the economics section of the Cabinet Office Secretariat, he was closely involved in the wartime coalition government's 1944 White Paper *Employment Policy*. Much more recently he contributed the preface to the pamphlet *Stepping Stones to Independence* by Lady Rhys Williams' son Brandon Rhys Williams,¹ and welcomed Sir Brandon's proposals for a revenue neutral, partial Basic Income.

Although he 'retired' many years ago, Meade has used his retirement for concentrated study and writing — always preferring to tackle 'one problem at a time'. In *Liberty, Equality and Efficiency*, in his usual lucid prose, he takes readers away from Thatcherite Britain on a visit to the island of Agathotopia — not *A Perfect Place to Live in* but *A Good Place* — whose inhabitants 'claim to have built an economy which combines the best features of socialism with the best features of capitalism'. The question then becomes: What can we learn from them?

Although Meade's style is lucid, his text is closely argued and includes complex areas of policy making. Readers require patience and determination, and reviewers need a good memory! After a sixteen-page introduction, in which the limitations of orthodox Keynesianism and of monetarism are explained, and the case for a Citizen's Income is introduced, the book falls into two main parts and five chapters:

● Introduction

PART I

- **Efficiency, Equality and the Ownership of Property** George Allen & Unwin, 1964

PART II

- **Can we learn a 'Third Way' from the Agathotopians?**
Royal Bank of Scotland Review, September 1990
See also: *Alternatives to Capitalism*, Ed. A.B. Atkinson, Macmillan 1993
- **Agathotopia: The Economics of Partnership**
Hume Paper No. 16, Aberdeen University Press, 1989
- **The Building of the New Europe: National Diversity versus Continental Uniformity**
Hume Occasional Paper No.28, 1991
See also: *Building the New Europe, Volume 1: The Single Market and Monetary Unification*, Ed. Mario Baldassarri and Robert Mundell, Macmillan 1992.
- **In Praise of Slowness: or The Agathotopian Treatment of the Environment as a Common National Asset** (previously unpublished)

Each chapter deals in one way or another with the choice of economic policies and institutions designed to cope with the inevitable clashes between Meade's three basic economic objectives:

- **Liberty**, meaning *citizens' freedom of choice in markets for jobs and for the satisfaction of their wants*
- **Equality**, meaning *the avoidance of any resulting*

intolerable contrast of poverty side by side with great riches

- **Efficiency**, meaning *the use of available resources in ways which will produce the technically highest possible average standard of living.*

Meade's conclusions are the following:

- Governments can temporarily reduce unemployment below its equilibrium level by expansionary financial measures, but this will eventually lead to hyperinflation unless those measures are reversed.
- Governments can also reduce the rate of inflation to a low level by restrictive financial measures, but only at the expense of unemployment above its equilibrium level.
- The only way governments can reduce the equilibrium unemployment level is by reform of wage-setting and price-setting policies and institutions, in order to raise the levels of economic activity and employment at which demands for increases in real rates of pay do not exceed increases in labour productivity.

Meade calls his solution *New Keynesianism*, which he defines as the control of money gross domestic product (GDP), through the introduction of institutions and policies for the setting of wages and prices that will induce the greatest possible expansion of *real* output and employment, instead of simply rising money prices and costs. He also advocates the introduction of a partial (or modified) Citizen's Income (CI), partly in order to make lower paid work financially worthwhile.

The argument for CI runs as follows:

The post-war history of attempts to control wage rates or otherwise to make rates of pay more flexible, by the outlawing of monopolistic methods of wage bargaining, suggests that there is no possibility of seriously reducing the reliance on rates of pay as a major instrument for the distribution of income *unless some alternative means can be found for ensuring a fair and acceptable distribution of income* (my emphasis).

Any alternative method of affecting the distribution of income must necessarily imply that individuals receive income which, in some form or another, to a greater or smaller degree, is not related to the pay which they receive from their work. For this to be effective in reducing the distributional importance of their pay, the reduction in the amount which is directly tied to pay and/or the increase in the amount of income which is not directly tied to pay must be on a substantial scale. If, however, the divorce between pay and income is carried too far, it will clearly have a disastrous effect on the incentive to work. If there were no pay for the amount and quality of work done there would be no commercial incentive to work at all (page 7).

This is a clear recommendation for CI, but also a plea for moderation. A full CI for everyone — enough to live comfortably without engaging in paid work — is ruled out. The question is whether it is possible to finance a CI sufficient to have an appreciable effect on income

distribution *without having so great a disincentive effect as to do more harm than good*. In Meade's judgement the decrease in involuntary unemployment that would result from the introduction of a CI could well outweigh any increase in voluntary leisure. Moreover policies that make rates of pay more responsive to supply and demand themselves increase economic efficiency.

Meade next distinguishes between three methods of income redistribution:

- The property-owning democracy method
- The social ownership of property method
- The welfare state method

Of these the first two redistribute 'unearned' income from property, the first through policies to widen the ownership of wealth and unearned income, the second by transferring a considerable proportion of privately owned wealth to the state and redistributing the income accruing from it to the generality of citizens. At this point some readers' imaginations' may take off — is Meade suggesting that after privatisation the British government could have retained 50% of British Telecom (BT) shares, and redistributed its share of BT profits to every UK (legal) resident through a *social dividend*? If so, would it not be immensely popular? Selling the family silver to help the weakest family members get jobs is altogether different from selling it to reduce income tax.

To explain his proposal, Meade uses the term *socialisation of the beneficial ownership (without the management) of capital assets as a source of revenue for the finance of the social dividend*. On the island of Agathotopia beneficial ownership accounts for half of all capital assets (pp 157-9). At present in a typical capitalist economy the private sector often owns more capital assets than the state, because it owns the net national debt. But in Agathotopia there is no net national debt; instead there is a net national asset equal to one half of the real assets of the community. The Agathotopians have to forego the revenue from taxes on interest on the national debt and on dividends or rents received on the other transferred assets, but there is a net gain equal to the post-tax return on what would otherwise have been a national debt, and on one half of the real assets of the economy. It is this revenue that is used to help finance the Citizen's Income.

Meade is at pains to emphasise that the government of Agathotopia takes no part in the management of the enterprises in which its capital is invested — it merely receives and redistributes the profits. "To many of us ... this must appear a topsy-turvy form of nationalisation", he says, but "... the Agathotopian form of socialisation is to take over the yield on the property, and leave the management in private competitive hands" (p.158). To some readers this may sound like cloud cuckoo land, but the State of Alaska has been distributing part of the profits from oil extracted at Prudhoe bay on a per capita basis to all Alaskan residents (men, women and children) since 1982. It is called the Alaska Dividend Distribution Program, and its effects on unemployment have so far been beneficial.²

The welfare state method of income redistribution converts income from pay into income unrelated to pay, by increasing income tax and using the extra revenue to finance a Citizen's Income (unrelated to earnings) for

every individual citizen or legal resident. This need not require substantial increases in the rates of income tax, so long as more income becomes taxable. For example the CIs would replace all the personal income tax allowances. For incentive reasons the CI amounts must not be carried to excess, but even if they did result in a moderate reduction in employment, this might be welcome — for two reasons. First, in a highly populated, highly industrialised, rich economy, increased economic activity is likely to take the form of increased production of luxuries, resulting in increased social costs and greater strains on the environment. Secondly, a moderate reduction in employment might be welcome if its distributional effects increased economic equality. Meade does not mention the effects on the balance of payments, but it could be that in the UK a redistribution of income from top to bottom and from single people and childless couples to families with dependent children would reduce demand for imported luxuries.

It is the clashes between liberty, equality and efficiency which form the subject matter of the main text of the book. Part 1, *Efficiency, Equality and the Ownership of Property*, first published in 1964, concerns the clash between the distributional and efficiency effects of wage-setting institutions and policies. All three methods of resolving these clashes are mentioned, but attention is concentrated on the property-owning democracy and social ownership of property methods.

The four Agathotopian papers in Part II cover a wider range of topics, but are still centred round the main clash between the distributional and efficiency aspects of wage-rate adjustments. Although by no means a perfect country, the inhabitants of *Agathotopia* do claim to have built an economy which combines the best features of socialism with the best features of capitalism. What can we learn from them? For a start we learn that wherever possible a free market is more efficient than a centrally designed and controlled one, but that private competition need not involve capitalist companies of the orthodox variety. An alternative is the labour-managed, labour-owned cooperative where workers hire the capital and run the business.

Agathotopian experience suggests that a successful attack on the joint problems of distribution and full employment requires two simultaneous changes:

- Institutions to promote wage and price flexibility, including labour-capital partnerships.
- A guaranteed Citizen's Income.

Without the guaranteed CI the flexibility of Agathotopian wage rates and other earnings necessary to maintain full employment would not be forthcoming. Not only does the CI have an equalising effect on income distribution, it also reduces the problem of risk-bearing by worker partners, and is a necessary condition for political acceptance of that flexibility in rates of pay without which full employment is impossible.

As a result of the CI some citizens will choose not to engage in paid work, but this effect can be reduced by:

- Paying a CI that is low enough to ensure that not many citizens are tempted into idleness.

- Timing the introduction of CI to coincide with other measures for the downward flexibility of rates of pay — what the author refers to as a *New Keynesian financial policy*.³
- Allowing citizens to keep their CIs when they find work.
- Rejecting unbridled economic growth and unnecessary consumerism as policy objectives. Some reduction in total national output is regarded as a price worth paying for more equal distribution.

Throughout the book it is taken for granted that a new method of income distribution is required which will reduce the importance of wage-setting policies and institutions. Although the institutions recommended in the book (e.g. Citizens' Incomes and labour-capital partnerships) would help this process, continual political debate about the best levels of the CIs, the best forms and levels of taxes, and changes in structures for setting rates of pay would also be necessary.

Meade does not include any CI costings or estimates of the marginal tax rates a CI system would involve, which is wise, given the number of CI options available. Instead the book provides:

a vision of the direction in which one should aim to mould attitudes and customary behaviours and to reform economic policies and institutions (p.15),

and also:

a vision of the future which allows one to judge whether each individual current change is in the direction which the final structure demands (p.16).

At the end of his introduction, Meade challenges his professional colleagues to stop trying to make the best of a bad job (meaning the present, flawed system of fiscal, monetary, foreign-exchange and wage-setting policies and institutions), and concentrate their minds upon the design of a better job. Unfortunately we live at a time when academic research depends increasingly on politically influenced sources of finance. Perhaps the publishers of *Liberty, Equality and Efficiency* should send free copies of it to every cabinet minister, every shadow cabinet minister and all grade 1 civil servants in the Treasury and the Departments of Social Security and Employment. Better still if they would sponsor conferences and get the media to stop preaching the gospel of the bottom line and start thinking laterally.

Notes and References

1. Rhys Williams, B., Ed. Parker, H., *Stepping Stones to Independence, National Insurance after 1990*, Aberdeen University Press, 1989.
2. For further information about the Alaskan Permanent Fund and Dividend Distribution programme, see J. Patrick O'Brien and Dennis O. Olsen in BIRG Bulletin No 12, 1991.
3. Meaning a set of monetary and fiscal policies designed to keep the total of money expenditures on domestically produced goods and services (money GDP) on a steadily growing path.

Books and Papers received

We rely on readers to keep us informed, by sending us research papers, articles and other publications on Basic or Citizen's Income (world wide). If you have something you think is relevant, please send a copy to the Editor, c/o CIRG.

Something To Look Forward To: A Suggestion for a New Social Contract, J. Rhys Williams, Western Mail and Echo Limited, Cardiff, August 1942. Thanks to the alertness of Lady Rhys Williams' daughter, Elspeth Chowdhary-Best, an error in CIRG's Reading List has come to light, and will be rectified at the next printing. The current list starts with the Beveridge Report (1942), followed by Lady Rhys Williams' *Something To Look Forward to*, Macdonald, (1943). It now transpires that an earlier version of *Something To Look Forward To* was published and privately circulated three months before the Beveridge Report. In this earlier version Juliet Rhys Williams warned against any extension of social insurance, on the grounds that *any improvement in scales of benefits, any extension of pensions to other classes of the community, will come perilously near to undermining the profit-motive altogether where the wage-earning classes are concerned* (p. 9).

For readers new to CI, and because the pamphlet is not generally available, it is worth repeating Juliet Rhys Williams' main argument. Remember that she was writing in the middle of World War Two:

The lion in the path of curing want by means of insurance is the fact that if the standard of unemployment pay is raised to a level at which real want is banished, and if all classes of workers and their families are included in the scheme, besides all other persons likely to benefit from it, then the advantages of working for wages very largely disappear.

... As things are, if a man bestirs himself to earn small sums when he is unemployed, or if his wife attempts to work ... they are immediately penalised for doing so by the loss of their allowance. A large amount of productive labour is thus lost to the State, and the unemployed and their families are reduced to hopeless idleness and misery (pp 11-12).

Lady Rhys Williams' solution was a CI, in return for which the individual would undertake to work. Self-employment would count as employment, women with children and carers would be exempt, unmarried women and widows without dependent children would be required to work outside the home for 18 hours a week.

A Theory of Human Need, Len Doyal and Ian Gough, Macmillan 1991 and 1992, 365 pp, ISBN 0-333-38324-9 (H/b), 0-333-38325-7 (P/b), price P/b £11.95. All human beings have basic needs in common which cannot be reduced to individual, cultural preferences. Health and autonomy are essential preconditions for successful participation in social life, and the satisfaction of these

needs is a fundamental human right. We hope to bring you further information about the implications of this book for Citizen's Income in next summer's Bulletin.

Liberty, Equality and Efficiency, James Meade, Macmillan 1993, ISBN 0-333-58530-5, 256 pp, Hb £40. (see **Book Reviews**)

A Unified Funded Pension Scheme (UFPS) for Britain, Jane Falkingham and Paul Johnson, Discussion Paper WSP/90, STICERD, London School of Economics, Houghton Street, London WC2A 1AE, April 1993, 58 pp., free. The paper proposes a new type of pension scheme, which combines earnings-related funded pensions with tax-financed minimum pension provision, thereby encouraging saving for old age and preventing pensioner poverty. In so far as everyone would get a pension of at least one-third average earnings, the scheme resembles a Citizen's Pension. One difference is that husbands would have to pay the contributions of their non-earning wives. Another difference is that pensions in payment would be indexed to prices not earnings, allowing relative living standards to tail off with age.

Citizenship and Employment, Investigating Post-Industrial Options, Jocelyn Pixley, Cambridge University Press, April 1993, 339 pp, ISBN 0 521 41793 7 (H/b) 0 521 44615 5 (pbk), price H/b £35. Mass unemployment re-emerged as a public issue during the 1980s, and is increasingly seen as an early symptom of post-industrial societies, hence the debate about alternatives to paid work or the separation of income from employment. This book reappraises that debate. It asks whether there is an alternative to wage labour that does not undermine citizen rights, and concludes that there is none. Unfortunately the empirical evidence comes mainly from Australia and the United States, moreover there is the usual confusion between negative income tax and basic income, and when Jocelyn Pixley writes about the European debate on CI she seems less than well informed.

Poverty and Social Security, P. Spicker, Routledge 1993. Spicker argues that the advantages of BI are its administrative simplicity, and its avoidance of stigma, the poverty trap and low take up. On pp 144-45, however, he says that the costs of BI are seen by some as prohibitive, the removal of the work test is seen as a *massive disincentive*, and many of the beneficiaries would be *non-working spouses in relatively wealthy households*.

Fifteen Propositions concerning the Building of an Equitable, Full-Employment Non-Inflationary, Free-Enterprise Economy, J.E. Meade, Employment Policy Institute, Southbank House, Black Prince Road, London SE1 7SJ, June 1993, 24 pp, ISBN 0 948434 27 9, price £6.50. This pamphlet — which is a revised version of papers submitted in 1992 to the Labour Party's Commission on Social Justice — sets out the conditions to achieve full employment — without inflation — in a free, but fair, market economy. Appended to the fifteen propositions is a note entitled *Three Objectives of a tax-free Citizen's Income*, giving detailed explanations of the public expenditure, incentive and welfare effects of different CI options.

Newsletters of the Basic Income European Network (BIEN), Nos 16 and 17 (May and September 1993). Published three times a year, invaluable information

about past and future events and publications relevant to Citizen's Income and Basic Income in Europe. For further information contact Walter van Trier (BIEN Secretary), UFSIA, 21 Bosduifstraat, B-2018 Antwerp.

Copies of the proceedings of BIEN's September 1992 Conference in Paris are now obtainable from A.I.R.E., c/o Futuribles, 55 rue de Varenne, F-75341 Paris Cedex 07. The price is Frs 100 + Frs 20 for postage. The papers include Philippe Van Parijs on *Ethical foundations*, Tony Atkinson on *Problems of implementing a Basic Income in Europe*, Bruno Lévy on *Basic Income and time-value*, Walter van Trier on *Obstacles to the breakthrough of Basic Income*, and Patrick Viveret on *The French RMI and citizenship income*.

The European Face of Social Security, edited by Jos Berghman and Bea Cantillon, Avebury, 1993, 423 pp, ISBN 1 85628 603 7, price £35. For most readers of this Bulletin the key chapters are those by Joop Roebroek (*Basic Schemes in the Netherlands*), and Hermione Parker (*Citizen's Income*). (see **Book Reviews**).

Household budgets and living standards, Jonathan Bradshaw, Joseph Rowntree Foundation Report, September 1993, 35 pages, ISBN 1 872470 84 X, price £7.50. **Budget standards for the United Kingdom**, Jonathan Bradshaw Ed., Avebury, December 1993, 272 pages, ISBN 1 85628 591 X, price HB £35. In the research into poverty and living standards in the UK, the budget standards approach — which selects and prices different baskets of goods and services according to family size and the desired living standard — has been badly neglected. These studies consolidate the Working Papers of the Family Budget Unit (June 1990 to September 1992). The Avebury book gives more detail but the JRF report is an easier read. Both provide the background research that CI advocates need in order to put acceptable figures to concepts like Full Basic Income.

The Cost of a Child, Living Standards for the 1990s, Nina Oldfield and Autumn Yu, CPAG Ltd, 1993, 73 pp, ISBN 0946744 56 4, price £6.95. This study too is based on work carried out for the Family Budget Unit. It adds to the growing evidence that Income Support is insufficient to meet the needs of children.

The future of welfare: A guide to the debate, John Hills, Joseph Rowntree Foundation, November 1983, 91 pages, ISBN 1 872470 87 4, price £8.50. With the help of colleagues in the Welfare State Programme at the London School of Economics, the author draws together research on the operation of Britain's welfare state and discusses a range of policy options for its future. He concludes that much of the government's alarm about benefit expenditure is exaggerated. Unfortunately he seems to have a rather limited understanding of CI (see Richard Clements in **At Home and Abroad**).

Social Justice, Children and Families, Patricia Hewitt and Penelope Leach, IPPR, December 1993, 46 pages, ISBN 1 872452 76 0, price £2.95, IPPR 30-32 Southampton Street, London WC2E 7RA. The Commission on Social Justice was set up a year ago, at the instigation of John Smith, Leader of the Labour Party. In this paper the authors propose a fundamental shift in the value we attach to children as future citizens, and to the unpaid work of parenting and the resources society invests in it. Despite reference on page 29 to child benefit as 'a

small citizen's income for children', CI is not among the options examined. One reason may be that the authors focus on child support rather than support for the family as a whole — indeed they clearly fancy the idea of robbing Mum and Gran to pay Paul by phasing out the married couple's tax allowance. But isn't it contrary to social justice to tax single-income couples on the same basis as single people i.e. on all their income above £66 a week? Wouldn't a CI that converts automatically into cash if the mother has no income to set against it be fairer?

Welfare Reforms at the Heart of the Budget Strategy, Patrick Minford in *Budget for a Supply-Side Resurgence*, Quarterly Economic Bulletin Vol.14, No. 4, December 1993, Liverpool Research Group in Macroeconomics. Pages 4-5 are essential reading for those eager to understand the thinking behind recent UK tax and benefit changes. Two main strands emerge. The first alleges that most social security spending goes to the

ordinary middle-class taxpayer who then has to pay for it in higher taxes. Privatisation of welfare would be better. The second strand is the continuing move towards a residual welfare state. Universal benefits (which according to Minford include contributory benefits like the state pension) are wasteful whichever way you play the system. CI, says Minford, is particularly wasteful, because it is *paid to all and not withdrawn as income rises*. He seems not to understand that a CI of £33 week financed through an income tax on all other income of 33% would be completely withdrawn by the time the citizen's own income reached £100 a week. Negative Income Tax isn't the answer either, he says, because too many people would face high marginal tax rates.

His solution is **SELECTIVITY**, by which he means *benefits given to those in need case-by-case, with scrutiny by local groups in a position to assess the case*. He also tells us that *the reforms to be put in place by Peter Lilley's Department of Social Security are all of this type*.

Viewpoint

Thinking straight about benefits

John Robson

Many years ago, in a school where I was a boy, there was to be a school photograph. Acting on instructions, the Head of School — a young man more noted for his energy and strength of character than for his intellect — carefully arranged the chairs and benches in a curved line, part of the circumference of a large circle. The photographer arrived and asked for the curve to be increased, so the Head of School at once began to arrange the line as part of a smaller circle, but without allowing it to occupy a higher proportion of the smaller circumference than it had of the larger. Puzzled by the difficulty of the task and the amusement of certain bystanders, he redoubled his efforts. It was fully ten minutes before he realised that it could not be done.

It is taking members of the British government — who would hate to be categorised with that Head of School — much longer than ten minutes to realise that they are attempting an equally impossible task. They are aware of the *poverty trap*, in which so many find that there is no net benefit for them in working. They inveigh against the *dependency culture*, the mind-set which directs all thought and effort into getting something for nothing. Yet at the same time they speak more and more frequently of the advantages of targeting benefits — by which they mean means-testing — and seem to think that a "better designed" (Lord Lawson) benefits system might somehow lack the worst faults of the present one. Their aims, just like those of the Head of School, are incompatible, because the more benefits are targeted the tighter the grip of the poverty trap and the blacker the mental tyranny of the dependency culture.

Let us get down to basics, a fashionable cry at the

moment. Demand creates supply. The government has two kinds of employees, those who are employed to work and those who are employed not to work. Income Support (IS) represents the going rate for the non-workers: if you don't work, that is what you get. Increase the offer and you will have more takers, as sure as night follows day, even if there is no cheating. But as it is quite easy to be working when officially unemployed, there will also be more fraud. Therefore if those on IS are some of 'the poor' and help is targeted on them, there will be more claimants and a higher proportion of fraudulent claimants. The same will happen whenever a benefit is increased which some receive and others don't: dependency grips more people more tightly.

How about those categories who are not working anyway, chiefly the retired? Here targeting produces heart-rending injustices, for it is perfectly possible to save over the years for a small pension to top up the state retirement pension, and then find that you are none the better off — you would have done just as well on the IS pensioner premium for your age. All your care has gone for nothing — your praiseworthy economies are wasted. You should not have paid into the pension. In the years approaching retirement you should have spent all your savings above £3,000, then taken the premium. It should be thoroughly understood that this is a common situation, for the line between benefit and no benefit is driven, and must always be driven, at a point on the scale of income distribution where many people lie just below and just above it.

Passporting (which means that if you have one benefit you automatically receive others) aggravates the ill effects of targeting. To recur to a school setting, Department of Social Security ministers should be made to write that out 500 times each. The pensioner on IS knows that he or she has no council tax to pay, while those not on IS can only apply for a rebate. Parents on IS know that they do not have to pay prescription charges for themselves or school meals for their children, while those not on IS (including low paid families getting means-tested Family Credit) must pay for school meals and reckon with the high cost of being ill. The value of *any* benefit is increased by the certainty of getting it. Psychological factors come into play.

The dependent mind-set needs further analysis. There is the sense of ownership of benefits, the feeling therefore of being robbed if they are removed. "She'll lose her benefits," wail the relatives of an old lady who has come into a legacy. "How if she gives us the money and we slip her the interest in cash?" Ordinarily honest people are tempted into fraud. "My Dad has room for us," says the male partner of a homeless couple, "but we can't move in with him — we'd upset his benefit situation." In cold fact the three of them would be much better off together. But no, the benefit situation must not be disturbed.

I write from the point of view of a right-wing Tory — to me Baroness Thatcher is a politician of the centre — who was confronted at his local Citizens Advice Bureau by the facts of life. Heaven forgive me, I once believed in 'targeting' myself. Of course the Tories have done some things right, even in the areas of social security: they have realised that it is not for governments to provide earnings-related pensions; Family Credit is at least pointed in the right direction; they understand that governments must gradually withdraw from the provision of housing; they have initiated the present public debate, and it is not mainly their own fault that the debate has largely taken the form of a series of scares. But the failure to grasp the effects of means-testing is by no means their only fundamental error.

No one at all seems to attend to tax-benefit outcomes, by which I mean net incomes after deducting tax as well as adding in benefit. Take all the nonsense about child benefit being a 'hand-out' for 'middle-class' families. In

fact those families remain large NET contributors because the tax on their incomes and expenditure far exceeds their child benefits. And it does not matter in the least that money moves in both directions, from them as taxpayers and to them as parents. So long as the systems are kept simple, money costs nothing to transport — it is when you are wondering how much to give or take away and from and to whom that the expenses rise. And it takes a blithering idiot to suppose that a government which is looking for savings should take money from couples with children while leaving untouched couples without children on the same income.

Tories know that they want to reduce 'the size of the state'. But how is that size to be assessed, and what counts as reducing it? Lowering marginal tax rates? Reducing the burden of total taxation net of benefits? Employing fewer workers in the public sector? No one seems to know. In fact they don't even ask.

In a short article it is impossible to tackle everything. But I have three battle cries with which to end:

- We are for JUSTICE, by treating everyone alike
- We are for SIMPLICITY, without which justice cannot be achieved
- WE HOLD THE FIELD

No one has come forward with an alternative solution to the ills we seek to cure. Our critics should stop sneering and offer something constructive. *It would make a change.*

John Robson is a retired Headmaster, and a Church of England Reader.

Letters to the National Press

In case you missed them, here are three letters about Citizen's Income published in the national press.

Proper recognition still to be given to the unemployment problem

From Professor Ronald Dore, London School of Economics, to *The Financial Times*, 15 June, 1993

That unemployment will not yield all that much to "active macroeconomic policies" we've known for some time. Now, Edward Balls tells us (*A tide that's not for turning*, June 9) that the active labour market policies Richard Layard was advocating in his Personal View (June 8) don't work either, except as political tokenism designed to show the problem is being taken seriously.

So what's left? "Less generous unemployment benefits"? Yes, indeed, push the welfare minimum down to American levels and you will force more people into jobs — at the poverty-level wages which now characterise so much work in America. Is that really what we want?

Surely we need to recognise that the unemployment problem is a result of the new "labour market scissors". On one hand are the decent instincts which have made a welfare floor of 40% of average income pretty well universal in European societies. On the other are those changes in society and technology which have changed the job structure; more and more jobs are beyond the learning capacity of people who did not do very well in school, and fewer and fewer jobs are of the sort almost anybody can learn to do. The exception are serving and caring jobs that are only slowly becoming acceptable for able-bodied males.

And both of those factors are progressive factors. Don't we need to think again about the nature of "work" and how far doing it ought to be a precondition for citizen dignity? The notion of a basic citizen income which effectively cuts that link and makes extra-money-earning work as much a voluntary activity for the lucky as amateur athletics, has been around for a long time. Shouldn't the prospect that the unemployment problem will force us into some such solution by 2020 start concentrating our minds on how to get from here to there?

At present the only people thinking about this are the members of the Citizens Income Study Centre and we are considered slightly dotty by our academic colleagues. Isn't it time to take, if not us, at least the problem more seriously, and for those who have a different perspective on the year 2020 to come clean and tell us what it is.

Citizen Cash

From Richard Clements, Director, Citizens' Income Study Centre, to *The Guardian*, 17 July, 1993:

Your reference to Prof James Meade's recent submission to the Borrie Commission is misleading (July 20). He did not write about the effects of "wage costs" in isolation. Indeed, he specifically argues that his proposals "for the maintenance of full employment in a free-enterprise economy may well result in a relatively low wage with a marked shift to profit".

And he continues: "Such distributional effects would be inequitable and morally and politically unacceptable unless they were offset by some other form of income which supplemented low rates of pay. One alleviation would be a more equal distribution of the ownership of wealth" (*Fifteen Propositions* — a revised version of papers submitted by J.E. Meade to the Borrie Commission on Social Justice, published by the Employment Policy Institute).

Professor Meade then goes on to argue the case for a universal Citizen's Income. A CI would guarantee small tax-free income whether in work or not. It would be withdrawn from those who did not need it through an integrated income tax. It would act as a platform for the individual to build on according to their own choice and ability, rather than an inadequate safety-net which the debilitated welfare system has become.

Surely, if the welcome point by the Borrie Commission that economic and social policy are two sides of the same coin, then it is inadequate to examine the impact of wages alone. What is needed is an examination of realistic alternatives rather than panic measures which repeat failures.

Citizen's Income in a welfare state of the future

From Hermione Parker, CIRG Bulletin Editor, to *The Guardian*, 23 November 1993.

Much of the talk about the financing of Citizen's Income (CI) and the "high marginal tax rates" involved is misleading. Particularly Sir Gordon Borrie's article (November 8) and John Hills's *The Future of Welfare*.

Sir Gordon refers to "the high marginal tax rates which would have to be levied, even on low incomes". John Hills refers to "estimates ranging from at least 50% to over 80%". The missing links in these generalisations are the amounts of CI payable; the retention or abolition of the non-personal income tax reliefs (Miras, Peps etc); and the possibilities of a Modified CI system (not enough to live on) combined with an income-tested housing benefit, or a Full CI (enough to live on) part of which would be subject to a withdrawal surcharge.

In my book *Instead of the Dole* (Routledge 1989), I used the CI option with the 80% tax rate to demonstrate the unrealistically high cost of a Full CI, which I assumed to be one-third average earnings. For that costing I also assumed retention of all the non-personal income tax reliefs. After four years of research I concluded that the most cost-effective solution would be: a Full CI worth one-third average earnings from age 65 conditioned only upon length of residence in

the UK; Partial CIs based on existing Income Support rates for every able-bodied adult of working age and for each child, supplemented by an income-tested housing benefit for those in need; and special provisions for people with disabilities. The CIs would be tax-free, but almost all other income would be taxable. By clearing away all income tax allowances and reliefs and most existing benefits, and by removing the red tape in central and local government, the resulting tax rate would be a flat-rate 35-40% or graduated bands.

Unfortunately, the redistributive effects of such a scheme are too great to be introduced at a stroke. It is necessary to start with small, transitional CIs. At the LSE numerous transitional schemes were costed using a microsimulation model (Taxmod) written by Holly Sutherland and Professor Tony Atkinson. Two years ago transitional CIs of £13 a week for adults and £10 a week for children could have been introduced with no change to the rates of income tax.

Today the figure work is more difficult, due to the £50 billion Public Sector Borrowing Requirement (PSBR), which itself is partly due to the tax and benefit systems in operation. Governments that clobber the working poor by taxing them on incomes below benefit levels eventually ruin any economy. Notwithstanding the PSBR, transitional CIs of about £15 for adults and £12 for children (which would be set against out-of-work Income Support entitlement) would be revenue neutral provided the government sacrificed private pension tax reliefs and national insurance contribution rebates for personal pensions. Marginal tax rates might be one or two percentage points higher than at present, but nothing approaching the rates being bandied around by CI opponents.

After the introduction of the scheme, diminutions in the PSBR, as families on the DSS payroll found paid work worthwhile, could be used to increase the CI amounts until Income Support could be abolished.

Letter to the Editor

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

From Dr P.L. Willmore

In Bulletin No. 16 (p 15) Anne Gray juxtaposes two contradictory statements: first that "a mechanism is necessary that will increase the power of job seekers to turn down low-paid jobs", and second that "a national minimum wage will be needed to prevent employers taking advantage of CI". The former, if provided by CI, would eliminate the need for the latter.

The situation we should be looking for is one in which everybody gets a CI (and there is a special allowance for disabilities) PLUS an appropriate wage for any employment which he or she may choose to accept. CI would not create any extra room for exploitation, but a national minimum wage would cut down the range of job opportunities which could be offered.

Dr. P.L. Willmore, Inverdene, Reading Road, Burghfield Common, Berks RG7 3BT.

Fifth international conference of BIEN

**Goldsmiths College, London
8th-10th September, 1994**

At a time when high unemployment and social deprivation are causing governments to question the forms of welfare state adopted by advanced, industrialised societies, Citizens Income Study Centre has been invited to host the fifth biennial conference of the Basic Income European Network (BIEN), in London next September.

Founded in 1986, BIEN brings together campaigners from all over Europe for a totally new form of social security system. Basic Income (like Citizen's Income) is a guaranteed income credited to every legally resident man, woman and child, as a right of citizenship, whether or not they are in paid work and whether or not they have other income. In return they pay tax on most of their other income.

Previous BIEN conferences in Louvain, Amsterdam, Florence and Paris have had an important influence in popularising the CI concept, which is increasingly regarded as a serious alternative to existing forms of welfare provision. This conference will hear contributions from 200 leading European academic and political figures, including reports about the likely impact of CI on unemployment and poverty. With over 17 million people out of work in the European Union, the need for radical change is obvious.

BIEN executive committee

Richard Clements (Director, Citizens Income Trust, London)
Edwin Morley-Fletcher (Lega Nazionale delle Cooperative e Mutue, Rome)
Philippe van Parijs (Catholic University of Louvain)
Guy Standing (Director, Central and Eastern European Area of the ILO)
Alexander de Roo (Greens in the European Parliament),
Walter van Trier (Antwerp University)

Citizens Income Subscriptions

Annual subscriptions during 1994 are:

Individual £15

Institution £25

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For further information about the BIEN conference, CIRG subscriptions or CIRG publications, please contact:

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