

CITIZEN'S INCOME

BULLETIN

20

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‘ *A Citizen's income for everyone, employed or unemployed, would even at the modest level at which it would start at least help to prevent a hard-and-fast division into a new kind of two nations — the employed to whom more is given and the unemployed from whom so much is taken away.* **’**

Michael Young and A.H. Halsey, in
Family and Community Socialism
IPPR, May 1995

CITIZEN'S INCOME AND
FAMILIES

SUSAN RAVEN TALKS TO
ALAN DUNCAN MP

REPORT FROM ITALY

GEARING UP FOR THE NEXT
GENERAL ELECTION

BASIC INCOME IN IRELAND

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Regardless of age, sex, race, creed, labour-market or marital status
To a small but guaranteed income
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Editorial

Three hurdles

All of a sudden Citizen's Income (CI) seems poised to enter the mainstream of UK political debate. How long it will take is anybody's guess, but the indications are better today than ever before. Not that there are signs of any immediate policy change. At this stage the most to be expected is that CI will be more widely discussed, so that voters can inform themselves about it.

Three hurdles must be cleared before CI can enter the statute book. The first is its acceptance by the media, as an interesting, potentially viable reform option. The second is support by all the main political parties. And the third, most difficult of all, concerns values.

The immediate priority is hurdle one: acceptance of CI as an interesting reform option by the media, who need to study its ramifications and promote informed debate up and down the country. Already there are signs that this is happening and we will do our best to keep you informed. Meanwhile please help by sending us articles about CI that you have found interesting. It is not good enough for the media to write CI off on grounds of expense. For the figures on which such statements are based are worth no more than the assumptions fed into the computer models which churned them out.

The second hurdle is to win support for CI across the political spectrum. On no account must CI become the monopoly of one party grouping or another. And here too there are reasons for optimism. In his Viewpoint piece for this Bulletin Sir Gordon Borrie stands firm on the decision of the Labour Party's Commission on Social Justice to hold their horses on CI until other, more conventional reform options have demonstrably failed. But at least the Commission took CI seriously, as indeed do parts of the Trade Union movement and the voluntary sector. Meanwhile Professor Tony Atkinson (a member of the Social Justice Commission and a CI sympathiser) has used publication of newly revised versions of his Lindahl lectures as an opportunity to introduce the CI concept to students of public economics (see **Book Reviews**), in the clear belief that the subject of CI should be on student reading lists. More recently, in *Family and Community Socialism*, Labour Party veterans Lord Young and Professor Halsey have included CI as one of eight policy proposals to improve the living conditions and prospects of children. We quote from them on the front cover of this Bulletin.

Sadly the Liberal Democrats reneged on their commitment to CI at their 1994 Party Conference. But the Conservatives could return to it, and in this context it is important to remember that the tax-credit proposals of Sir Edward Heath's Government in 1972 resemble the Basic Income schemes spoken about today. Hence the significance for readers of this Bulletin of *Saturn's Children* by Conservative MP Alan Duncan and financial journalist Dominic Hobson (see **Susan Raven's**

interview); and of Hermione Parker's *Taxes, Benefits and Family Life: How Government is Killing The Goose (that Lays the Golden Eggs)*, in which a modified Basic Income is recommended as a way of restoring incentives to work and to save and of strengthening family life (see **Books Reviewed** and **Home and Abroad**).

Until recently most CI commentators have concentrated on the labour market potential of CI. Yet its implications for family life are at least as far-reaching. Britain's families, as Michael Young, Professor Halsey and many others have pointed out, are in a state of crisis. Unless something is done to redress the balance of rewards between paid and unpaid work, mothers will increasingly pay other mothers to look after their children (that being their only way to obtain a decent pension in old age), and more elderly people and people with disabilities will be hived off into institutions (at huge social and financial cost).

Two recent incidents are worth recording. At a seminar in June, organised by the National Association of Pension Funds' *Retirement Income Inquiry*, one working group spoke strongly in favour of a Citizen's Pension on the grounds of equity between paid and unpaid work. At St George's House, Windsor Castle, a series of fourteen family policy consultations has looked in some detail at CI. During the final consultation last December, when the question was put privately by your Citizen's Income Trust representative why none of the delegates mentioned the advantages of CI, there came the reply: "I think most of us are agreed on that!"

Finally, the value hurdle. As Professor Richard Whitfield (Warden of St George's House) warns elsewhere in this Bulletin, if CI is to enter the statute book "the debate must be pressed far more assiduously in terms of values". Or, as Michael Young and Professor Halsey put it: we need to reconstruct our notions of citizenship.

It is often argued, and Sir Gordon Borrie does so in this Bulletin, that CI is morally unacceptable because it would give people the "unencumbered right to *something for nothing*." This, of course, is the work ethic. On the CI side, the quick response is to say that paying people *whether or not* they are contributing to society (the CI approach) would be better than paying them *only so long as they do nothing* (the existing system). Another response is to accept the criticism and find a *quid pro quo* which would be less bureaucratic than Tony Atkinson's participation requirement. But there is also the deeper, ethical principle expounded by Professor Ronald Preston (Canon of Manchester Cathedral) in BIRG Bulletin No. 15, that for true Christians the ethic of reciprocity (on which the work ethic is based) is insufficient:

"Jesus says explicitly that an ethic of reciprocity is not enough. Anyone can live on that basis. He taught an ethic of unconditional love and forgiveness. Of course we *hope* it will be reciprocated — but it may not be. If it is not, that makes no difference to the ethical demand. We have to continue even if there are 490 disappointments — that is to say unconditionally." (Ronald Preston, *A Christian slant on Basic Income*, BIRG Bulletin No. 15, July 1992).

Citizen's Income and families

Richard Whitfield

The case for Citizen's Income as a means of strengthening families and reinvigorating communities is taking longer to enter mainstream political debate than its potential as a means of bringing the tax and benefit systems into line with labour market change. Yet at St George's House, Windsor Castle, during a major series of consultations on family policy which were completed last December, references to Citizen's Income kept recurring. In this article Professor Richard Whitfield, who directed those consultations, gives his own views on CI and the current state of the debate.

The inadequacies of family income support during the last thirty years — and the impact on household budgeting and social ecologies — have been powerfully demonstrated in recent years in a range of publications,¹ and in the pages of this Bulletin. Yet, sadly, there has so far been little or no political response, save to make matters worse by increasing the bureaucracies required for administering benefits and by further onslaughts on the married couple's income tax allowance. Both these changes are tipping the scales still further away from the married state and from the one-income family.

There are no signs that fundamentally new principles for tax-benefit reform will be taken up by any of the main political parties. Yet new principles are urgently needed, especially in the redefinition of citizenship rights and responsibilities. Meanwhile, those who advocate Citizen's Income (CI) and its variants, and endeavour to model the detail, are viewed as no more than an interesting but marginal professional group. Without doubt CI proponents have been 'thinking the unthinkable' in relation to contemporary political *mores*, values and (crucially) public psychology.

Working for a new idealism

There are now, I believe, two main tasks for CI advocates, and they need concurrent attention. Firstly, to develop administrative and cost modelling, so as to produce the best possible technical detail around a range of options using the basic CI concept. Secondly, to wage a public relations war against the rigidity of Treasury thinking and the values it embodies, which, sadly, are part and parcel of the myriad of factors conspiring to undermine a viable social ecology. When the Gaddarene swine launched themselves over the cliff, a tack or two to the Right or to the Left would have made no difference!

Yes, we do have to get 'back to basics', by which I mean making it easier for families to cohere and be self-supporting. All of us need and long to belong. Fiscal policy now actively promotes social atomisation, undermining both family and responsible citizenship. There are deep longings for something different, which reflects common needs rather than factional interests.

The technical research, however good it is, will be of no practical avail unless the values and principles behind it capture public attention and roll in on the wave of a new idealism about a fairer and more prudent society.

Family and community

Fundamental to any debate about social policy is the fact that cultures do not survive unless they safeguard the relations between men and women for procreation and childrearing. Such safeguarding involves tribal norms concerning both sexual relations and responsibility for childcare and development. It also involves social rituals backed by the weight of tribal law concerning rites of passage into puberty, adulthood and old age. Economic arrangements — including time as a resource and reflecting dependence and interdependence — are then wisely wrapped around these arrangements. The nuclear family unit, however large or small, is important, but not as an isolated or ring-fenced economic and social unit. To survive and to meet its various members' needs at differing phases of the life cycle, the nuclear family must be embedded in extended family networks which (if we ignore any proximate blood ties) we call 'community'. The decline of what Sir James Spence (in 1946) called 'natural neighbourliness' is a core part of our malaise, caused partly by the way in which unaware bureaucrats have implemented the welfare state.

In Britain and other Westernised societies the range of reliable social contracts necessary to secure a viable present let alone a future — not least for children — has been diminishing, and there is every expectation that this structural malaise will intensify. Cycles of emotional deprivation tend to be persistent. Emotional and material insecurity of fathers and mothers (especially when set against a backdrop of new, higher expectations) transmits significantly through the generations. Beyond material necessity, the basic purpose of the family economy is to assist nurture in mutuality, in other words to enable 'good enough' love.

Citizen's Income

As someone committed to advancing a range of much more 'family-friendly' policies, I have become attracted to CI because it offers a new deal and a new ideal of what it can mean to be a citizen — a family and community member. This goes beyond CI as a 'family' concept. Implicitly, CI gives economic expression to the values of friendship, mutuality and interdependence both within and beyond family groups.

What we now need is creative fiscal thinking to give practical expression to both 'family' need and 'communitarian values', things which are becoming much more strongly felt in many sections of society. The escalating social security budget forces a major reconsideration of public policy, as do our changing attitudes concerning the psychology of welfare.

CI offers a new social contract. We all become viewed as citizens with needs to draw upon the pool of national wealth, yet making contributions to it in accordance with our skills, abilities, opportunities, age and health. For

example, the complex yet vital range of transitions from youth to adult status, with its greater independence, become better safeguarded. The State offers us a part income — *not welfare* — related to assessments of our essential needs, in return for our 'good enough' behaviour to make this up by way of employment, savings and mutual service. The only imperative is that we 'opt in' in some recognisable way to fulfil the citizen's aspect of the social contract. Maybe the term 'participation income' for able-bodied adults will send the right moral message. Given modern computer technology, a mammoth monitoring bureaucracy is not a necessary corollary, and many means-tested benefits would no longer be required. CI can thus be looked upon as an investment — in people — rather than as state expenditure.

In relation to our present thinking, this would be to correct a topsy-turvy world in which domestic and neighbourly caring and nurture have little or no economic status. With CI, citizens become people to be trusted first rather than perceived as idle scroungers. We all become valuable national assets rather than disposable beings of an over-populated country, needing excessive bureaucracy to check up on us. Self-esteem, family esteem and community esteem rise, as does the mutual commitment and active service arising from it. Selfish protectionism and cynicism are edged out by a safer altruism.

Some dream! And probably very naive unless accompanied by serious programmes of personal, social, moral and civic education,³ in home, school, community and the media. (These are urgently needed for many other reasons as well). Perhaps it is the perceived naiveté of CI in terms of motivation and behaviour which so marginalises the idea in current debate? So I repeat that behind the CI modelling and statistics, the debate must be pressed far more assiduously in terms of values, including the self-interest we all have as interdependent social animals. Because, if we don't hang together, for sure we shall each hang separately. Societies have disintegrated before.

Professor Whitfield has been Warden of St George's House, Windsor Castle since 1993 and honorary Chairman of the National Family Trust since its launch in 1987.

Notes and references

1. For example: (1) National Family Trust, *Facing Family Income: Reversing the Economic Divestment of the Family*, 1989.
(2) Parker, H., *Taxes, Benefits and Family Life: How Government is Killing the Goose (that Lays the Golden Eggs)*, Institute of Economic Affairs, 1995.
(3) Morgan, M., *Farewell to the Family? Public policy and family breakdown in Britain and the USA*, Institute of Economic Affairs, 1995.
2. For example: National Family Trust, *Families and the Nation*, 1992.
3. For example: National Family Trust, *Life Foundations*, NES Arnold, 1992/93.

The address of the National Family Trust is: c/o 101, Queen Victoria Street, London EC4P 4EP. Telephone: 01242 251583.

Welfare and efficiency in a non-work society

**Francesco Silva, Marco Ponti,
Andres Balzarotti
and Ronald Dore**

*The following is an English summary of an article written for Italy's financial newspaper **Sole 24-Ore**. The purpose of CI, say authors Silva, Ponti and Balzarotti, is to free up the labour market, promote social harmony and provide greater political openness. Resistance to a society in which work would no longer be a necessity is understandable, but the obstacles are ideological and political rather than economic — for instance opposition from civil servants and politicians whose power base would be eroded. There follows a commentary by Professor Ronald Dore of the London School of Economics.*

WELFARE AND EFFICIENCY IN A NON-WORK SOCIETY

Francesco Silva, Marco Ponti, Andres Balzarotti

The role of work in post-industrial societies is changing — both the quantity and quality of it required by the labour market, and its pivotal role in society. When machines replaced manpower in agriculture and industry, there were fears that people would be squeezed out, but usually the production of new goods created new jobs. Today, however, even the optimists are cautious. As the *Economist* recently observed:

Both theory and evidence suggest that in the long run new technology should create more jobs than it destroys. But the long run can take a long time. In the next decade or so, things depend on how quickly demand expands to match increases in productive capacity. Unfortunately, there may be prolonged lags between job losses and the creation of new jobs. And the new jobs may anyway be inappropriate to the displaced workers (*Economist*, 11 February, 1995).

Others, ourselves included, are less sanguine, firstly because companies are investing outside the post-industrialised countries, and secondly because labour is now also being forced out of the service sector and the new jobs being created there are not enough to offset the losses. While the number of job opportunities is falling, the type of worker needed to fill them is also changing. In some areas, for a relatively small number of people, knowledge and acquired skills guarantee work and high earnings, but for those without the ability (or luck) to acquire skills, any job opportunities are uncertain and poorly paid. Overall the labour market is less able than before to offer the majority of people work, and the

distribution of income is less equal. Many people are excluded from or barely participate in the division of the national wealth. To say, as the Italian constitution does, that our Republic is work-based ignores reality.

We are also witnessing a third phenomenon, hard to quantify but no less important, especially for the young. In industrial economies work is performed mainly in large organisations and is an important factor in socialisation. In post-industrial economies there are fewer large organisations and work becomes more a way of obtaining an income and less a social obligation. The convergence of these factors gives post-industrial societies an opportunity to fulfil an old Utopian dream: *work less and work by choice*. However, the political and cultural impetus to allow people to choose whether or not to work is absent. Instead, governments respond to unemployment through a range of other strategies, including *laissez-faire*, the welfare state, job creation and work-sharing.

Laissez-faire implies maximum flexibility, minimum worker protection and minimum help for the unemployed. Certainly it increases labour market efficiency, but it also causes social disintegration. The most extreme examples of this approach in post-industrialised countries are the United States and the United Kingdom, and the results include increasing polarisation between rich and poor and worsening social conditions (insecurity, criminality, and homelessness). In the UK, between 1977 and 1991 the richest 20% of the population increased their share of national income from 32% to 42%, while the share of the poorest 20% dropped from 10% to 7%.² In the UK the result in terms of more jobs has been extremely mediocre, while in the US more jobs have been created, but at greater social cost. There is also a contradiction in *laissez-faire*. Job creation is the goal, yet the wages paid and the quality of the jobs created resemble a form of coercion rather than a benefit. Many youngsters reply by turning to crime, from which they earn much more than they can from a legal job.

Another strategy is the *welfare state*: *paying those who do not work*. Unemployment benefit was created when unemployment was low and of a temporary nature. Today unemployment is high and structural, and the cost of unemployment benefit adds to the public debt. In Italy there are also other forms of income transfer, such as *Cassa Integrazione* (unemployment benefit for workers whose companies have temporarily closed down). But in addition to being expensive all such benefits are unfair, for they only protect those who have had the opportunity (or the luck) to have a job. Along with the financial costs there are political costs — for the ability to decide who shall and shall not be helped is a source of political power. Although some sort of social security for the unemployed is essential (no matter how expensive) for civil society not to disappear, efficiency and security must coexist. With the current welfare state, the need for security hampers efficiency. In fact, paying unemployed people benefit can encourage them to remain unemployed, for they are unlikely to accept jobs at wages that compare unfavourably with their unemployment benefits. In Italy this situation is very common among the unqualified unemployed. Social security expenditure goes up and job vacancies remain unfilled, despite large numbers of people being unemployed.

A third strategy is *job creation: paying people to work*. This is the solution preferred by economists because it reduces waste. But although the idea of boosting employment is a good one, it cannot reduce unemployment to acceptable levels unless incentives to work are high and unless it is part of a wider strategy. So long as aggregate demand is inadequate, increased incentives will have little effect.

The fourth strategy is *work sharing: less work, but work for everyone*, with wages proportionate to the number of hours worked. Obligatory part-time work has recently been proposed by German entrepreneurs and trade unionists, the idea being to share out the decreasing number of working hours required by the labour market between as many people as possible. By imposing a ceiling on the number of hours people are allowed to work, earnings are also limited. The problem is that in post-industrialised societies this obligation may be unacceptable and encourage 'black' work or a salary squeeze. Moreover, insofar as it allows more intensive use of physical capital, it under-uses human capital.

Citizen's income

In our opinion, given the scale and complexity of the problem, something much more innovative is required — hence the case for a Citizen's Income (CI). With CI a given amount of income (sometimes differentiated by age) is transferred to every citizen, whether they are in or out of work. CI presupposes a new *social contract* according to which the right to an income is linked to being a citizen, so inappropriate behaviour (serious offences, tax evasion etc) implies loss of that right. Such an income, if fixed at subsistence level, would guarantee a minimum living standard to everyone. In addition to CI, the State would provide free health care and education, but not goods and services that can be provided by the private sector. In return for protecting minimum living standards, CI would bring deregulation of labour contracts, greater efficiency and increased competition. Flexible work contracts and deregulation benefit both employers and employees in post-industrial societies, where service industries are the main activity. A subsistence level CI would provide a strong incentive to work, especially for the least qualified. Low productivity jobs could be paid for with low wages, because the worker's subsistence needs would already be taken care of through the Citizen's Income.

With CI no one would be forced to work in order to survive. Everyone would be free to choose if and how to work, on the basis of the benefits derived from working. Instead of the 'stick' approach (the necessity to work), CI uses the 'carrot' approach (the desire to improve oneself). Some people question the effects of CI on labour supply, and it is true that in some cases people might be discouraged from working, but the risk would be smaller than at present, when acceptance of a job results in loss of benefit. Moreover the problem today is not so much having to force people to work as ensuring a minimum level of well-being for those who are out of work, without interfering with the efficient working of the labour market. For today there are societies which are rich in work but poor with respect to services that are not provided by the market and are inadequately provided by the state. In such cases it would be possible to link CI to the performance (not necessarily

compulsory) of services that are socially useful, for instance voluntary work organised by charitable organisations.

Is CI too expensive?

Is the cost of CI sustainable? In reply to that question, it must first be said that the cost of existing state transfers to families and enterprises is extremely high, hidden and discretionary. By maintaining the tax burden at its present level, reducing all pensions and transfers (to families and enterprises) in excess of the CI, increasing the efficiency of the public sector by 20 per cent (through privatisation), we estimate that it would be possible to pay 9 million lire a year (about £65 a week) to every Italian citizen aged 18 or over. This sum (roughly subsistence level) would be tax-free but would count as part of taxable income. Although our calculations need refinement, it is clear that budgetary constraints do not rule out CI.

HOW TO CHANGE THE WORK ETHIC

Commentary by Ronald Dore

Professor Silva and his colleagues are absolutely right about the structural nature and intractability of present-day unemployment. In the middle of the Great Depression Keynes predicted that the advance of productivity would have us all working three hours a day.³ What he did not foresee was how skewed the distribution of work would become, with on the one hand the high-powered executive who takes only five hours sleep and works fifteen hours a day, and on the other the long-term unemployed. For there is a growing difference between wages for skilled and unskilled work; moreover the inequality of life-chances in our societies — the *growing* inequality — is increasingly the result of differences in human capital rather than in inherited wealth. Beware, however, of assuming that improving access to and incentives for getting qualifications is the answer. For it is the skewed distribution of the *ability to acquire qualifications* which is crucial and which depends partly on differences in school cultures and pedagogical efficiency between middle-class and working-class districts, partly on differences in family cultures, and partly on genes.

The importance of this unequal distribution of the ability to acquire qualifications can only grow as technology becomes increasingly complex. The market outcome of *laissez-faire* is bound to be ever-increasing inequality, which our societies can try to live with — the rich barricading themselves with ever-better electronic devices against the ghetto poor — or can cure through redistribution. Nobody, since the collapse of the Russian economy, now advocates redistribution through price controls (except to a marginal extent through minimum wages), which leaves only redistribution through taxation. I believe, with Professor Silva, that Citizen's Income (CI) is the best way. Indeed it is hard to imagine that by the year (say) 2030 it will not have been universally adopted. The trouble is: *exactly how do we get from here to there?*

In 1992 the British Labour Party set up a high-powered Commission on Social Justice to review policy for the whole social welfare system. It considered CI, went through various calculations like Silva's and concluded:

A change of this magnitude would have to be backed by a broad-based consensus, of which there is, as yet, no sign ... It would be unwise, however, to rule out a move towards Citizen's Income in future: if it turns out to be the case that earnings simply cannot provide a stable income for a growing proportion of people, then the notion of some guaranteed income, outside the labour market, could become increasingly attractive. Work incentives might matter less and those who happened to be in employment, knowing that they probably would not remain so throughout their 'working' lives, might be more willing to finance an unconditional payment (*Report of the Commission on Social Justice*, Vintage, 1994, p 262-3).

For those, like myself, who are convinced that it will "turn out to be the case that earnings simply cannot provide a stable income for a growing proportion of the population," then the question becomes how best to make the transition *gradually*. My recipe starts from the premise that the CI should provide more than subsistence living, it should also preserve human dignity; so 9 million lire a year is not enough. Start by giving an adequate CI to all young people aged 18; next year to age groups 18 and 19 and so on, annually to say 23 or 24. Stop the forward progression at that point and the following year give the CI to those aged 90 plus, the next year to those aged 88 plus and so on until, some thirty years later, it reaches the 25 year olds. (One can afford to add two or three age groups a year, because the CI replaces existing benefits). Meanwhile the prospect of being bereft of the CI at age 25 should encourage the young to acquire skills while they are receiving their guaranteed income. It would also get people used to the idea of CI without it seeming to be an attack on the work ethic. Once CI is institutionalised the — necessary — change in the work ethic can take place gradually and will include moving on from the idea of work as a laborious duty to the idea of work as something one is lucky and privileged to have the ability to do.

Changing the way society views work is essential to the success of any CI scheme. There is another ideological precondition too. The massive redistribution of income required by CI can be made politically acceptable in two ways: firstly by appeal to fear — middle-class fears of the aggressive lawlessness of the poor — and secondly by appeal to solidarity, to the sense, within local, regional and national communities, that the fortunate have a *responsibility* to help the unfortunate.

We would all, surely, prefer the second. Some countries, with more homogeneous populations, are more naturally endowed than others with the cultural preconditions of social solidarity and the institutional reinforcements of those preconditions. Italians, for instance, still accept national service without much question. The more individualistic British abolished it thirty years ago. Strengthening the institutional reinforcements of solidarity is an essential concomitant of CI. That means not only (in the case of Italy) transforming obligatory military service into obligatory community service — not,

I would argue, voluntary as Silva suggests. Massive redistribution is likely to be accepted only by populations which accept that there are considerable obligations built into citizenship, and I would make community service one of them, with penalties for evasion, certainly, but not specifically withdrawal of the CI — which is where my communitarian view of the matter parts company with the individualistic, contractarian view of those who advocate a conditional 'participation' income. It also means strengthening the national assets of a state educational system and a state health system and discouraging the growth of private alternatives. In a free society, one can hardly ban private education or health services, but democratic communities can nevertheless value their health and educational systems sufficiently to use fiscal measures to prevent them from being undermined.

Francesco Silva is Professor of Economics at the Libero Istituto Universitario Carlo Cattaneo in Milan, Italy. Marco Ponti is Professor of Transport Economics at the University of Venice. Andres Balzarotti is an industrial entrepreneur. Ronald Dore is a senior research fellow at the Centre for Economic Performance, London School of Economics, and visiting Professor at the University of Bologna.

Notes and references

1. K. Gardner, *How well did the rich do in the '80s?*, New Economy, 1, 1994.
2. J.M. Keynes, *The economics of our grandchildren*, 1931, Collected Works, Vol. 8.

If all existing tax allowances, reliefs and social security benefits, student grants and training allowances were scrapped and replaced by a single cash payment to each adult, made without deduction of income tax and paid regardless of economic circumstances, the social security system would achieve three desirable objectives. It would be economically efficient, enabling people to work rather than live off welfare. It would also free millions of poor people from the humiliating inquisitorial activities of the State. Lastly, a Basic Income payment would be cheaper to administer.

**Alan Duncan and Dominic Hobson
Saturn's Children, May 1995.**

Interview

Susan Raven talks to Alan Duncan MP

*For the first time since the death of Sir Brandon Rhys Williams MP in 1988, Basic Income is being powerfully advocated from the right of British politics. A new book, **Saturn's Children: How the State Devours Liberty, Prosperity and Virtue** written by Alan Duncan MP and the financial journalist Dominic Hobson delivers a scorching attack on the corporatist state and the sentimental "communitarian" thinking of all three political parties (see **Books and Papers Received**). Shortly before publication, Susan Raven went to talk to Alan Duncan.*

Alan Duncan:

My thinking on this subject has gradually emerged over the last five years. Our book's first message is that the state has consumed all our resources, and people simply don't see it. We are now so conditioned by the *status quo* that we have been completely desensitised to the way we have been conditioned — we can no longer even see the problem, we are no longer free. So the first task is to persuade people what the problem is. The state has taken away our liberty, our prosperity and our virtue — and it is essential properly to analyse and explain the advance of this collectivism, as we try to do in our book. Only then do you realise the damage that has been done.

One of the main points we make is that every time people perceive a problem their automatic response is to call for government to "do" something about it. And people even see such a call to government as a moral act in itself. I'm afraid that is now as true of Tory voters as of the Left. It means there is a constant parade of demands for collective provision — which leads at once to an absurd escalation of expectations, and a complete alienation of demands from the means to satisfy them. That contains the seeds of its own destruction, i.e. social decay instead of the explosion of energy we need.

The real danger looming is that the new language of community favoured by Tony Blair is nothing more than a new way to describe the continuing advance of statism. Most people simply do not realise how destructive the power of the collectivist state can be, however well-intentioned. It is a deeply corrupting force. For we have got out of the habit of genuinely standing on our own feet, of relying on ourselves rather than on others.

It's fascinating, the review of social security spending into the next century which the Select Committee on Social Security is currently undertaking. We have a long, long list of people wanting to give evidence before us — and all of them are asking for more money for their special interest groups.

The public haven't really grasped the significance of the Child Support Agency. It's the first piece of legislation which has returned responsibility to individuals — and look at the outcry it has caused, because people are so in the habit of leaving such things to the State. We are now having to bring in new legislation, to allow clean-break settlements to be taken into account when calculating how much absent fathers should pay to support the children they no longer live with. It is very important to make the Child Support Agency work.

There are dozens of other examples of our over-dependence on the State which are crying out to be dealt with. So far we are only tinkering. We've done well on privatisation. But just look at a great edifice like the Common Agricultural Policy — or education, which is one of the main areas we show is ripe for radical reform. State education is just a vast sausage-machine, churning out sub-average results. Of course endowing schools and universities, which we argue for in the book, would be an enormous exercise, for which transitional funding would be needed. But it would be well worth it: it would eventually get the State right out of the educational system, and that would do nothing but good. Another example is housing. Housing benefit has so destroyed the housing market that we've priced people out of homes.

Then look at Peter Lilley¹ and the Social Justice Commission²: they have both wrestled, from opposite ends of the political spectrum, with the cost, scale and inefficiency of the existing social security system, and they have both asked if we can afford pensions in the future; they have even asked if we can reduce the present scale of all benefits. Of course, in any period of transition, it will be essential to protect the old and the sick, who will have had no chance to prepare for the individualisation of pension provision. But we urgently need a forward-looking policy on this whole subject. Otherwise pensions will crumble.

I don't know if many other people in the Tory party will agree with the views expressed in our book: it's certainly too early to count them. But I think Mrs T. would agree with the moral foundation of our argument: giving people something from which to rise and be free. She would agree with the chapter on taxation, but I think her alarm bells would ring about our support for the legalisation of drugs!

It's a measure of the nation's intellectual decay that we talk boldly of taxation and income tax rates, but say so little and do so little about spending. There was a time when the King did all the spending, and Parliament's role was to protect the people from his taxes. It isn't like that today. Parliament's role seems to be to spend, spend, spend. Its control of expenditure is obscenely inadequate. We went bananas over VAT on fuel — which cost £1,500 million — while £90,000 million of social security spending went through on the nod.

It's a real problem for democracy. Far from not listening to people, we politicians listen excessively and then bribe voters with their own money. So democracy risks becoming the tyranny of the lowest common

denominator. Instead we *must* reduce taxation so that people are free to do more for themselves. And we must convince voters that there is no remaining attraction in having a state of this size. We should have here a British version of what Newt Gingrich is doing in America. If any kind of welfare system is to survive it's going to have to have new thoughts and cross-party support. The choice is not between Left and Right, but between freedom and 'security'. And to choose security is an illusion — the state cannot deliver. It is merely a guarantee of long-term decline.

However, as part of the reform of taxation and benefits, we do support the idea of a Basic Income for all citizens, to replace the present mess. We know that it need not cost more than the system we have now — and will eventually cost much less, and lead to many excellent side-effects. One of its attractions is its simplicity. And it must be kept simple; that is one of its fundamental strengths. It must be a universal benefit. It must ignore those self-righteous demands for the middle classes not to receive it. There is nothing to stop people sending a cheque to the Inland Revenue if they feel badly about it, but they never do.

Some snooty people dismiss Basic Income as potty, but a great many others who are more expert than we are support it and have backed it with detailed arguments. I believe the snooty people are wrong. It won't be easy to introduce a Basic Income just like that, but it will work if it becomes the foundation for spending and saving decisions over a lifetime. I think our advocacy of Basic Income must be seen to go hand in hand with the dramatic reduction in state interference which we also advocate. It is not just a welfare adjustment, it is a complete restructuring of collectivist government.

Alan Duncan, now 38, has been Conservative MP for Rutland and Melton since 1992. The son of an RAF officer, he has wanted to be a politician since the age of 12, and read politics and economics at Oxford, where he was President of the Oxford Union. He is a member of the House of Commons Social Security Select Committee.

Notes and references

1. Secretary of State for Social Security.
2. The Labour Party's Social Justice Commission, chaired by Sir Gordon Borrie (see *VIEWPOINT*).

Director's view: Gearing up for the next General Election

Richard Clements

A few months ago I was sent a wonderful photograph taken during the general election campaign of 1945. Two people were holding a banner inscribed: "WE WANT BEVERIDGE AND JENNY LEE." Jenny Lee was, of course, a famous political figure in her own right (as well as being married to Aneurin Bevan). But what I found significant about the picture was the inference that being in favour of the Beveridge Report was an important part of securing victory at the polls (even for someone as prominent as Jenny Lee).

Now I doubt if we will have similar pictures to publish after the next general election showing candidates holding banners inscribed "WE WANT CITIZEN'S INCOME AND JOE BLOGGS". Nor is it likely that any of the political parties will give much prominence to their tax and benefit policies. Yes, there will be plenty of sniping between the parties over taxation levels and specific benefit policies, but there is no evidence that a great debate about the future of social security will dominate the campaign. For the issue has little of the political resonance given it by Beveridge in the aftermath of the Second World War.

Why is this so? Is the future of the welfare state in Britain so unimportant that it can be relegated to the backwaters of political debate? Or is it that the debate is based on a set of false assumptions? I believe the second reason to be true. The first false assumption is that the welfare state is 'safe' and despite a string of cutbacks will continue to fulfil its role in our society. The second assumption is that a return to Beveridge 'basics' is all that is needed to recapture the old certainties of post-war stability. One side says we cannot afford it and the other side says we cannot *not* afford it. ... So there is a lot of heat but not much light.

What neither side says is that we need to think laterally, and look for serious alternatives. The reason why the Beveridge Plan commanded so much respect and support was that it was a real alternative to what had gone before. The reason why the Labour Party's Social Justice Commission and the Government's piecemeal 'reforms' of existing benefits policy gain no enthusiastic support is that neither offers a departure from current failures. Of course the idea of ditching existing tax and benefit policies in favour of a Citizen's Income (CI) may seem dangerously like a leap in the dark. Last September, Sir William Goodhart of the Liberal Democrats was able to sway his Party's conference away from CI by suggesting it was 'Utopian' — watched from the platform by Paddy Ashdown (the Party leader), who only a couple of years before told Susan Raven of *CI Bulletin* that "Citizen's

Income is a reform whose time has come''.¹ Certainly it is an idea that won't go away, otherwise it would not have been around for so long. To envisage the implementation of a Citizen's Income requires not so much a leap in the dark as a stretch of the imagination. It needs policy-makers who recognise that the old saying *an ounce of prevention is worth a pound of cure* makes perfect sense in the social welfare field.

At Citizen's Income Trust (CIT) we shall do our best to make CI an issue at the next general election. A month or so ago I celebrated the end of my second year as part-time Director of CIT. It has been an eventful time. The high water mark was the Basic Income European Network (BIEN) Congress in London last September, which showed how the idea is spreading right across the world. The next Congress (in 1996) will be able to build on those contacts. It is likely to be in Vienna and should not be missed, but it is on the domestic front that progress is most urgently needed. During the last two years we have made some ground. CI is now on the agenda in many areas of academic endeavour. Those talking about the European dimension weigh up the possibilities of a Euro-CI which would provide all the social security systems in the European Union (including the UK) with an equivalent base. More and more trade unionists are coming to recognise that while a minimum wage may help those in work it does nothing for those who are registered unemployed or have left the labour market. Among the welfare rights groups there is a growing awareness that what is needed is not a reinforcement of existing provisions but a whole new approach. Citizen's Income is more and more discussed in those circles.

We need your views

At CIT we are now in the third year of a funded programme which began in early 1993. We are deeply grateful to the Joseph Rowntree Charitable Trust for agreeing to continue this core funding for 1996 and 1997 as well. It has enabled us to develop a further three-year programme to carry us through the next General Election and a few months into the lifetime of the new government. The details of our programme depend very much on the input of those who support the CI concept and who work on its development. We would therefore welcome suggestions from regular readers of this Bulletin about how we are to proceed. We have set down some headings for discussion and hope that you will write in and give us your opinions and advice. Those headings are:

- Clarifying the CI concept
- Involvement in the tax and benefits discussion
- Cooperating with other interested groups
- Developing a correspondence group
- Developing core supporters' interest
- Impact on the General Election campaign

I look forward to hearing from you and promise that I will discuss in detail all the suggestions which you make.

December conference

May I also give notice of an important conference which CI is organising for this coming December. It will be the rallying point for our impact on the General Election campaign. It is to be held at the Connaught Hall, 41 Tavistock Square, London WC1, on Friday 1 December from 12.15 pm to 4.15 pm. For further details, please see the announcement on the back cover of this Bulletin.

Notes and references

1. Bulletin No. 14, February 1992. *What the politicians say.*

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Basic Income in Ireland: Recent developments

John Baker

Ireland is one of the few member States of the European Union (EU) where Basic Income has entered the mainstream of political debate. In this article John Baker brings together the relevant developments of the past two years. Expected later this year is the report of the Expert Working Group on Integration of the Tax and Social Welfare Systems, some of whose members (for instance Rosheen Callender) have advocated BI in the past. In what follows the term Basic Income (BI) is used in preference to Citizen's Income (CI) because BI is the terminology used in Ireland.

In the past year, Ireland has been talking seriously about Basic Income. In February 1994, the state-sponsored Combat Poverty Agency (CPA) held a conference on BI which was addressed by Hermione Parker and attended by a wide range of activists and social policy professionals. In September the annual social policy meeting of the Conference of Religious of Ireland (CORI)¹ concentrated on BI. It was opened by Tanaiste (Deputy Prime Minister) Dick Spring and attended by more than 200 people, including Joan Burton, Minister of State at the Department of Social Welfare. The National Economic and Social Forum (which represents legislators, the 'social partners' and a third strand of groups traditionally outside the consultative process) included BI as one of five strategic options in its report on *Income Maintenance Strategies*, recognising both 'distinct advantages' and 'practical difficulties'.² And the state-sponsored Economic and Social Research Institute (ESRI) was commissioned by the Department of Social Welfare to write a report on BI for its Expert Working Group on Integration of the Tax and Social Welfare Systems.³ BI, therefore, is definitely on the social policy map of Ireland.

Combat Poverty Agency and Conference of Religious of Ireland

At the two conferences mentioned BI got a mixed reception. At least three major criticisms were voiced. Anti-poverty activists were critical of what they thought was an insufficient level of BI, economists and politicians tended to criticise BI for the high income tax rates they said it implied, while a third criticism voiced on behalf of the unemployed was that BI seemed to accept the inevitability of high unemployment.

CORI's latest publication⁴ attempts to counter the anti-poverty argument with a new, costed proposal for weekly BIs of £20 (age 0 - 20 years), £54 (age 21 - 64 years), £72.80 (age 65 - 79 years) and £77.60 (age 85+). Single adults with no other income would also receive Social Solidarity Fund payments of £13 a week, to bring their income up to the level recommended by the 1986 Commission on

Social Welfare; and current means-tested rent and utility allowances would continue. CORI maintains that this level of BI could be financed by abolishing income tax allowances and reliefs and taxing at 50% all income except the BIs, the Solidarity Fund and means-tested allowances.

ESRI report

The high tax objection is central to the ESRI's report, which claims that a full BI is not feasible, but it is more sympathetic to the more limited alternatives it calls *partial basic income, basic family income, basic income for children and integrated child benefit*. In another publication, the ESRI specifically recommends the last of these options, which would involve raising child benefit to about £17 a week and including it as part of taxable income.⁵

Expert Working Group

The Expert Working Group on the Integration of Tax and Social Welfare is now expected to report in the autumn of 1995. Its membership includes people who are well versed in the BI debate and it is certain to give BI serious attention, although there are so far no public signs as to its overall verdict. An interim report, published in December 1993, dealt only with measures for the 1994 Budget and scrupulously avoided long-term questions like BI.

Recent developments

CORI's annual conference on 20 September this year will take the discussion further. In the meantime, there are some signs that the ESRI viewpoint is influencing social policy. The Policy Agreement on which the current coalition government was formed in December 1994 pledges to 'work towards a basic income system for children'. However, this first-ever use of the term BI in reference to government policy is somewhat weakened by the explanation that the policy they have in mind involves 'systematic improvements in child benefit, and the creation of a Child Benefit Supplement payable to all social welfare recipients and to low and middle income families'.⁶ In his Budget this year, the Finance Minister Ruairí Quinn (Labour) raised child benefit by £7 a month to £27 for each of the first two children and to £32 for each additional child. He too referred to a *basic income for children*, but explained that it is a selective supplement as opposed to 'universally available and more costly child benefit'. The possible poverty trap effects of the supplement were not mentioned.

The new Minister for Social Welfare, Prionsias de Rossa, is the leader of the Democratic Left (DL), a party formed in 1992 after he and other leading members failed to reform the Workers' Party. Although DL policy is largely continuous with that of the Workers' Party, it has scrapped the latter's commitment to BI. Instead, it now calls for taxable child benefit at £17.50 a week, more generous social welfare payments and higher tax thresholds.⁷ De Rossa was recently quoted as proposing two levels of child benefit — a higher level for basic rate taxpayers and those on benefit than for higher-rate taxpayers — in line with the government's Policy Agreement.

Depending on the precise rates implemented, this two-tier approach could be roughly equivalent to paying a single level of taxable child benefit offset by tax allowances at the standard rate of income tax. So far not enough details have been released to indicate how the scheme would operate in practice, and in particular how it would attempt to avoid a *kink* (or poverty trap effect) in the net income curve at the point at which families enter the higher-rate tax bracket. Meanwhile, the overall impression one gets is that thinking on BI in Ireland is dominated by technical considerations, involving both a genuine concern to reduce the poverty and unemployment traps and a resistance to high income tax rates. The government's policies on child benefit have some BI characteristics. Whether there is any likelihood of a move in the direction of adult BIs remains an open question.

John Baker lectures in Politics and Equality Studies at University College Dublin.

Notes and references

1. CORI is a longstanding advocate of BI. Brigid Reynolds and Seán Healy (eds), *Towards An Adequate Income For All*, Justice Commission of the Conference of Religious of Ireland, Dublin, 1994. See CI Bulletin No. 19 for summary.
2. National Economic and Social Forum, Report No. 5, *Income Maintenance Strategies*, Dublin, 1994.
3. Tim Callan, Cathal O'Donoghue and Ciarán O'Neill, *Analysis of Basic Income Schemes for Ireland*, Economic and Social Research Institute, Policy Research Series Paper No. 21, Dublin, 1994. See CI Bulletin No. 19 for summary.
4. Justice Commission of the Conference of Religious of Ireland, *Tackling Poverty, Unemployment and Exclusion*, Dublin, 1994.
5. Brian Nolan and Tim Callan (eds), *Poverty and Policy in Ireland*, Gill & Macmillan, Dublin, 1994.
6. *A Government of Renewal: A Policy Agreement between Fine Gael, The Labour Party, and Democratic Left*, 1994, p. 71.
7. Democratic Left, *Ending the Poverty Trap: A programme to eliminate poverty and unemployment traps through reform of the tax and social welfare systems*, Dublin, 1994.

CI is no panacea. The evils of mass unemployment, poverty, social exclusion and social disintegration call for a many-sided and, indeed, internationally co-ordinated approach. But correctly handled, CI could form the centrepiece of a modern, dynamic and emancipatory successor to the welfare state.

David Purdy,
New Left Review Number 208,
November/December 1994.

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 Citizen's Income Study Centre.

Argentina

Research begins

Ruben Lo Vuolo writes: Argentina used to have a welfare state based on the European model, but now it is being 'Americanised'. Since introduction of the *Plan de Convertibilidad* (Convertible Plan) in 1991, Gross Domestic Product has increased and inflation has gone down, but unemployment and under-employment are a source of much concern. In Europe there is increasing interest in Citizen's Income (CI) as a bridge between unemployment and work, but in Argentina the debate has yet to begin. To help fill this gap, in March the *Centro Interdisciplinario para el Estudio de Políticas Públicas*/Interdisciplinary Centre for the Study of Public Policy (CIEPP) in Buenos Aires launched a programme of research into the implications of CI for Argentina. A book will be published later this year.

New Zealand

Basic Income group formed

Colin Whitmill writes: On Saturday 1 April 1995 in Palmerston North, New Zealand, the Manawata Working Party on the Universal Basic Income hosted a gathering of about 25 people and the umbrella group *Universal Basic Income for New Zealand (UBINZ)* was formed. Organiser Rendle Conwell had previously toured the South Island, making contacts with individuals who expressed interest in the subject. Those attending the April meeting heard guest speaker Dr Srikanta Chatterjee (Professor of Economics at Massey University) explain that available statistics of tax returns for 1987-88 showed the top 6% of earners in New Zealand with as much income as the bottom 48%, and there were also many poor who did not need to submit tax returns. Basic Income, said Chatterjee, is an idea that is not only feasible but necessary if society is to survive. The tide of enthusiasm for the philosophy of the market is beginning to turn. The state, through income redistribution, has an important role to play, because markets cannot cope. Basic Income for all is affordable and could be phased in gradually. Colin Whitmill reported on the Fifth BIEN Congress in London in September 1994. The meeting then broke into groups to discuss future strategy to extend knowledge of BI. It was during the report-back session that the decision to form UBINZ was taken. For further information write to: Colin J. Whitmill, P.O. Box 62, Paraparaumu, New Zealand.

United Kingdom

Call for CI in the House of Commons

On 14 February 1995, for the first time since the death of Sir Brandon Rhys Williams in 1988, a Conservative Member of Parliament made a speech in the House of Commons advocating CI as a means of tackling poverty and unemployment. His name is Alan Duncan, he has been Member of Parliament for Rutland and Melton since 1992 and he is joint author with Dominic Hobson of *Saturn's Children* (see **Books Received** and his interview with Susan Raven elsewhere in this Bulletin). Duncan's intervention on 14 February was in reply to an Opposition Motion on poverty and unemployment introduced by Donald Dewar MP (Shadow Secretary of State for Social Security), following publication of the Joseph Rowntree Foundation's *Inquiry into Income and Wealth* (see **Books Received** again).

"One of the problems of the welfare state," said Duncan, "is that many people have become increasingly trapped by so many conflicting influences in the different benefits that are distributed by different offices. We need to address that problem. One solution would be to have a citizen's income. ... I favour a citizen's income whereby, regardless of people's means, condition or predicament, someone would be guaranteed a basic wage of, for example, £50 a week. That person would be freed from benefit traps, distortions of labour markets and everything else that impoverishes the category of Britain about which he [i.e. Donald Dewar] could have spoken more today" (Hansard Parliamentary Debates, Tuesday 14 February 1995, columns 858-9).

Seminar at Gresham College City of London

KILLING THE GOOSE: The impact of taxation and social benefits on work incentives, voluntary savings and family life, 1979-94

Susan Raven writes: On 25 February 1995, Gresham College, one of London's most ancient and respected institutions (founded in 1597 under the Will of Sir Thomas Gresham to provide free public lectures in the 'New Learning' of the Renaissance), hosted a seminar and small reception at which Hermione Parker summarised the findings of a study completed last December into the effects of personal taxation, social security benefits and rent increases on work incentives, voluntary savings and family life; and recommended replacement of the present 'morass' by a Basic Income Guarantee. This study, soon to be published by the Institute of Economic Affairs under the title: *Taxes, Benefits and Family Life: How Government is Killing the Goose (that Lays the Golden Eggs)*, updates a research monograph published by the Institute of Economic Affairs in 1982, with the title *The Moral Hazard of Social Benefits*.

Despite the benefit cuts of the last fifteen years, the report finds that for most people with low earnings potential it is as hard now as in 1979 to find jobs that pay as much as the dole, once income tax, NI contribution, council tax, rents and work expenses are also taken into account. Pensioners with small amounts of occupational pension or voluntary savings still find the fruits of their savings offset by reduced entitlement to means-tested benefits. And family life is under increasing threat, particularly during the crucial child-bearing and child-rearing years, as a result of child benefit increases which have barely kept up with inflation and the phasing out of married couple's income tax allowance.

The underlying reason for this deterioration, says Parker, is incoherent policy-making between the different Government departments, with the Treasury playing one off against another and the Department of Social Security forced into the invidious position of 'overflow' or safety valve for policies elsewhere in the system, over which it has no control.

The proximate causes include:

- A benefit system that pays people for not working, not studying and not training, and rewards family break up.
- A tax system that pauperises the lower paid, forcing them into dependence on means-tested benefits.
- Unprecedented and continuing cuts in housing subsidies.
- An inadequate and fragmented system of support for children, non-earning mothers and young adults.

Byzantine complexity

Financial independence and strong families are being eroded by seven deadly traps: the 'unemployment' and 'invalidity' traps, the 'poverty' trap, the 'lone-parent' trap, the 'part-time' trap, the 'lack-of-skills' trap and the 'savings' trap. Each in its own way penalises effort and encourages long-term benefit dependency. But it is the policy makers who are at fault — not its victims. Pensioners who have worked hard and saved all their lives find themselves no better off than Joe Bloggs down the road who 'never did a day's work in his life'. Couples with children need approximately average male manual earnings in order to be a few £s a week better off than on the dole (i.e. unemployed). Lone mothers are even more at risk because of their reduced earnings potential and high childcare costs. Of course they are some people who are out to milk the system, but they are not the nub of the problem.

This vast array of traps is the result of 'taxation regardless of ability to pay' ('TRAP'), six-fold rent increases and ever-increasing reliance on means-tested benefits. At a recent count 600,000 British working families with children faced marginal tax rates of 80-98%. If earnings during the 1980s had increased more slowly, even more families would be affected in this way. Instead they have been priced out of work. It is extraordinary, says Parker, that a Government which cut higher-rate income tax for the better-off to 40% can do no better than 98% for the lower paid.

Disincentives to work and to save, a faulty system of family income support and astronomical rent increases also help to explain why social security expenditure is out of control. By comparison with 1979, four times more working age claimants now get income support (Britain's safety net of last resort); seven times more working families get family credit; and 1½ times as many households get housing benefit (despite the 1988 cuts). It is the received wisdom that means-tested benefits are more cost-effective than universal benefits. In the short-term this may be true, but not in the long-term. That is part of the reason why the British Government expects to spend £12,500 million on income support (working age claimants only) in 1995-96, compared with £2,500 million (at constant prices) in 1979-80.

The only reform option currently available, says Parker, which stands a chance of resolving these problems is a modified (or partial) Basic Income, for instance a *Basic Income Guarantee (BIG)*. 'BIG' would replace most existing benefits, all income tax allowances and most income tax reliefs, by an integrated system of convertible tax credits (or Basic Incomes), on which people would be able to build through paid work or savings, without having to refer back to the authorities.

Instead, all the British Government has to offer are further benefit cuts and the promise of a 20% standard rate of income tax when circumstances permit. For approximately the same cost, they could introduce BIs of £20 a week for adults and £15.65 for children, the difference being that while a 20% standard rate of income tax would redistribute income upwards (where it is not needed), BI would redistribute income downwards and sideways (to families with children), where it is urgently needed (See **CI Bulletin No. 19**, article by Hermione Parker and Holly Sutherland for further details of this option).

Even a small BI of £20 a week would also start the much-needed process of lifting the lower paid out of welfare dependency, making small savings financially worthwhile, and strengthening family life.

Those attending this seminar came from a wide variety of backgrounds, including Parliament and the Civil Service, the business community, academia, voluntary organisations and the media. Great interest was shown and many questions were put to the speaker.

Leading Lib-Dems continue to support CI

Hermione Parker writes: In a recent debate in the House of Lords on labour market casualisation, first Lord Dahrendorf and then Baroness Seear confirmed their support for CI:

Lord Dahrendorf: Let me start with one basic principle. In my view, a flexible labour market is a necessary condition of competitiveness in a global market-place which can be very cruel. A flexible labour market is one which takes us away from the rigidities which have come about as an exaggerated form of the security for which people are rightly

and justly looking ... We [also]) have to find a balance between flexibility and security. It seems to me that that is the key issue with which we are faced in this area and perhaps with regard to employment in general. But the question is: how?

Some of us have a preference for a course which is expensive and which is not likely to be implemented in the near future. I refer to having a basic income guarantee or a citizen's income. I, for one, should not be surprised if my noble friend Lady Seear at least hints at the fact that she and I share that preference, although we have found it hard to persuade even our friends of its immediate implementation ... (LORDS Hansard 21 June 1995, column 322)

Baroness Seear: In terms of the way in which we allocate resources in this country, I would put education and training way ahead of everything else because I think everything else depends on them. All the other services that we want depend on our being able to earn our living, and being able to earn our living depends on having the kind of labour force which we simply do not have at present. That is why putting back the clock is no good at all.

On my next point I am not speaking for my party, but, as the noble Lord, Lord Dahrendorf, indicated, he and I are very much at one ... Part of the changes we need to face are changes in the whole way in which we run our welfare society or welfare state ... I am a strong supporter of introducing something along the lines of a citizen's income, even if it is quite a small one, which gives people some basic fallback on which they can rely absolutely and which does not have the effect of discouraging them from getting into the labour market ... (LORDS Hansard 21 June 1995, column 347).

Book Review

CAPITALISM WITH A HUMAN FACE

Samuel Brittan

Edward Elgar, Aldershot, 1995, 292 pp, ISBN 1 85278 449 0 (Pbk), price £15.95.

James Dickens writes:

In this, his latest book, Sir Samuel Brittan (an Assistant Editor of the Financial Times) has revised some of his extended articles and speeches, and with some new material has collected them together in a single volume. This is very helpful, not only to readers of the Financial Times, but to a wider public in politics and the universities. The book is stimulating and frequently entertaining. Some of the chapters are also revealing. It opens with what he describes as "an intellectual autobiography", which explains how he came to adopt the views he now expounds. As a young man, Brittan was a Bevanite,¹ because he wanted a "socialist foreign policy". He "disliked the support given to repressive and corrupt regimes in Asia and Africa for the sake of anti-communism or oil" and, in this respect, his views have not changed over the years. For example he was "very uneasy about fighting the Gulf War of 1990 to restore the Al-Sabah dynasty to Kuwait."

His early mentors were G.D.H. Cole and Lancelot Hogben, and at Cambridge Milton Friedman (then on a sabbatical there), Joan Robinson and Henry Johnston. It was much later, in 1967, that he made his "only conscious U-turn" in economic thinking, when he was converted to Friedman's views on the relationship between unemployment, wages and inflation. He did not fully appreciate the implications of Friedman's doctrine and failed to cover it adequately in the second edition of his book *Steering the Economy*. This made him so uncomfortable that he took the extraordinary step of writing a critical review of his own book in *The Banker*, under the pseudonym A. Shepherd.

Although a strong supporter of the market economy, Brittan is well aware of its shortcomings for many individuals. He broadly upholds the concept of the safety net and the ladder of opportunity. This is what led him to support the idea of a Basic or Citizen's Income, to which he devotes his penultimate chapter. Initially, in the early 1970s, this support was based on the understanding that "an affluent society could provide a standard of living above subsistence for all". In other words, the community was by then rich enough to give the citizen a choice of lifestyles, buttressed by an allowance just about sufficient to live on.

His argument for CI changed in the 1980s with the rise in unemployment and especially with the growth in the underclass of the unskilled unemployed, many of whom are young people who have had little or no opportunity of earning a living. As a measure of this problem, there are currently over one million unemployed under age 24 in the United Kingdom. The position is much worse in France and Spain. As part of the solution to this problem,

Samuel Brittan advocates a "Basic Income Guarantee, which would supplement the income of the low paid, so making it possible for them to price themselves into jobs". Here he rightly says that "Basic Income should be sharply distinguished from a minimum wage enforced by law or collective bargaining" and asserts — without producing any evidence — that minimum wages have "raised unemployment and reduced efficiency wherever they have been effectively introduced."

This is not the place for a discussion of the case for and against a national minimum wage. However, since Brittan does not go beyond economic theory to look at the empirical evidence, perhaps a few points may be made:

- A number of studies in the UK and continental Europe have concluded that a national minimum wage has no adverse effects on employment.² This is one reason why every other member state in the European Union has a national minimum wage, fixed either by law or by binding collective agreements. The United States and Japan also have minimum wages.
- Since the abolition of Britain's Wages Councils (with the exception of the Agricultural Wages Board) in 1993, wage levels in the UK have dropped significantly for many of the 2½ million previously covered. Yet there is no evidence that abolition of Wages Councils has led to an increase in employment in the industries previously covered.
- Since employees cannot survive on wages of £1.50 to £2.50 an hour, those who are sole earners have to apply for state benefits such as family credit, income support, housing benefit and council tax benefit. This is a direct subsidy from taxpayers to low-paying employers. In 1993 this amounted to £2,400 million, double the amount paid in 1990.

In an attempt to resolve this problem, Brittan describes how he and Steven Webb (of the Institute for Fiscal Studies) prepared a scheme to integrate family credit and income support with income tax, so as to provide a guaranteed income for all families (not individuals) at the conventional subsistence minimum payable through these schemes. In 1994 this would have amounted to about £44 a week for a single adult aged over 25 years and around £115 a week for a two-parent family with two children, at a cost of £34,000 million or an extra 15 percentage points on the basic rate of income tax. Brittan describes this as a "modest scheme" — others might regard it as utopian and something of an Aunt Sally. To be fair, Brittan does not use this exercise as a reason for giving up on CI. He believes "a great deal can be done incrementally". Unfortunately, this takes him to the other extreme of merely suggesting an extension of family credit to childless couples and single people and a reduction in the withdrawal rate for income support. Surely a more radical first step was suggested by Hermione Parker and Holly Sutherland in their article *Basic Income 1994: Redistributive effects of Transitional BIs*.³ I assume that Samuel Brittan's book went to press before he read this article, though the book carries a 1995 imprint.

It is disappointing that Brittan regards the extension of family credit to more of the working poor as a first step in the introduction of a partial BI. In my view, it is a

corruption of the concept of CI to see it as a way of subsidising low-paying employers. Low pay is a major symptom of much that is wrong with the British economy. It is a crucial part of the cycle of low investment, low skills, high turnover, low quality production, which must be reversed if we are to attain a lasting recovery. That is why it is so important for citizens in employment to have the security of a national minimum wage, without having to apply for means-tested benefits to bring them up to a decent standard of living. CI must be regarded as an essential addition to a minimum wage paid to those citizens who are in employment, or to the earnings of the self employed. The crucial point is that CI should be a basic right of citizenship available to all citizens whether in employment or not.

It is a pity that Samuel Brittan does not see things in this light. But his book can be recommended as an informative and provocative contribution to an important debate.

James Dickens was Labour Member of Parliament for Lewisham West from 1966 to 1970, and is now a trustee of the Citizen's Income Trust.

Notes and references

1. Aneurin Bevan was Labour Member of Parliament for Ebbw Vale in Wales from 1929 to 1960.
2. Richard Dickens *et al*, *The Effect of a Minimum Wage on UK Agriculture*, London School of Economics, Working Paper No. 514, 1994; London School of Economics, Centre for Economic Performance, Industrial and Labour Relations Review No. 47, 1994; Richard Dickens *et al*, *The Effect of Minimum Wages on Employment: Theory and Evidence from Britain*, London School of Economics, 1993; Stephen Bazen and Philip Martin, *The Impact of the Minimum Wage on Earnings and Employment in France*, in *Economic Studies*, OECD, Paris, Spring 1991. See also *In Place of Fear — the future of the Welfare State*, Transport and General Workers' Union, London, 1994.
3. CI Bulletin No. 18, July 1994.

Book Review

PUBLIC ECONOMICS IN ACTION: THE BASIC INCOME/FLAT TAX PROPOSAL

A.B. Atkinson

Clarendon Press, Oxford, 1995, 169 pp,
ISBN 0 19 828336 9, Hbk £19.50

Stephen Jenkins writes:

Professor Atkinson has not been on the road to Damascus, but to Uppsala. He writes as an academic commentator rather than a Basic Income/Flat Tax proselyte, presenting newly revised versions of his 1989 lectures in honour of the Swedish economist Erik Lindahl. His purpose is not to argue for or against the introduction of a Basic Income (BI) scheme, but to take one particular problem of policy interest in the field of taxation and social security and use it as the basis for assessing the state of public economics. Despite the disclaimer, this book is an important contribution to the BI literature.

Atkinson shows that the introduction of a BI raises issues right across public economics and political economy (or public choice as it is often labelled nowadays). Although these issues have been extensively analysed in the past — and to good effect — they have often been considered separately. One of Atkinson's principal conclusions is that much more integrated analysis is needed for substantive contributions to public policy. In fact the author's masterly review itself provides a good example of this.

The book is structured around five areas of public economics:

- The theory of optimum income taxation
- Public choice theory
- General equilibrium analysis of incidence
- Tax-benefit models
- Econometric studies of work incentives

The introductory chapter provides a very useful, non-technical overview of all five subjects, indicating why they are important and the links between them, and I strongly recommend it. Several of the later chapters are rather more technical, but be reassured that many of the important messages are conveyed in words between the various equations and graphs.

Optimum income tax analysis (in Chapter 2) provides a theoretical structure for choosing between menus of Basic Income levels and their accompanying income tax rates, while taking into account who the net gainers and losers are. Choices are constrained by the need for governments to balance their budgets and by the potential responses of taxpayers: increasing tax rates above some (hard to identify) level can reduce total revenues if work incentives are sufficiently affected. The existence of an *equity-efficiency* trade-off hardly comes as a surprise. More interesting is how the optimal BI and tax rate depend on the shape of the income distribution, or how much we care about the poor, and on the size of the work disincentive effect. The range in optimal rates may be substantial, as Chapter 2 shows.

Chapter 3 considers what might be gained from a partial BI scheme, with some graduated marginal tax rates and some categorical benefits (and thus a half-way house between a pure BI scheme and the current UK system). There are indeed clear social gains from having greater flexibility in policy design, although, as Atkinson emphasises, this conclusion is contingent on the questionable assumption that extra administrative costs are negligible. Arguably one of the great strengths of BI schemes is their lower administrative costs to governments and tax-payers. Another intriguing result is that optimal graduation may require marginal income tax rates which decline at higher incomes, i.e. the opposite pattern to what is typically observed in practice. Although increasing marginal rates serve redistributive objectives (by raising average tax rates), the pay-off depends on how many people are liable to pay the higher rates. Because the number of people at each income level above the middle typically falls as income rises, so the pay-off from a higher marginal rate falls, and at the limit is zero. Atkinson shows clearly how these conclusions depend on the precise shape of the income distribution, on the nature of society's objectives, and on how taxes affect work incentives. The themes are developed in subsequent chapters.

Chapter 4 on *Liberty and Public Choice Theory* is one of the best in the book. Optimal tax analysts have been criticised, with some justification in my view, for taking too narrow a view of both the nature of policy objectives and of policy formation and implementation. Atkinson suggests a broader and more integrated approach. Public economists typically summarise social welfare outcomes of policies only in terms of their impacts on the economic well-being of individuals, but this omits considerations such as promotion of liberty, self-reliance rather than dependence, and relation of outcomes to effort (*desert*). Liberty has different meanings for different people, of course. To some, like Buchanan, it means constraints on mobility between them, and the possibility of involuntary unemployment. In this scenario, BI and other tax-benefit structures may have rather different impacts on employment and incomes than in the perfectly competitive model. This is an important conclusion, although the lack of concreteness is somewhat frustrating.

By contrast, very practical policy tools — in the form of tax-benefit, micro-simulation models — are the subject of Chapter 7. Atkinson describes the TAXMOD model developed by Holly Sutherland and himself, and presents a case study of the effects of replacing the 1988/89 UK tax-benefit system by two alternative partial BI schemes. Unfortunately the figures are now rather out-dated, but readers should take heart from the clear demonstration that BI schemes are indeed financially feasible. Moreover updated versions of the model (now called POLIMOD) have been developed by Holly Sutherland's Microsimulation Unit at the University of Cambridge, with accessibility and user-friendliness maintained.¹ Atkinson and Sutherland, and the Institute for Fiscal Studies (IFS) with their TAXBEN model, have substantially raised the level of debate about tax-benefit reform in Britain.

Rhetoric about work incentives and taxation remains a central part of the debate about tax reform in Britain and elsewhere, of course, and has stimulated a huge amount of research, usefully reviewed in Chapter 7. Although much progress has been made, it is clear that there are few straightforward answers. Readers should be wary of any person claiming to know the labour supply impact of a BI (or indeed any other) scheme!

In sum, those familiar with Professor Atkinson's work may recognise many of his themes, but this collection usefully integrates them. The book addresses analytical issues which all serious BI campaigners need to be aware of. Moreover it is heartening that such an eminent scholar believes that Basic Income should be on the agenda for any serious discussion of tax and social security reform for the twenty-first century.

Stephen Jenkins is a Professor at the ESRC Research Centre on Micro-Social Change, University of Essex.

Notes and references

1. Parker, H., and Sutherland, H., CI Bulletins Nos. 18 and 19.

Book Review

MAKING WELFARE WORK: RECONSTRUCTING WELFARE FOR THE MILLENNIUM

Frank Field

Institute of Community Studies, London,
1995, 197 pp, ISBN 0 9523355 2 2, £10.00

Dominic Hobson writes:

New Labour should cherish Frank Field. His books are the only evidence that the major left-wing party in British politics is interested in policy at all, let alone radical reform of the Welfare State. Certainly the report of the Commission on Social Justice, which has now sunk into well-deserved obscurity, did little to dislodge the impression that Her Majesty's Opposition is more interested in power than in policy. *Making Welfare Work* is a far more substantial offering. Frank Field is not unusual in being able to draw on a deep understanding of social security. It is his coherent view of the world, illuminated by a rich hoard of personal experiences, which gives this book its distinctive flavour. Above all, it is not *parti pris*. Even its occasional side-swipes at Thatcherism seem to be there out of a sense of duty rather than conviction. Frank Field is not interested in the small change of politics. He prefers ideas and issues. His instinct is not to find objections to a course of action, but to look for ways forward which are politically possible as well as theoretically desirable. It makes him a highly unusual politician.

Unlike most other politicians and political commentators, Field also recognises the use of thorough analysis as a guide to effective policymaking. His verdict on the present condition of the Welfare State is unsparing. Field argues not only that it is failing to tackle poverty effectively, despite a vast expansion of expenditure in almost every quarter, but that it is completely out of joint with modern economic and demographic realities. It ignores the rising numbers of part-time and self-employed workers, and low-paid women. Since 1979, the cost of maintaining single mothers has risen ten-fold, to £6.4 billion. Medical advances have vastly inflated the numbers of disabled claimants. A horde of young males, graduating from State schools which failed to teach them to read, write and add up, are roaming the inner cities on a diet of drugs, crime, welfare and low-paid jobs. An 'underclass', alienated as well as poor, is in the making. An ageing population is retiring earlier, in many cases without an occupational pension. Without reform their need for long-term nursing care will overwhelm the traditional Welfare State at some stage early in the next century.

Field believes the main cause of the present crisis in the Welfare State is the perverse incentives — not to work, or train, or save — created by means-tested benefits. The dangers of present welfare policies, which rely increasingly on means tests to concentrate help where it is needed most, are not lost on him. "The balance of welfare has been shifted from an insurance to a means-tested base," he writes. "The impact of this change has

been so profound that it is difficult to over-estimate its importance.' This is relatively uncontentious. Where Field parts company with orthodox criticisms of the Welfare State on both Right and Left is in describing the means-tested system as morally degrading. 'Means tests penalise all those human attributes — such as hard work, work being adequately rewarded, savings, and honesty — which underpin a free, let alone a civilised, society,' he writes. 'Lying, cheating and deceit are all rewarded handsomely by a welfare system which costs £15 a day in taxation from every working individual.'

This seems incontrovertible. Many working poor use benefits to top up their wages. The Child Support Agency, to take a topical example cited by Field, has uncovered a lavish trade in fictitiously 'absent' fathers. But he reserves his harshest words for the organised criminal fraudsters who 'cheat and defraud their country' by stealing, forging or even buying the benefit books of others. Field arguably over-indulges his resentment of benefit fraud. People are not cheating and defrauding their country, but each other. Some of his solutions — an elite corps of anti-fraud officers, forcing fraudsters to account for their whereabouts several times a day, and so on — sound uncomfortably authoritarian. But these animadversions do not affect the soundness of his judgments about the real cause and the best cure. Field recognises that welfare dependants are behaving rationally. They are working the system to maximise their incomes. The best solution is to alter the pattern of incentives they face.

Making Welfare Work advocates a welfare system which works with the grain of human nature rather than against it. 'Self interest,' writes Field, 'is too powerful a motive to ignore. Politicians who do so are a public menace.' It is not clear if this message is addressed to his own party leader, whose communitarian ethic relies heavily on the possibility of altruism as a human motivation, but the policy implications are clear enough. An intelligent Welfare State is one which encourages people to escape the welfare system through their own efforts rather than maximise their income within it. This insight, if translated into policy, would revolutionise the social security system.

Throughout the twentieth century, social security has aimed to eradicate poverty. Field has grasped that it is the utilitarian nature of the traditional system — its lack of moral purpose or governing principle — which has landed the country with its contradictory morass of means-tested benefits. He blames the self-appointed experts like Charles Booth, the Webbs, Seeborn Rowntree and William Beveridge for believing that they could design an efficient system of welfare if only they could get at the facts about social deprivation and devise tailor-made solutions to the problems they uncovered. 'From a vision about the good life, and the part which collective or social action, together with individual character, played in nurturing it,' he writes, 'the subject deteriorated into a compilation of rules, statutes, entitlements, and statutory instruments as its staple diet.' In fact, as Field points out, the aim of an intelligent system of welfare is not to define and re-define poverty and then design and re-design solutions to it, but to 'help individuals create freer and more fulfilled lives.'

Field believes this can be done by phasing out means-tested benefits and replacing them with an insurance-based 'stakeholder's national welfare state.' Two

corporations largely independent of government would be set up. A National Insurance Corporation would provide sickness and unemployment benefits, and income supplements for the poor. A Private Pensions Corporation would aim, over a twenty-year period, to ensure that everybody had a fully-funded private occupational pension. These reforms would restore the link between contributions and benefits, long since obscured by the degeneration of National Insurance into a surrogate income tax. Beneficiaries would also acquire ownership of valuable financial assets, and be given some say in how their contributions were invested.

These ideas deserve serious consideration. Insurance, unlike means-testing, rewards honesty and thrift. It confers on the beneficiaries a sense of ownership and control. It reminds people that they will reap what they sow. One reason people are willing to defraud the Department of Social Security, and even to assault its employees, is precisely because it is a faceless bureaucracy and they are its supplicants rather than its owners. Insurance makes use of self-interest and the desire for self-improvement, rather than relying on a meaningless altruism, arbitrated by the State and put into effect through systems of taxation and welfare. 'The further we move away from the family to more abstract concepts such as our neighbourhood, our town, our country,' writes Field, 'the weaker usually are such altruistic feelings.' In other words, Field understands that our sense of moral obligation to the Welfare State is strictly limited, that self-interest is not co-terminous with selfishness, and that public benefits can flow from self-interested acts.

Such ideas are far removed from the mainstream Leftist notions of welfare as a 'social right' enforceable in the same way as civil or political rights, and of the poor as helpless victims of economic forces rather than authors of their own lives. Superficially, Field's ideas appear well-matched to the creeping moral authoritarianism of New Labour, with its sinister emphasis on 'duty' to the 'community'. But they are in fact better understood as a welcome recognition by a thoughtful socialist that the Welfare State has displaced a host of private, voluntary and independent welfare associations (what Field calls 'social collectivism') and demoralised individual men and women by robbing them of the opportunity for self-improvement. 'A welfare system increasingly shaped to concentrate help on the poor,' writes Field, 'has turned out to have a monstrous effect on human motivation and honesty — the fundamental forces which determine the very nature of society.'

Whether Field will ever see his ideas put into practice is another matter. The forces arrayed against substantial change of any kind are immense. Field himself points to the deadening effect of the 'inheritance' of the past. Perhaps five-sixths of current social security spending, he reckons, is the work of politicians now long dead. Attempting to wean people off the benefits to which they are accustomed is regarded as political suicide. The removal of income support from 16-year-old school leavers is the only instance, after sixteen years of Conservative government ostensibly dedicated to retrenchment, of an entitlement actually being taken away. Importantly, the former beneficiaries were voteless. Welfare democracy in Britain seems to have reached a kind of stasis, in which tax-payers and tax-eaters have attained a rough electoral equivalence which makes radical change incompatible with success at the polls.

Faced with this dilemma, Field sensibly ponders how to create a climate of opinion favourable to radical change. He recommends a long-term programme of reform, implemented over at least two decades. He believes a lengthy transition would ease the pain of change and enable voters to assess a particular reform in the light of long-term social objectives, rather than by reference to its impact on their own wage-pocket or giro-cheque. People would eventually come to see welfare, he hopes, not as the redistribution of their income to others but as the spreading of their own income over the whole of their lifetimes. The distancing of the insurance and pension corporations from government would endow them with a legitimacy denied to the Department of Social Security and the Inland Revenue. Field seems genuinely to believe that a great reforming government, like those of 1906 and 1945, can be elected and re-elected on a programme of radical reform of the Welfare State.

This shows a touching faith in the integrity of modern political discussion. In reality, experts and antagonists are already enumerating lists of objections, and deriding his proposals as naive or impractical. The late Victorian and Edwardian contest between competing social philosophies, which Field recalls in considerable detail, would be impossible to match in an age whose leading interlocutors are Gillian Taylforth and Kelvin MacKenzie. The values of the age of tabloid journalism and television

infect even the broadsheet newspapers, whose obsession with personalities and events leaves little room for the discussion of ideas. Unfortunately, a climate of change is far more likely to come about through catastrophe than discussion. Perhaps the inner cities will finally explode, or Europe dissolve into war. Or Government spending might finally spiral out of control, sparking a middle-class tax revolt, a strike in the bond markets and hyper-inflation.

Making Welfare Work is poorly organised, occasionally repetitive and lacking either a comprehensive list of contents or an index. Its lack of interest in the interaction of welfare and tax is a huge lacuna, especially since the enormous cost of employing people on a fully-taxed basis is probably the biggest single cause of unemployment. But the errors and omissions serve only to remind us of how little time the modern Parliamentarian has to read, think, reflect and write, and how scant are the rewards for those who do so. Such minor faults cannot obscure the urgency of the case Field makes against the status quo, or the passion which he brings to the task. Frank Field still believes that radical change is possible; that ideas matter; and that, for good or ill, politicians can make things happen. These are gifts our cynical and mean-minded age and the "practical" men who dominate its public discourses — the journalists, the economists and the seekers after power and publicity — have done nothing to deserve.

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Key points of citizen's income:

- **Citizen's Income isn't about increasing benefit expenditure, it's about rearranging it, to the advantage of the have-nots.**
- **Citizen's Income converts tax-free reliefs into tax-free benefits and would re-distribute money downwards, not upwards.**
- **Men at the bottom of the income distribution, or at the edges of the labour market, would benefit in the same way as low-income women.**
- **Citizen's Income is designed to be gender neutral.**

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From WHAT WOMEN WANT — a guide to creating a better and fairer life for women in the UK compiled by Leslie Abdela in association with The Body Shop.

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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 The Citizen's Income Study Centre, St Philips Building, Sheffield Street, London WC2A 2EX.

Citizenship, Basic Income and the State, David Purdy, New Left Review Number 208, November/December 1994, Issn 0028-6060, £4.50. Useful introduction to the advantages, limitations and complexities of CI.

Electronics, Environment and Employment: Harnessing private gain to the common good, James Robertson, Green College Centre for Environmental Policy and Understanding, Radcliffe Observatory, Oxford, OX2 6HG, January 1995, 22 pp. Britain and Europe need to play a leading role in developing information and communications technologies in ways that are economically and socially positive; in accelerating the transition to environmentally sustainable development; and in curing the social and economic ills of high unemployment. A comprehensive strategy, says the author, would include a Citizen's Income. The thinking behind this paper is a natural follow up to the author's proposal for CIs financed by land and energy taxes in CI Bulletin No. 18.

Inquiry into Income and Wealth, Joseph Rowntree Foundation, The Homestead, 40 Water End, York YO3 6LP, February 1995, two volumes, ISBN 1 85935 000 3 and ISBN 1 85935 001 1, each £9, plus a summary of Findings. Volume 1, Report, by Sir Peter Barclay, analyses the key findings and outlines proposals for reform. Volume 2: Summary of Evidence, by John Hills, presents the evidence in greater detail. Regrettably analysis of the problem in this massive work is much stronger than the policy proposals, which take for granted that the existing tax and benefit systems can be adapted to a post-industrial, post-women's emancipation society. No mention of Citizen's Income.

Benefit Upgrading Policy and Living Standards, Jonathan Bradshaw and Tony Lynes, Social Policy Reports Number 1, SPRU, University of York, Heslington, York, YO1 5DD, 1995, 59 pp, ISBN 1 871713 50 1, £5.00. Essential reading for anyone anxious to ensure that a switch to CI will leave its recipients with enough to live on and will be fair between different household types.

Capitalism with a Human Face, Samuel Brittan, Edward Elgar, 1995, 292 pp, ISBN 1 85278 466 6, 1 85278 449 0, (Pbk), £15.95. A celebration of individualist liberalism, with the market second (as an instrument of human co-operation), and capitalism third (as the only known working embodiment of the market system). Part Five, which gives the book its name, poses the question 'What do we do if some market-clearing wages are unacceptably low?' Why not provide all citizens with the equivalent of unearned income, independent of pay? Whilst

favouring Basic Income, however, in his efforts to reduce costs Samuel Brittan comes up in favour of proposals much closer to a negative income tax. See **Book Review**, James Dickens.

Social Justice: Radical Plan or Washout? Meghnad Desai and Ruth Lister in *POVERTY*, Journal of the Child Poverty Action Group, 1-5 Bath Street, London EC1V 9PY, Spring 1995, No 90, £2.95. In two well informed and interesting pieces, Meghnad Desai (a well-known CI supporter) and Ruth Lister (a well-known doubter) give their personal views on the Borrie Report. In many ways, says Desai, the report ducks the tough issues. It wants to amend but not replace the 'Beveridge' welfare state. Even its most innovative proposal for a learning bank avoids the issue of equity in access to higher education. Although comprehensive and well intentioned, it does not face up to the difficulties of creating employment in the future, which will require 'much tougher redistributive policies to transfer resources from the perennially employed highly paid to the occasionally employed low paid'. 'Given,' says Desai, 'the radical possibility of CI for those in work as well as those at home — carers, non-working women, etc — and the potential of CI to do what a minimum wage can do but without distorting the job market, it was disappointing that the report did not explore this route further. As an advocate of CI, I believe that its expensiveness can be contained and its advantages can be very great indeed ...'

Ruth Lister (a former Director of CPAG and a member of the Borrie Commission) addresses the Commission's recommendations from an anti-poverty perspective, and identifies two tensions: first, how to balance the 'imperative of an anti-poverty strategy through paid work with the Commission's recognition of the value of unpaid caring work', and second how to tackle the poverty of those 'unable to cross the bridge from welfare to work'. The proposals to modernise social insurance, she says, together with Tony Atkinson's idea of a participation income go some way towards resolving the first tension, but there is a danger that the needs of those who cannot work will be forgotten.

With social insurance, they certainly are forgotten. One of the purposes of CI is to remedy that defect without resort to means-testing.

Saturn's Children: How the State Devours Liberty, Prosperity and Virtue, Alan Duncan and Dominic Hobson, Sinclair-Stevenson, 1995, 448 pp, ISBN 1 85619 605 4, hbk £16.99. An individualist counter-blast to present-day communitarianism, this book includes Basic Income (or Citizen's Income) as a major plank for reform. Instead of the means-tested or residual welfare state to which present policies are taking us, the recommended solution is to get people back to work by introducing a system of benefits on which they can build through paid work instead of disqualifying themselves from benefit and being charged tax instead. We hope to bring you a review of this book in a future Bulletin. Meanwhile, see **Susan Raven's interview with Alan Duncan** elsewhere in this one.

Transitional Basic Incomes — New Thinking on BI?, Lynda Bransbury in *BENEFITS (Policy Review)*, School of Social Studies, University of Nottingham, NG7 2RD, April/May 1995. A useful critique by the chairwoman of

the National Executive Committee of the Child Poverty Action Group of an article by Hermione Parker and Holly Sutherland on the redistributive effects of transitional BIs (CI Bulletin No. 18).

Although the poverty lobby finds it difficult to defend a costly package that delivers no extra income to those most in need, she concludes that a reform which reduces dependence on means-testing should not be dismissed out of hand.

Public Economics in Action: The Basic Income/Flat Tax Proposal, A.B. Atkinson, Oxford University Press, 1995, 169 pp, ISBN 0 19 828336 9, hbk £19.50. An invaluable book for readers interested in the economics of social security, especially Basic Income, and the interactions between social security and tax. See **Book Review**, Steven Jenkins.

Making Welfare Work: Reconstructing Welfare for the Millennium, Frank Field, Institute of Community Studies, 18 Victoria Park Square, London E2 9PF, 1995, 197 pp, ISBN 0 9523355 2 2, pbk £10. Starting from many of the same premises as CI supporters, Frank Field MP calls for a new National Insurance (NI) Corporation run jointly by members, employers and government; a Private Pensions Corporation alongside the NI pension; and transformation of income support into a 'proactive agency' for easing the transition from unemployment into work. See **Book Review**, Dominic Hobson.

Real Freedom for All: What (if Anything) can Justify Capitalism?, Philippe Van Parijs, Clarendon Press, Oxford, 1995, 330 pp, ISBN 0 19 827905 1. Two convictions, says the author, are widely shared across the world: first that capitalism involves unacceptable inequalities and second that freedom is of paramount importance. Problems arise because fighting inequality jeopardises freedom, while taking freedom seriously boosts inequality. The solution (predictably for those who have read previous Van Parijs publications) is a capitalist society which offers a substantial, unconditional Basic Income to all its members. Here indeed is an example of the powerful analysis of ethical issues — the battle of values — which, as Richard Whitfield writes elsewhere in this Bulletin, needs to be won if CI is to reach the statute book. We plan to review it in a future Bulletin.

Family and Community Socialism, Michael Young and Professor A.H. Halsey, Institute for Public Policy Research, 1995, ISBN 1 86030 004 9, pbk £4.95. In an important departure from the report of the Labour Party's Commission on Social Justice, here are two social policy veterans who include Citizen's Income — "even if at a low level to start with" as one of eight policy proposals to improve the living conditions and prospects of children. Like Richard Whitfield elsewhere in this Bulletin, their concern is family policy. In a Gallup poll conducted earlier this year 60 per cent of respondents thought that children today have a worse future in front of them than they themselves had. Something, say the authors, has to be done. "Changes in society require that redistribution should have a new focus. Needed now is a massive redistribution in favour of children".

Child neglect is not just a problem of poverty — families are fragile right across the social spectrum — but there is also a new kind of polarisation between richer and poorer. Worst off are families without any wages, and

single-parent families in which the mother is compelled to go out to work in order to make ends meet. At the other extreme are 'dual-career' families who are so busy earning that their children suffer not from money-poverty but from time-poverty.

Time-poverty raises the question whether both parents should go out to work full-time or even part-time. In the debate on whether the needs of industry or of children should come first, the authors plump for the children — otherwise their lives can be blighted. Children can be insufferable — especially if treated badly in their early years — but, given favourable conditions, they "also have the wonderful talent of being able to draw out the best from their parents and other adults in the most virtuous of upward-spiralling circles." At present there is a danger that this virtuous spiral will be converted into a vicious downward spiral.

On policy proposals the authors warn that there can be no miracles. Instead they advocate a series of worthwhile steps. One recommendation is a parental wage paid to either father or mother if he or she stays at home to look after a child or children under five. Another is a Citizen's Income (CI). The CI model they favour is Tony Atkinson's Participation Income (PI): "One reason Citizen's Income is not more popular is the unconditionality of it, being paid to everyone, irrespective of deserts". It should therefore be restricted, say the authors, to people who participate or contribute to society. And they steer clear of the administrative problems PI would involve.

Other proposals include a Family Covenant Movement, compulsory community service for all young men and women, abolition of streaming in schools, more male teachers in primary schools, a new service of Educational Auxiliaries, children's neighbourhoods, and higher taxation. Great importance is attached to stronger communities, which in turn require continuity in relationships.

It is a work so brimming with ideas that this reader was left wondering if all of them were mutually compatible. For example, is a Participation Income compatible with strong communities? Would people forfeit their PI entitlements if they turned down job opportunities that meant uprooting their families? When similar questions were put to the late Juliet Rhys Williams (founding mother of Basic Income), she put family and community first.

TAXES, BENEFITS AND FAMILY LIFE: How Government is Killing the Goose (that Lays the Golden Eggs), Hermione Parker, Institute of Economic Affairs, 2 Lord North Street, London SW1P 3LB, IEA Research Monograph No. 50, ISBN 0-255 36370-2, July 1995. An analysis of the effects of policy changes since 1979 on work incentives, voluntary savings and family life, together with proposals for reform. The latter include replacement of all income tax allowances and child benefit by 'unisex' Basic Incomes of £20 a week for adults and £15.65 for children. (See **Home and Abroad**, Seminar at Gresham College, for further details of this report.)

Responsibilities as well as rights

Gordon Borrie

The British Labour Party's Commission on Social Justice published its Report in November 1994.¹ In CI Bulletin No 19, in addition to interviews with two Commission members (Professor Tony Atkinson and Dr Penelope Leach) and a far from hostile book review by Professor Jane Millar, we published an outspoken critique by Professor Meghnad Desai, a Labour peer and a trustee of Citizen's Income Trust. "The most important argument for a Citizen's Income," wrote Desai, "is that it would make much involuntary employment unnecessary, by breaking the link between income and active participation in the labour market". Here we publish a response by the Commission's Chairman, Sir Gordon Borrie. On the contrary, he says, breaking the link between incomes and work is what makes CI unacceptable.

Citizen's Income (CI) has something of a cult following. Unless the Commission on Social Justice had come out in whole-hearted support, our report was bound to be a disappointment to readers of this Bulletin. So there was a degree of inevitability about the disappointment expressed by Professor Lord Desai in February's issue. Perhaps I may nevertheless be permitted to express my disappointment that a professor should be so mean with his grades when his theories are not given enthusiastic acclaim and that a Labour peer should be so excessively committed to the cult that he can see no merit in the efforts of those from broadly the same part of the political spectrum to contribute a 400-page report on a wide range of vital political and social issues.

Professor Desai starts with the misleading remark that Beveridge did his report on Social Insurance 'single-handed'. Beveridge was in fact chairman of a 12-person committee, and as paragraph 40 of his report explains² he was required by the relevant Minister to be the sole signatory of the report because of what I might call the convenient myth that the other members (all civil servants) were not supposed to have opinions on matters of 'high policy'. The professor grumbles that the committee structure of our Commission compounded our 'compulsion to be cautious' and says we "watered everything down before the Party has any chance to do so."

I suspect Professor Desai is not a committee man himself, but he might have given some credit and even greater value to detailed proposals worked out and agreed by sixteen people of wide and varied experience. As it is, he does not refer at all to our extensive and strategic (and surely not cautious) proposals for lifelong learning, a Learning Bank, how to pay for a much extended sector of higher education, a minimum pension guarantee, long-term insurance for retirement and elder care in the next century, nursery education, child care, community development, citizens' service, taxation and so on. I wonder, among all these topics, where we have "watered

down" anything from that richer, purer level of thought that may have appealed to the professor?

Cracking the unemployment problem

Professor Desai does, however, agree with the Commission that, to deal with the problem of long-term unemployment jobs must be created in the non-tradeable sector of the economy. Yet he goes on to indicate that somehow this cannot be done. We make the point — and Desai does not say otherwise — that there is no shortage of work to be done: children and others to be taught, elderly people to be cared for, homes to be built, energy efficiency programmes to develop, and our transport infra-structure crying out for renovation. Combined with a high, sustainable growth rate in demand, low inflation and a competitive tradeable sector, we put our emphasis on a six-point plan for jobs, education and training for the long-term unemployed and single parents, removing the disincentives embodied in the welfare rules, incentivising employers by subsidy to take them on, encouraging a reduction in working hours etc. All this is disregarded by Desai in his review of our report. He quibbles about growth rates but the crucial point is that he just does not believe that the problem of the long-term unemployed can be cracked.

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In his view, there is only one proposal worth pursuing: Citizen's Income. Our view on the Commission was that some sort of CI can be justified, but only if the degree of pessimism enunciated by Professor Desai turns out to be confirmed by the facts. We do not favour going for it now when we have not even tried a Jobs, Education and Training programme.

Our more philosophical case against CI is based on the theme frequently emphasised in our report that social justice requires responsibilities as well as rights or, as the new Clause 4 suggests, involves the creation of a community *where the rights we enjoy reflect the duties we owe*. This does not accord with the idea of a right to, say, £50 a week unaccompanied by any reciprocal obligation of any kind — where just being a citizen suffices. It seems an odd definition of the word 'citizen' for him or her to have no duties except, I suppose, the negative duty not to harm other citizens and, no matter how fit and well he or she may be, that each should have an unencumbered right to *something for nothing*, a free ride on other citizens.

That objection was what led our fellow Commissioner, Professor Tony Atkinson (a long-term CI sympathiser), to promote the idea of a *participation income*, based on a reciprocity condition. It would recognise paid work and those seeking paid work, it would also raise the status of the unpaid work of parenting and long-term caring. Those unable to participate in that way — people with particular disabilities, for example — would be credited into the participation income, on the ground of justice rather than charity. Professor Desai presumably regards that as an undesirable "watering down" of the purer version to which he adheres.

Notes and references

1. *Social Justice: Strategies for National Renewal*, Report of the Commission on Social Justice, Vintage, 1994.
2. Sir William Beveridge, *Social Insurance and Allied Services*, Cmd 6406, HMSO, 1942.

Excerpt from the National Press

Gradually the debate about Citizen's Income is being more widely reported in the media. John Gray, in The Guardian on 27 April 1995, recommended CI as a way of reducing the personal economic risks associated with increasing job insecurity. Here is part of what he had to say:

Rising unemployment in advanced industrial countries is only a shadow cast by a deeper trend — the decline of the institution of the job itself. It has become a commonplace of the nineties that we are now, almost all of us, at risk of being 'de-jobbed' — removed from the workforce by 'downsizing' policies that strip out whole layers of employment from organisations, replacing them by new information technologies or by 'outsourcing' from contract workers.

Even if it is not yet conclusively supported by the conventional statistical measure of labour mobility, this common perception of increased job insecurity has a solid base in our experience. What it captures is our well-founded fear that, when we have once lost job security, we will never regain it. Our fate may not be that of those condemned to long-term unemployment, whose lives are an experiment in patience. Yet, once we fall off the merry-go-round that carries the dwindling population of

those who still have traditional jobs, we will be compelled to spend the rest of our working lives in part-time or contract employment, delivering specific services or executing particular projects. We will become part of an ever-growing lump of casualised labour that is swallowing people from all occupations and classes.

It is the erosion of job-holding in the working economy, more even than the threat of unemployment, that accounts for the pervasive sense of increased personal economic risk in the current decade. Yet the causes of this shift are poorly understood, and public debate about its implications — auguring transformation in our entire culture of work with which we are ill-equipped to cope — is only just beginning ...

New technologies make flexi-life of some kind inevitable for most of us. It will be humanly tolerable and fulfilling, however, only if public policies are adapted to the new realities of jobless work. We could make a start by considering how to make affordable some version of the Citizen's Income scheme, in which a basic income is guaranteed that is not cut off as income from casual employment rises.

We might then approach the point at which our sense of personal identity and self-esteem depend as much upon our contribution to the larger informal economy of family and community as on the possession of a permanent job. Or will we persist in policies which condemn those without work to permanent unemployment by seeking to compel them to return to a world of jobs that is fast disappearing?

Dr John Gray is a fellow of Jesus College, Oxford.

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- *Costing basic incomes*, Hermione Parker
- *Going, going ... gone: the vanishing right of young people to supplementary benefit*, Douglas Smith

Bulletin No 4, Autumn 1985:

- *Out of touch: The Fowler reforms of social security*, Robert Morley
- *The debate about costing*, Hermione Parker
- *Basic Income and young people*, BIRG Youth Group
- *VIEWPOINT: A two-tier Basic Income and a national minimum wage*, Robin Smail

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- *Topsy-turvy nationalisation*, James Meade
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- *Citizenship, Basic Income and democracy*, David Purdy
- *Pensions, taxes and welfare*, T.A. Salter
- *VIEWPOINT: Basic Income: value or price?* Conall Boyle

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- *The Third Age*, Charles Handy
- *The Poverty Trap: poor people's accounts*, Bill Jordan with Simon James
- *Basic Income: alternative benefit or new paradigm*, Joop Roebroek and Eric Hoogenboom
- *Can it happen?* Susan Raven talks to Sally Greengross and Sue Slipman
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- *Citizen's Income*, Philip Vince
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- *The Alaska Permanent Fund and dividend distribution programme*, J. Patrick O'Brien and Dennis O. Olsen
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