

Money for everyone?

An appendix for chapter 11

An example of a revenue neutral Citizen's Income scheme that redistributes in such a way that the ten per cent of the population with the highest earnings lose 4% of their net income and the ten per cent of the population with the lowest earnings gain 25%.

Take the following Citizen's Income scheme:

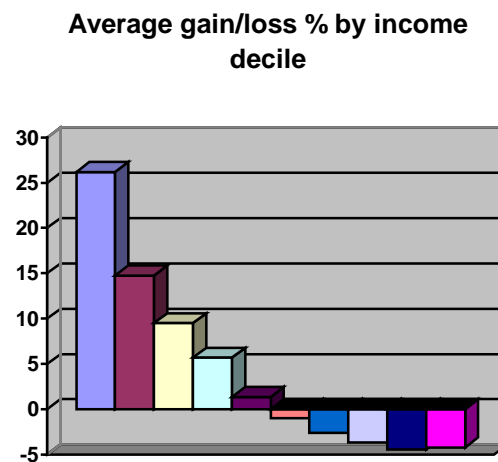
- Child benefit is increased to £15 per child.
- A Citizen's Income is paid as follows: £20 p.w. to 16/17 year olds; £25 to adults below 65 years old, £30 between 65 and 75, £35 above 75.
- The individual tax allowance is reduced to 0.
- A flat rate of income tax rate of 26% up to the current higher tax threshold, and thereafter 40%.

Using Polimod, which employs Family Expenditure Survey data to calculate the effects of changes in the tax and benefits system on net incomes, we find that the scheme is revenue-neutral, and that gainers and losers are as follows:

Table 1

Income decile	Average gain/loss %
1	26.17
2	14.78
3	9.51
4	5.70
5	1.34
6	-1.00
7	-2.63
8	-3.65
9	-4.40
10	-4.20

Figure 1



Thus income is redistributed from people in the higher income deciles and towards those in the lower deciles, with high percentage increases for those in the lower deciles and low percentage decreases for those in the higher deciles. This kind of redistribution will not affect the lifestyles of the wealthy overmuch, it will leave middle-income individuals and families in much the same position as they are in now, and it will considerably increase the incomes of the poorest section of the community – and it achieves this while not deepening the poverty or unemployment traps. Because every individual and household will receive a greater proportion of their income as non-withdrawable cash payments, those in the lower earnings deciles will experience lower withdrawal rates and thus a greater incentive to increase their earned income.