Citizen's Income *newsletter*

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Editorial

These are interesting times for debate on the reform of the tax and benefits system.

By the time you read this *Newsletter* the Government's consultation period on the future of the state pension will have ended and we shall be awaiting the outcome. In our submission (reprinted below) we commented on the second option for reform floated in the consultation paper: a single-tier flat rate pension based on the pensioner's contribution record. We wrote:

> The second option without a contribution record condition would meet the principles of simplicity and personal responsibility. It would be fair in the sense that every individual would be treated in the same way. Those few people who might be thought not to have contributed to society would in any case be receiving a means-tested pension under the current system, so there would be little if any additional cost to including them in a new single tier State pension.

Another of today's political themes continues to be the Big Society, and in this edition Bill Jordan asks important questions about its character and asks how advocates of a Citizen's Income should relate to some of the ways in which our society might evolve.

Frequently in the news is the future of the National Health Service. Health policy is not a field normally discussed in these pages. However, the National Health Service is a universal benefit: unconditional, nonwithdrawable, and a right of citizenship. We would welcome discussion on how the debate on the future of the health service and the debate on the future of the tax and benefits system might inform each other.

Main articles

The Citizen's Income Trust's response to the Department for Work and Pensions' consultation paper *A State Pension for the 21st Century*, April 2011, Cm 8053.

The Government has published a consultation paper on the reform of the State pension system, and the Citizen's Income Trust has submitted a response.

The consultation paper can be read at www.dwp.gov.uk/state-pension-21st-century

Here we print excerpts from the report (in italics), the consultation questions (in bold type), and our responses to those questions (in plain type).

Guiding principles. *In terms of pension reform, we have four clear guiding principles:*

- *personal responsibility – enabling individuals to take responsibility for meeting their retirement aspirations in the context of increased longevity;*
- *fairness – ensuring an adequate level of support for the most vulnerable, ensuring everyone with a full*

contribution record should be entitled to a state pension above the standard level of means tested support[1]*, and ensuring all groups are treated fairly;*

- *simplicity – simplifying the state pension so that it is easier for people to plan and save for their retirement; and*

- *affordability and sustainability – given longer-term pressures on the public finances, any state pension reform must be affordable. Any options for reform must be cost neutral in each and every year to avoid placing an unsustainable burden on future taxpayers. Any proposals will be subject to confirmation, including on affordability, and will reflect the projections set out in the Office for Budget Responsibility's forthcoming Fiscal Sustainability Report. In addition, changes to State Pension age should ensure the system is sustainable for future generations (p.5).*

Question 1

Would the current state pension, if left unchanged, meet the Government's principles for reform and provide an effective foundation for saving?

A substantially means-tested system doesn't encourage people to take responsibility for retirement income because it makes it difficult to predict the effect of savings on net income in retirement.

The current system is not fair, in the sense that different people receive different and often unpredictable amounts from the State. It is surely not fair that someone with a full employment record who saves small amounts during their working life and pays some of their earned income into an occupational pension scheme should receive less from the State for the duration of their retirement than someone else with a full employment record and the same earned income and household structure who hasn't saved any of their income and who hasn't paid some of their income into an occupational pension scheme.

The current system is far from simple, mainly because of the too complex means-tested Pension Credit, with its two separately regulated elements of Guarantee Credit and Savings Credit.

The current system could be made affordable and sustainable, but only at the expense of more recipients being brought into the means-tested elements.

[1] This is defined as the level of income provided by the Pension Credit standard minimum income guarantee which in 2010–11 tops up pensioners' income to £132.60 a week.

Options for reform

Option 1: Faster flat-rating

The Government believes it is necessary to reform the state pension for future pensioners so that it provides a better foundation for saving. This paper seeks views on two broad options for reform to deliver a simple, flat-rate contributory state pension that lifts the majority of future pensioners above the standard means-test:

- *Option 1: acceleration of existing reforms so that the state pension evolves into a two-tier flat-rate structure more quickly; or*
- *Option 2: more radical reform to a single-tier flat-rate pension set above the level of the Pension Credit standard minimum guarantee.*

Chapter 2 sets out these options in greater detail and assesses each option against the Government's principles for reform.

Option 1: Faster flat rating

Currently the basic State Pension is a flat-rate payment worth £97.65 a week and the State Second Pension is partly flat rate and partly linked to earnings, such that higher earners receive a higher state pension. Option one would accelerate the pace of existing reforms so that the State Second Pension would became flat rate by 2020 instead of the early 2030's. This would give people a clearer idea of the state pension they would get in retirement as they would receive a set amount of pension for each qualifying year. At the end of transition, all those with a full contribution record, for example 30 qualifying years, would build up the same state pension, currently estimated at around £140 a week, albeit through two tiers.

It would be possible to go further by ensuring all earners built up the same pension, better aligning the detailed rules of entitlement between the basic State Pension and State Second Pension, and using the same uprating for the two pensions when in payment. This would further simplify the system and increase the number of people receiving the full pension. The precise value of this combined, flat-rate pension would need to be set at a level that met the affordability principle. Under Option 1 contracting out would continue for members of Defined Benefit schemes (p.7)

Question 2

To what extent would faster flat rating meet the principles for reform and improve savings incentives?

This option envisages consolidating the calculations of State Basic and Second Pensions and reducing the differences between them, and also envisages reducing the length of the period during which the earnings-related component of State Second Pension will be phased out.

These and other minor adaptations of the State pension system would reduce slightly the uncertainty related to the impact of savings and private and occupational pension provision on net income during retirement. However, they would not by themselves reduce complexity, and thus would not encourage personal responsibility or promote greater fairness. They would not deliver a simple system. It would of course be possible to determine pension levels which could make the system affordable and sustainable, but reductions necessary to achieve this would propel more people into the means-tested safety net. To retain two levels of State Pension in a context of means-testing makes simplification impossible unless the rules of the two levels were to converge to agreement and the pensions were large enough to avoid recipients requiring Pension Credit.

Question 3

What further reforms might be required to the State Second Pension, such as crediting arrangements and uprating of pensions in payment, to better meet the Government's principles, recognising that there is a trade-off between coverage and the potential level of any combined, two-tier flat-rate pension?

In the cause of simplicity, the State Second Pension regulations should converge towards those of the State Basic Pension.

Option 2: a single-tier state pension*. Option 2 would be a more radical approach to state pension reform, combining basic State Pension and State Second Pension into one single-tier state pension. Future pensioners with at least 30 qualifying years would receive the same flat-rate pension currently estimated at £140 a week – with this payment being set above the basic level of support provided by Pension Credit.*

Under this option, contracting out for Defined Benefit schemes would end. In itself, this could ultimately bring simplification of the personal tax system. The complexity associated with contracting out would, however, continue during transition to the single-tier pension (p.8).

Question 4

To what extent would a single-tier pension meet the Government's principles for reform and improve savings incentives?

In the longer term, the principles for reform would be more clearly met by Option 2 than with Option 1. The system would be simpler, and individuals would be treated more fairly. The option would make net income in retirement more predictable for given levels of saving and of occupational and private pensions, and so would encourage personal responsibility.

Far fewer individuals would be in the means-tested part of the system so many more people would reap the full benefit of their savings and occupational and private pension provision. This would be much fairer than the present system.

In the short term, transitional arrangements might create unfair outcomes; but short term problems are no reason for rejecting a scheme which would provide long term improvement.

Automatic enrolment into employer pension schemes*: While we are living longer fewer are saving for their retirement. Overall, between 1997 and 2010 the number of jobs in the private sector with any employer sponsored pension provision declined from 46 per cent to 36 per cent*[2]*. The Government is introducing automatic enrolment into workplace pension schemes from 2012 to tackle undersaving (p.8).*

Question 5

Which of these two options would act as the best complement for automatic enrolment?

The fact that contracting out will cease and that only thirty years of contributions will be taken into account under the second option makes automatic enrolment important, particularly for shorter or interrupted working lives.

State Second Pension was posited on the basis of lack of voluntary enrolment in occupational pensions, so its rationale would be diminished by automatic enrolment.

It therefore appears that the second option is the better fit with automatic enrolment.

Question 6

Government would be interested in hearing views on other reform options that would meet the Government's principles for reform.

[2] Office for National Statistics, (2010) The Annual Survey of Hours and Earnings 2010. ONS.

The second option without a contribution record condition would meet the principles of simplicity and personal responsibility. It would be fair in the sense that every individual would be treated in the same way. Those few people who might be thought not to have contributed to society would in any case be receiving a means-tested pension under the current system, so there would be little if any additional cost to including them in a new single tier State pension. Even if the cost of the single tier pension were to be raised by abolishing the contribution record condition, the additional cost would be small and would be offset by administrative savings as contribution records would no longer be required (provided that other contributory benefits received the same treatment).

For 65 years New Zealand has paid a flat-rate and non-withdrawable Citizen's Pension to everyone aged 65 or over who satisfies a residency requirement, so there would be a working model from which to learn if our own Government ever decided to establish such a Citizen's Pension in the UK. [3]

The next logical step would be to combine National Insurance Contributions with Income Tax: a process that has already begun with the recent Government announcement of the convergence of their regulations and administrations.

It is important that everyone is protected from poverty in old age by an adequate state pension. A further question is whether the state should subsidise, by tax reliefs or other tax expenditures, the contributions to occupational and personal pensions of those with earnings and with aspirations for a higher standard of living in their retirement than that provided by the State Pension.

Ending contracting out*: Where individuals are contracted out of the State Second Pension they and their employers receive a rebate on their National Insurance contributions to reflect the fact they are building up less state pension entitlement. Schemes are obliged to either invest the rebate directly into the scheme on members' behalf (in Defined Contribution schemes[4]) or provide members with a minimum level of benefits as set out in legislation for Defined Benefit schemes. The purpose of the contracting-out rebate is, in effect, to compensate members for the additional state pension they have given up.*

This chapter has set out two options for state pension reform. Under option 1 (faster flat-rating), contracting out would continue, although the value of the rebate would fall over time. Under option 2 (single tier) contracting out for Defined Benefit schemes would end completely (p.28).

Question 7

What would be the impact of ending contracting out, as implied by any single-tier model?

Under pressure from lower investment returns and increasing longevity, Defined Benefit Schemes are becoming less sustainable and less generous, causing pension fund trustees to close the schemes to new entrants, reduce the level of pensions paid, and increase the number of years of contributions required to earn a full pension. There is therefore a trend towards employers contracting back into the State Second Pension. This suggests that the ending of contracting out for Defined Benefit Schemes would not be unwelcome, provided the single tier pension remains of sufficient value.

If contracting out were to end, the accrued benefits would need to be taken into account when an individual's pension is calculated: so that any impact of the change would be slow.

It would be helpful if *all* contracting out were to end. To separate private, occupational and State pensions clearly from each other would inject greater simplicity and comprehensibility into a currently complex system.

Question 8

If the decision is taken to end contracting out, how could the process be best managed so as to minimise any adverse impacts on employers and individuals?

Provided sufficient time is given to enable employers and employees to prepare for the change, a switch to higher National Insurance Contributions, and presumably lower occupational pension contributions, should not be difficult to manage. What people *will* expect is a realistic level of State pension, and this they should receive under the single tier pension.

The fewer complexities there are in the system, the more individuals will put their financial resources and other assets aside for retirement, and the more they will pay into private and occupational pension schemes, so long as they believe that the stock markets will provide reliable returns.

[3] www.treasury.govt.nz/publications/research-policy/wp/2004/04-22/05.htm; www.pensionspolicyinstitute.org.uk/uploadeddocuments/PPI_CP_Introduction_Oct04.pdf

[4] Under Pensions Act 2007, contracting out for Defined Contribution schemes end in 2012.

Whilst transitional periods can be difficult, they are worth the trouble if the new scheme will be beneficial in the longer term, and it is clear that it is possible to get from the current income maintenance system to the new one. These conditions are fulfilled in the case of the consultation paper's second option, so management of the transition should not be too difficult.

Means-tested Pension Credit*: Under each of these proposals the Government will, in due course, give consideration to whether reforms are needed to the current system of means-tested support to ensure that this part of the system delivers on the principles for reform. Just as we have taken steps to rationalise the welfare system to ensure that work pays through introduction of the Universal Credit, we need to ensure that it pays to save for retirement and that complexities in the current system are reduced where possible (pp.8-9).*

Question 9

In conjunction with the reforms outlined [above] are there ways we can change the means-testing system for future pensioners to make it more simple, reduce disincentives and encourage personal responsibility while continuing to help pensioners avoid poverty?

The more individuals there are on the new single flat rate pension, the smaller will be the number on means-tested benefits. A new genuinely universal single pension would remove the need for a means-tested supplement altogether. The vast majority of those not on the full flat rate pension would end up being paid by the State a total income not very far below the level of the State single tier pension. The flat rate pension paid to everyone would not require much additional expenditure and would allow the whole means-tested pension system to be dismantled. One result would be a considerable saving in administrative costs.

The whole system would then be simpler, disincentives would be reduced to zero (in relation to the State single tier pension), and everybody would be encouraged to save for their retirement. Pensioner poverty would be considerably reduced.

(Different housing costs in different regions will of course continue to pose a problem, as they do for any income maintenance system; but this particular complexity should continue to be dealt with separately, and no discussion of this problem should be permitted to confuse the important consultation now taking place on the right structure for the State Pension.)

State Pension Age*: The State Pension age plays an important role in ensuring that the state pension remains sustainable and affordable – one of the key principles for future pension reform. The Government has acted quickly to take recent increases in life expectancy into account by setting out proposals to increase the State Pension age to 66 by April 2020.*

But these increases in longevity will not end in 2020 and it is only fair that those generations who will benefit from these increases share in the costs. Not to do so would be unfair on the people of working age who would need to bear the burden of this increased longevity. In addition, there are important benefits to the economy and individuals from working longer.

The Government must continue to consider the State Pension age, and the question now is how to build into a future state pensions system a more automatic mechanism for ensuring further revisions in life expectancy are taken into account in a way that is timely and transparent.

The two options are:

- *Increasing the State Pension age through a formula linked to life expectancy.*
- *Increasing the State Pension age through a review.*

Question 10

What mechanism should be used to determine future increases in State Pension age?

We would rather study the question: Should there be a State Pension age?

As longevity increases, it will be important to provide incentives to defer the receipt of occupational and private pensions. A seamless income maintenance architecture would be helpful in this respect. We therefore suggest that a useful mechanism for encouraging people to earn income for longer, and thus to delay until later in life the receipt of their occupational and private pensions, would be a Citizen's Income: an unconditional, nonwithdrawable income for every citizen, paid for by reducing tax allowances and contributory and other benefits. Such a Citizen's Income could rise as individuals pass age thresholds, but it would otherwise remain of the same structure from young adulthood to old age. The concept of 'retirement' would largely disappear as individuals chose their own income maintenance strategy, reducing earned income and taking private and occupational pensions as best suited them.

A transitional phase could be a 'mature worker's income' for the over 50s, paid for by a reduction in tax allowances and other benefits, with regulations to match those of the State single tier pension. 'Retirement' would become far more flexible an experience, to the benefit of employers, the economy, and individual workers.

With this scenario the concept of 'State Pension age' would disappear.

Question 11

How should the Government respond to the frequent revisions in life expectancy projections while giving individuals sufficient time to prepare?

See the answer to question 10.

The Citizen's Income Trust's additional comments

a) It is understood, although not explicit in the consultation paper, that the newly structured pension will only be paid to those who reach state pension age at or after its implementation date, reported to be 2015 or 2016. We recognise that the new pension scheme has to be cost neutral and cannot therefore include all existing pensioners from the start, so that a contribution-based, means-tested system will have to continue in parallel for a long time. With rising life expectancy this could extend many decades into the future. We propose that at the inception of the new pension structure every legal resident over 100 should immediately be eligible and that existing pensioners should become eligible on reaching the age of 100. This would mean that two parallel pension schemes might continue until about 2050 but we would expect that considerably earlier than this a future government would decide that everyone should be brought within the scope of the new scheme in order to eliminate the cost of having to administer the existing scheme for a minority as well.

b) Option 2 for a single tiered pension makes a considerable advance towards a Citizen's Pension paid at the same rate to all legal residents of a qualifying age, and it is welcome that lesser amounts are no longer paid to couples than to two single people. However, it still depends on National Insurance contributions having been paid or credited for a minimum of 30 years. It is appropriate that this should be one way of establishing legal residence and that those who have worked in this country illegally and have not paid income tax or NI contributions should be excluded from entitlement to the State Pension, but other evidence of legal residence, such as inclusion in the electoral register, should be considered when determining eligibility.

Those most likely to be excluded are married women who have not worked, been unemployed or disabled, or had caring responsibilities for long enough and who currently rely on receiving Category B pensions based on their husbands' contributions. There will also need to be regulations for legal immigrants from other countries who have not been in the UK as long as 30 years. If the UK has a reciprocal arrangement with their country of origin then they should be paid the new pension in full. If not, they should be paid pro rata and be expected to enhance that by claiming the pension to which they became entitled before leaving their country of origin.

c) People should be able to defer the single tier pension and receive it later at a higher rate, as they can now for the basic state pension. If a Citizen's Pension were to be implemented, then the same could apply. If a Citizen's Income for all adults were to be implemented then such provision would no longer be appropriate or required.

We would be pleased to receive correspondence relating to our response to the Government's consultation paper

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The Big Society and Citizen's Income

by Bill Jordan

Is it a cloak for revitalised Thatcherism or a genuine transfer of power to the people? Wrong question; the Big Society is the domestic counterpart and complement to the coalition government's attempt to maintain the UK's position in global capitalism. In this article, I shall argue that advocates of CI should address the strategy adopted by this government as a dual one, which distinguishes between those parts of the economy that trade in global markets, and those (in which most citizens get their work and income) that do not. The Big Society is a plan to transform the latter, which might be enabled by CI; but this would have to be funded mainly from the activities of the former.

The Big Society was conceived as a response to New Labour's programme for a top-down transformation of UK economy and society, according to a blueprint derived from the theory of information, incentives, and contracts (Jordan, 2010). Every institution, from the Bank of England and the Financial Services Authority to the regional government agencies, the strategic partnerships and the public services, was redesigned on this model (favoured by the World Bank), with detailed prescriptions for policy, inspection, management and practice. It was a rational, abstract, elitist project, in the Fabian tradition, which paid scant attention to the cultures or traditions of communities or even professions. It relied on compliance and checklists, not loyalty, solidarity or commitments; it undermined civil society and the basis in active engagement of democratic politics.

The Conservative response, first expressed in speeches by David Cameron, emphasised the need to revive collective life, associations and communities, and the significance of research on well-being. He insisted that relationships were, along with health and job satisfaction, the most important constituents of individual happiness. His themes included the weakening in family and neighbourhood bonds, and the evils of excessive individualism (Cameron, 2009, 2010).

So the Big Society idea evolved as an attack on those features of the New Labour programme which were most obviously derived from Thatcherism. These included the idea that citizenship was a contract between the state and the individual requiring the latter to be an independent, self-reliant, property-owning, credit-card carrier who turned to the banks, not to neighbours or a wider community, for all his or her needs (DSS, 1998, p. 80).

But the other main theme of the Conservative strategy was 'Broken Britain' – the claim that part of the population had become structurally detached from the mainstream, and lacked the opportunities, links and incentives to rejoin it. Here the Conservatives relied mainly on the work of the Centre for Social Justice, whose lengthy reports under that title (CSJ, 2006) documented the social problems concentrated in districts with the highest levels of deprivation. The Broken Britain theme found its way into the party manifesto of May, 2010, alongside the Big Society one (Conservative Party, 2010, pp27, 37).

It surprised many commentators that these ideas played such a large part in that campaign; they did not go down particularly well with voters. But in retrospect, it now seems clear that this was a necessary balance to the inevitable fiscal austerity which was to follow from a victory at the polls. In government, the Conservatives were to need some positive proposals to offset the savage cuts in public spending, and a new version of that part of the economy which had, especially in peripheral, less dynamic regions, come to rely on New Labour's multiplicity of state agencies and initiatives.

The first priority of the coalition was clearly to reassure the bond markets of its earnest intention to bring down the government deficit, and thus to avoid the fate of Iceland, Greece, Ireland and Portugal. Keeping the bondholder wolf from the door meant guaranteeing the profitability of the City, ensuring that the one 'world class' sector in the UK would continue to thrive during the uphill struggle to 'rebalance' the economy by boosting manufacturing industry. George Osborne became the finance-friendly face of the government, concerned with the globally-traded part of UK plc; Cameron, Maude, Letwin and others were left to preach the Big Society gospel to those whose real incomes were declining as they faced higher taxes and higher prices.

This was the background to the welfare reform package presented to Parliament in November 2010 by Iain Duncan Smith, so comprehensively analysed by Annie Miller in January's *CI Newsletter*. This was a watered-down version of the CSJ's scheme for partial tax-benefit integration, *Dynamic Benefits: Towards Welfare that Works* (2009); that set of proposals relied on improved incentives for marriage, saving and employment. The eventual legislation embodied benefits cuts and an increase in conditionality and coercion, against a background of rising unemployment. What price progress towards CI in this kind of Big Society?

The element of the CSJ proposal which was retained in the modified reform was the integration of the tax-benefits system at the lowest level of earnings. Because the diagnosis of Broken Britain put heavy emphasis on the interactions between benefits withdrawal and the impact of income tax at these levels as barriers to labour-market participation, this feature survived. The effect will be to allow a higher disregard of earnings for those doing a few hours of paid work, and an even rate of deductions from pay packets for employment up to 16 hours a week.

This was a step in the direction proposed by Hermione Parker in her 1989 book *Instead of the Dole*. Even though the reformed system retains the household basis of eligibility assessment, and is strongly reinforced by medical tests on claimants of incapacity benefit and programmes for pushing unemployed people into whatever work or training is available, it is difficult to see how a move in the direction of CI could be started without this shift. Together with the plans for consolidating state retirement benefits into universal, equal citizens' pensions for all, the implication is that National Insurance principles are being set aside in favour of a new form of income guarantee.

The question is whether the Big Society in turn points towards a change in economic and social relations which is compatible with a gradually less conditional implementation of the scheme – with steps, for instance, via the 'participation income' approach anticipated by Atkinson (1995) towards a CI. Will the new network of co-operatives, mutuals and social enterprises envisaged by its architects rely on Serco and other outsourcing company conscripts for its workforce? Will the active citizens who participate in neighbourhood schemes for conservation and social care be volunteers, or claimants on 'work readiness' programmes? And will the cure for Broken Britain actually involve the creation of whole districts whose austere economies and communal social forms exist in parallel with more glittering cosmopolitan ones that share in global prosperity?

Obviously there can be no definitive answers to these questions, and the outcome will depend on the balance of political forces in the coalition. Critics of the whole Big Society concept insist that it can never become a viable model of how a modern industrial state is organised. But CI advocates must also ask ourselves which other feasible scenario of the future might now be expected to deliver the vision of an unconditional subsistence income for every citizen.

For the past 40 years, the case for CI has primarily been framed in terms of a progressive political project, in which the scheme would supply the basis for equality, freedom and security within an overall context of social justice. The best known texts in justification of the principle, such as James Meade's *Agathotopia* (1988) and Philippe Van Parijs' *Real Freedom for All* (1995) relied on allegory or counterfactual fancy to construct imaginary societies, in which CIs for all allowed relationships of moral rectitude. The assumption behind their analyses was that benevolent political processes would enable a rational (if not consensual) progress towards a more harmonious social order.

Now there seems little likelihood of such a pathway, because global capitalist development has cast the most advanced economies as centres of finance, research and technological innovation which require but few highly-specialised workers, and leave the majority of their populations to supply services for each other and themselves. The question becomes one of how the prosperous, mobile minority who are plugged into the global marketplace can be persuaded to fund the activities of a majority who are not.

Some, like the German theorist Dirk Sloterdijk (2009), think that they can be flattered into a new form of nineteenth century philanthropy; the super-rich might be honoured with various kinds of charitable institution bearing their names. But the leading intellectual behind the whole Big Society project, Phillip Blond (2010), argues for a government-led programme for redistributing property and assets (such as the taxpayers' stake in the nationalised banks, along with other corporate and state resources) that would allow enterprises and income streams to be generated at the local level.

In this, Blond harks back not only to the Toryism of Cobbett, Carlyle and Disraeli, but also to the Liberal Distributism of Hilaire Belloc and G. K. Chesterton. In the first decades of the twentieth century, they campaigned against Lloyd George's embryonic National Insurance scheme; Belloc's *The Servile State* (1912) was a polemical attack on the principle of making income security conditional on citizens' willingness to offer their labour power to commercial and manufacturing employers. In this context, Blond refers approvingly to Samuel Brittan's (1995) scheme for CI, although he does not develop the point (Blond, 2010, p. 32).

So Blond's version of the project involves a political balancing act between policies which allow the internationally competitive parts of the economy to thrive, while sustaining local banks, building societies, shops, co-operatives, mutual societies and a wide range of community groups and social enterprises. At the same time, the public services would be devolved to staff co-operatives and service user groups, with accountability to an engaged community of active citizens.

All this implies that the battle lines are being drawn up between those who still adhere to the Third Way project – the state as rational central designer of a public infrastructure which functions like a machine, running on the rational self-interest of individual citizens and the inducements, penalties and nudges of the official order – and those who subscribe to a more organic set of patterns, 'uneven and lumpy', as Francis Maude (2011) has described it, responding to local conditions and creating particular niches, homespun and idiosyncratic rather than standardised and streamlined, and running on collective action.

Advocates of CI have perhaps unconsciously associated the idea with the former type of project, more Sweden than Spain or Italy. But globalisation itself, as much as the Big Society programme, challenges the assumptions on which this bias has been founded. There has, after all, been little evidence that social democrats incline towards the CI principle, and the rejection of state-led programmes all over Europe, even during an economic crisis, should give us pause. Now Ed Miliband is rethinking Labour's strategy in the face of working-class disillusion; Blond's Red Tory message is being answered by the Blue Labour communitarianism of Maurice (now Lord) Glasman and Marc Stears (BBC Radio 4, 2011). Maybe we should keep an open mind about the Big Society.

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News

On the 9th March the Financial Times reported that **Hong Kong** has paid HK$6,000 (about £470) to every resident. The recent Hong Kong budget has led to local anger that the Government's large surplus has not been spent on better public services or on cleaning up Hong Kong's pollution. The article, which can be found at http://www.ft.com/cms/s/0/2731d5f0-4a87-11e0-82ab-00144feab49a.html#axzz1G6BE9mSn, suggests that in a fiscal context experienced as inequitable, undemocratic, and unjust, a small Citizen's Income might be caught up in feelings generated by the wider context.

At its Spring conference, the **Green Party** reaffirmed its commitment to a Citizen's Income. Alex Ramsay writes: 'Citizens' Income is a proposed system where benefits would be paid as one lump sum to every citizen, and then taxed back progressively from people as they earn – ensuring that no one lived in cash poverty. The motion was supported by Clive Lord and … Alex Wood, and effectively opposed by Caroline Lucas MP and Darren Johnson AM. Despite two prominent opponents arguing that the policy is currently unaffordable, Alex won the day, by arguing for higher taxes on the wealthiest. For me, you can tell a party is truly democratic when its most prominent members can be defeated by those using the quality of their argument alone.' (http://brightgreenscotland.org/index.php/2011/02/green-conference-monetary-reform-and-citizens-income/)

Pro-BI book becomes best-seller in Germany (part II), by Conall Boyle

In an article in the last CI Newsletter we reproduced the first part of a review by Johannes Richardt of a best-selling pro-Basic Income book in German *1.000 Euro für Jeden: Freiheit. Gleichheit. Grundeinkommen*, by Götz W Werner and Adrienne Goehler. That was a purely factual review of the book's contents. Richardt then went on to rubbish the idea, and the whole notion of Basic Income. The following are some of the points he makes: (I cannot help adding a few comments of my own.)

His ideal is an '... emancipatory social state that would not rely on government intervention into the private lives of its citizens. It would take people seriously as autonomous citizens and provide material security only for the needy. It would provide the best medical care, quality education and child care available for those who call on it. And it would provide cheap energy, excellent infrastructure and investment in science and research.'

Basic Income by contrast exhibits the 'abandonment of any aspiration toward full employment' (where having a job, presumably, represents for Richardt the highest emancipatory role of the autonomous citizen?) More jobs are needed because 'humans have consistently developed new needs that in turn have demanded rising levels of production.' (To equate human needs with a requirement for more (undifferentiated) production in the form of greater GDP is to fall into the economists' trap. It also ignores the *real* human needs described by Maslow and others.)

On a different tack, BI is criticised as a worse form of dependency: 'Basic income undermines previous notions of welfare, which assert that only the needy get help from society.... Autonomous adult subjects are uniformly transformed into vulnerable objects of state assistance.' (No differentiation here between a help-up and a hand-out; the massive supports given to farmers and bankers do not seem to turn them into 'vulnerable objects'!)

And it won't work anyway, he claims: '€1,000 a month is not very much. ... basic income is only a higher form of poverty.' (This is simply wrong. 'Happiness' studies in countries around the world have shown that when GDP per person reaches this level, subject well-being is *maximised.)*

This is all glorious nostalgia! Perhaps Richardt dreams of a better, nicer version of the DDR (the ex-East German Communist state) so delightfully parodied in the film 'GoodBye Lenin'. Such yearning for a better yesterday explains why BI is such a dangerous concept to Richardt and other Marxists. The danger is that BI really works and would create a better life in the future for everyone in a post-industrial age!

You can read the review in full at www.spiked-online.com/index.php/site/reviewofbooks_article/10136/

Reviews

Molly Scott Cato, *Green Economics: An Introduction to Theory, Policy and Practice*, Earthscan, 2010, xvi + 224 pp, pbk, 978-1-84407-571-3.

Molly Scott-Cato, economics spokesperson for the Green Party and lecturer at the Cardiff School of Management, has produced an excellent introductory account of green economics. *Green Economics* is not, as its author readily admits, a monograph based entirely on new research or empirical evidence, though it has that too. Instead, what Cato offers is a summary of how Green economics as a field has developed historically, and what it offers which other approaches to economics often fail to take account of.

The book opens with a short introduction in which Cato sketches the key tenets of green economics. These include a desire to expand what we understand as being the economic sphere; a deep concern with social justice and equality; and a concern to alter the ways in which economic relationships shape our relationship to the environment. More generally, this section also sees Cato advance her most succinct definition of how green economics differs from conventional capitalist economics:

> In the capitalist ideology it does not matter that economic growth is destructive and does not increase human well-being; it only matters that there is more money changing hands in the global market. There is too much emphasis on standard of living, usually measured in purely material terms, and not enough on quality of life. For green economists growth is the major problem, not only because it is usually bought at the expense of the planet, but also because it is actually reducing our quality of life (p. 9).

The book itself is structured in 3 parts. The first sketches the contours of green economic theory. Here, Cato fulfils the valuable function of drawing together a diverse range of work by a wide range of contemporary green economists, including Mary Mellor, Derek Wall, James Robertson, Richard Douthwaite and others. She also links this body of contemporary work to both longer historical tendencies and wider, non-European strains of thought. In part 2, Cato outlines a green economic 'vision for the future,' discussing important areas such as work, money and business. Part 3, the longest and most detailed section of the book, details a number of policies for a green economy, and sets them within the wider context of the policy environment as it presently stands.

Cato offers a number of excellent ideas, including discussions of the democratization of the money system, co-production as an economic strategy, and the broader idea of a 'convivial economy,' in which economic forces are structured around human needs, rather than the other way around. Such ideas press towards a justification of her argument that 'for the majority of green economists, a sustainable economy will not be a capitalist economy' (pg 106). Within this vision for an economic future, Cato gives central prominence to the idea of a Citizen's Income. During a chapter on 'Green welfare,' as well as during other stages in the text, Cato sets out the crucial role which a Citizen's Income might play in a green economy, and in doing so illustrates perfectly how green economics involves altering conventional social relations as well as our engagement with the environment.

Cato argues that a Citizen's Income is important because of its status as a universal benefit, payable to all. This she supports as an effort to move away from the intrusive, means-tested benefit system we currently have which both undermines 'a green commitment to autonomy,' and creates social divisons by 'sowing discord between those who are and are not eligible'. Cato argues that a Citizen's Income might be funded in part through a new system of taxation which would include the taxation of 'common resources,' most importantly of land.

Cato has provided an excellent synthesis of a broad range of work and succeeds in establishing in outline what a green economy might look like, and what steps might need to be taken in order to move in this direction. That said, the book also suffers from some problems which are also associated with the broader field of green economics. For one, it sometimes feels that there is an over-fetishisation of 'the local,' in that this occasionally seems to be put forward as the panacea for all our economic ills in contrast to the inequities of globalization. Yet this formulation relies on a false division between the local and the global, and also ignores the fact that there is nothing inherent within them that stops locally-based economies being just as uneven and unequal as supposedly more 'global' ones.

Despite this criticism, *Green Economics* offers important ideas for anybody seeking a way beyond our current economic impasse which will put the interests of the bulk of humanity and the natural world ahead of those of a cabal of wealthy individuals and corporations. As Cato so clearly demonstrates, green economics is an emerging field within which there remains room for considerable discussion and debate, and it is high time that it came to be taken more seriously.

Daniel Whittall

Guy Standing, *The Precariat: The new dangerous class*, Bloomsbury, 2011, ix + 198 pp, pbk, 1 849 66351 9, £19.99

> In the 1970s, a group of ideologically inspired economists captured the ears and minds of politicians. The central plank of their 'neo-liberal' model was that growth and development depended on market competitiveness; everything should be done to maximise competition and competitiveness, and to allow market principles to permeate all aspects of life.
>
> One theme was that countries should increase labour market flexibility, which came to mean an agenda for transferring risks and insecurity onto workers and their families. The result has been the creation of a global 'precariat', consisting of many millions around the world without an anchor of stability. They are becoming a new dangerous class. (p.1)

Standing lists the many different levels of security available under pre-1980s 'industrial citizenship', and compares them to the insecurities experienced by the precariat: a new pattern of existence which has now infected most occupational groups. For all of them, 'labour is instrumental (to live), opportunistic (taking what comes) and precarious (insecure)' (p.14). Anxiety, alienation, and information overload, are some of the results.

Standing discusses the reasons for the precariat's growth: a global labour market, the weakening of social and trade union labour market protections, individual and temporary contracts replacing regulated permanent ones, and unemployment benefits becoming more precarious so that they don't look more attractive than precarious employment. When he asks 'Who enters the precariat?' he finds that it can be any of us, from interns to post-retirement age employees who, subsidized by small pensions, deprive younger people of the employment they need. Particularly welcome to mobile capital is ultra-precarious migrant labour.

The 24/7 global market is changing our sense of time, and also our understanding of 'work', which is now not only 'labour', i.e., 'work having exchange value' (p.117), but 'work for labour' (p.120), i.e., job-search and personal financial management. Also now very different is our politics. A surveillance society, an anxious precariat, and the collapse of political engagement, have given us a commodified politics, with competitive political parties advertising their wares to disengaged voters. Successful promotion can turn the previous fringe into the mainstream.

How, in this situation, can we provide the sense of security necessary for constructive functioning in flexible labour markets and in a chaotic social environment? Standing's well-argued response is 'universal provision'. As he has shown in his second chapter, the recommodification of labour (a shift from the reward for labour being diverse social benefits to being entirely and simultaneously monetary) is an inevitable result of temporary contracts (p.41). This results in a loss of employment benefits: a particular problem where healthcare is employment-based. The UK, with its healthcare free at the point of use, is able to weather the change to precarious labour contracts better than many other countries. Standing could with profit have used this example to bolster his already persuasive argument for a Citizen's Income (pp.171-3).

Standing concludes with a plea that we take note of the precariat's situation, because, if we don't, then its members will be sucked even further into the orbit of extremist right wing parties, where at least they find an outlet for their anger. As he recognises, anxiety and freedom go together, and a more precarious lifestyle is not necessarily worse than one founded on a secure full-time job, and might offer possibilities which that didn't. What we need is the basic securities which will make precarious living a positive experience.

This is an important book.

Hugh Bochel (ed.), *The Conservative Party and Social Policy*, Policy Press, 2011, vii + 326 pp, pbk, 1 847 42432 7, £23.99, hbk, 1 847 42433 4, £65

New Labour's social policy exhibited considerable continuities with the previous Conservative administration's policy directions, so the context within which the Conservative Party in opposition formulated policy was a rather complex one. Hugh Bochel's introductory chapter charts the rise of Iain Duncan Smith's and David Willetts' 'compassionate Conservatism' and David Cameron's concern to combat poverty, and he understands Cameron's Conservatism as a variety of Thatcherism, as related to One Nation Conservatism, as exhibiting continuities with New Labour's 'Third Way', and, perhaps most significantly, as pragmatic, complex, and dynamic.

Succeeding chapters tackle particular policy areas. Robert Page concludes that 'the degree of hostility or acceptance displayed towards the welfare state at any particular point in time has tended to be linked to fine calculations as to whether it was operating in ways that bolstered or threatened deeply held Conservative beliefs, such as freedom, responsibility, inequality, voluntarism and the family' (p.39); Nick Ellison describes the party's 'historical scepticism towards public spending' (p.59); Andrew Defty charts a hardening of public attitudes towards benefits recipients; and Alan Deacon and Ruth Patrick find significant continuity between New Labour and Conservative welfare-to-work policies.

As Stephen McKay and Karen Rowlingson show in their chapter on social security benefits, this policy area also exhibits considerable continuity. They point out that ministers in the Coalition Government's Department of Work and Pensions (DWP), Iain Duncan Smith, Chris Grayling, and Steve Webb, all have relevant experience in the field, and all bring the insights of a religious faith to bear on their interest in benefits policy. We have seen changes to housing benefit which will *not* relieve poverty, however much one might understand the need to reduce employment disincentives; and we have seen changes to uprating policy which will erode the value of benefits: but we have also seen Iain Duncan Smith's proposal for a Universal Credit to replace existing in work and out of work means-tested benefits in such a way as to reduce marginal deduction rates, and we have now seen Steve Webb's proposals for a Citizen's Pension: an initiative which came after this book was published. The relevant chapter's verdict that 'there appears little different in policy between New Labour and the Coalition' (p.157) in pensions policy is no longer true; and Webb's proposals also cast doubt on the authors' view that there is 'a general distrust of universalist policies' (p.159). A particular political context at a national party conference gave rise to the impractical suggestion that households containing high earners should be deprived of their Child Benefit, and there is in fact no sign of a thought-through policy on universal benefits. The fact that a coalition government is bound to be more pragmatic than a government formed by a single party, and the fact that the Liberal Democrats are the Conservatives' partner in government, suggests that we shall increasingly see policy evaluated in relation to whether it will solve identifiable problems rather than in relation to ideological positions: hence a Citizen's Pension to remove disincentives to save for old age.

In two or three years' time it will be interesting to look again at this book's chapters on different policy areas and ask whether the trajectories suggested have proved to be the directions in which policy has gone, and in particular to see whether the pragmatic or the ideological has taken centre stage, or whether they have achieved a pragmatic balance. It will be particularly interesting to see whether the pragmatism of coalition has retained Child Benefit as a universal benefit, has seen a Citizen's Pension enacted, and has prompted work on an unconditional benefit for working age adults.

Alan Walker, Adrian Sinfield and Carol Walker (eds), *Fighting Poverty, Inequality and Injustice: A manifesto inspired by Peter Townsend*, Polity Press, 2011, xiii + 312 pp, pbk, 1 847 42714 4, £21.99, hbk, 1 847 42715 1, £65

Peter Townsend died in 2009, having done more than anyone else during the second half of the twentieth century to research the extent and causes of poverty, to campaign for social justice, and to teach others to do the same.

This book is inspired by Townsend's writings and activities, the breadth of which the first two chapters well represent. He researched in numerous social policy fields, taught students, headed university departments (and founded one), advised governments, and campaigned, both locally, in Colchester, and nationally (mainly with the Child Poverty Action Group), and latterly internationally as well. His *The Poor and the Poorest* (with Brian Abel-Smith) in 1965 and his massive *Poverty in the United Kingdom*, published in 1979, ensured that during the 1970s and 80s no-one could claim that they didn't know the extent of poverty in this country.

The rest of the book surveys Townsend's contributions in a variety of policy fields, and asks what action we should be taking today. Here we shall review those chapters which study his work on income maintenance.

Tony Atkinson relates Townsend's contribution to the campaign for Child Benefit during the early 1970s, and his continuing opposition to income testing. Atkinson details his own preference for 'generous universal benefits to families with children' (p.83) and his reasons for continuing the campaign against means-testing. 'A renewed commitment to Child Benefit by a future government would be a fitting testament to Peter' (p.89).

Jonathan Bradshaw discusses Townsend's achievement in defining poverty as relative poverty and as multi-factorial, and suggests that today's appropriate tasks are research on minimum income standards, study of the relationship between poverty and subjective well-being, and persuading the World Bank to prioritise social protection, and in particular to insist on universal child benefits in developing countries. He commends the Namibian Citizen's Income pilot project (p.105. See our summary in the *Citizen's Income Newsletter*, issue 2 for 2009).

Ruth Lister recounts Townsend's research and campaigning on child poverty. Today's task is to campaign for equal life chances for all children in the UK. We can no longer be complacent about the very different life chances that children experience in our society; and we must, of course, campaign for Child Benefit to remain universal (p.124). This theme is taken up in Carol Walker's chapter, 'for universalism and against the means test' (p.133), which offers a comprehensive history of means-tested benefits since 1942, discusses their social consequences, sees them as an instrument of social control, and lists some of their disadvantages: lack of take-up, high marginal deduction rates, etc.. Townsend argued that universal benefits are 'an efficient, economical and socially integrative mechanism' to prevent poverty which 'have as ... by-products certain advantages, such as the reduction of social conflict, the greater integration of certain social minorities, and a strengthening of the earning incentives of low-income households, quite apart from any strengthening of social morals as a basis for a more productive economy' (quoted on p.149). She offers her own list of advantages:

- 'Universal benefits offer the most effective way of tackling poverty. They are the only benefits that are capable of reaching all those who are eligible.
- Universal benefits are the basis of social justice. They allow redistribution vertically and horizontally.
- Universal benefits show solidarity between the rich and the poor; between the sick and the well; between the old and the young; between families with children and those without.
- Because universal benefits are received by the affluent as well as the poor, they are less likely to be poor quality.
- For those who do not wish to see universal benefits 'squandered' on the rich, they can be recouped by a more equitable tax system.' (pp.149-50)

Final chapters on linking the human rights discourse to social policy, and on radical global social policy, suggest to this reviewer two foci for further action in the Townsend mould: Citizen's Income as a human right, and a European and then a global Citizen's Income. Neither of these are impossibilities.

Amongst the editors' conclusions are these:

- 'There should be a universal child benefit and a universal basic pension paid at a level that enables full participation in society.
- The widespread acceptance, nationally and internationally, that means-tested benefits are the more efficient and effective way of helping the poor, must be countered ... Only universal benefits and services can reach all of the poor and have the potential, if paid at a sufficient level, to *prevent* poverty and to avoid the social divisions inevitable in any means-tested system or where the individual has to pay, for example, for healthcare'

They conclude: 'It is essential to restate unequivocally the case for universalism because that is the bedrock of a strategy to realise social justice.' (p.283)

Peter Townsend wrote books, articles and reports, and actively campaigned, in a wide variety of social policy fields: 'ageing, disability, poverty, health inequality, human rights and international social policy' (p.2), and in relation to all of them he combined careful research with a passionate concern for equality and social justice. We have recently reviewed *The Peter Townsend Reader* (in the *Citizen's Income Newsletter,* issue 1 for 2011), and this present volume accompanies it as a worthy commentary and call to action. We shall respond appropriately both to the *Reader* and to this book if we do as the editors of this volume have done: that is, if we seek the abolition of poverty by combining thorough research with careful campaigning.

Gary A. Berg, *Low-Income Students and the Perpetuation of Inequality,* Ashgate, 2010, xiv + 198 pp, hbk, 1 409 40154 4, £55.

In the United States of America, 'college is a principle mechanism through which privilege is passed on from parents to children' (p.3), and Gary Berg's study – strong on both quantitative and qualitative data – shows why. The school system doesn't provide sufficient support for those students whose home backgrounds have disadvantaged their learning and diminished their ambitions; universities' admissions policies favour the already advantaged, partly because only the wealthy plan the sports which can give students an admissions advantage, especially at elite universities; because financial aid policies are inadequate; and because members of low income groups are more likely to drop out of college because there isn't adequate support in relation to problems which they might be carrying with them, particularly fragile self-esteem. A chapter which finds that gender and race interlock with low income to create compound disadvantage, and that the rolling back of positive discrimination policies, at the same time as universities have sought wealthy international students in order to appear diverse, is taking the country even further from inclusivity. A case study of a student summer school rams home the point. A chapter on the public image of universities shows that the public no longer expects them to offer social mobility in the way in which it used to be hoped that they would; and the final substantial chapter demonstrates that a degree has less impact on lifetime earnings for a poor student than for a wealthy one, and suggests that the causal link isn't between family income and future success but is rather between parental characteristics and both quality parenting and income, both of which then have consequences for the would be student. A final chapter reiterates the chapters' conclusions and suggests that higher education needs to be redesigned for low income students, that universities need to serve their students rather than achieve prestige, and that the United States needs to become a more equal society: 'America is far to comfortably unequal' (p.164). A major reason for this inequality is the tax system, in which substantial mortgage cost tax allowances advantage the already wealth and don't benefit the poor.

This passionate and well-researched study show just how many factors determine a student's preparedness for university admission and their ability to benefit from higher education. Their own and their family's incomes are just two of those factors, but these are two factors that a government can do something about. The UK's new higher education funding regime is going to provide us with more of the difficulties outlined in this book. Again, families' and students' incomes *are* partly functions of government policy. The only conclusion to draw is that the funding of higher education and family income maintenance are policy areas that need to be integrated with each other far more than they are at the moment.

Tindara Addabbo, Marie-Pierre Arrizabalaga, Cristina Borderias and Alastair Owens (eds), *Gender Inequalities, Households and the Production of Well-Being in Modern Europe*, Ashgate, 2010, xx + 318 pp, hbk, 0 754 67968 4, £65.

The symposium in Barcelona which gave birth to this edited collection belongs to a European research project on gender and well-being charged with developing a new concept of well-being and new social indicators which will reflect the different circumstances of male and female lives. This will in turn provide a gendered framework for the evaluation of social policies. The Barcelona symposium was particularly concerned with the production and distribution of well-being within the family: a family which can no longer be regarded as an 'undifferentiated economic unit' (p.xix), suggesting that an important question is the extent to which largely female work within the family compares to largely male work outside it in relation to their contributions to well-being within the family.

An introductory chapter is followed by a discussion of Amartya Sen's 'capability approach': well-being understood as the opportunities open to us. Ingrid Robeyne's verdict is that this approach needs to be supplemented by research on the extent to which decisions within the family are a matter of free choice and the extent to which they are conditioned by cultural norms which encourage unjust decisions within the family.

Chapter 3 offers a history of the British family which shows that 'the families of today are neither novel nor new. They have a fragility and form that with minor shadings has been common for working-class families through the industrial era' (p.57). The fourth chapter combines production and reproduction into a single complex system, notes that higher numbers of women in employment has become *the* means of maintaining families' economic viability during a period of 'wage containment' (p.74), and finds that in this context adequate public services are essential to family members' well-being.

Most of the rest of the book studies particular aspects of the field in particular places and at particular times: Scandinavian widows' income strategies between 1890 and 1910; communal and state care in nineteenth-century Austria; unpaid work, well-being and the allocation of time in contemporary Italy; home care workers in contemporary Belgium; intergenerational support in families in Britain since the nineteenth century; gender inequalities in family consumption in Spain from 1850 to 1930; differential access to education in Switzerland between 1880 and 1930; celibacy and gender inequalities in the Pyrenees since the nineteenth century; the relationship between Italian family members' life plans and the ways in which money moves and is controlled within the family; and post-separation incomes in four European countries.

What emerges is the complexity of relationships within the family, of the ways in which resources are distributed, and of the ways in which different kinds of work are allocated. Whilst it is still possible to generalise that care work within the family is still mainly undertaken by women and that material resources from outside the home are still generated mainly by men, there are complexities within that generalisation, and there is much evidence that doesn't fit into it. Diversity is now the reality: between countries, between families, and within families.

What isn't clear from this well-researched and most interesting book is how the research findings might influence the direction of social policy. One obvious conclusion to draw is that in a situation of such diversity, policy should be neutral in relation to how a family organises its relationships, its employment patterns, and its care work. Many of our current tax and benefits provisions are not neutral in this way. Individualised universal benefits, of course, would be.

Viewpoint

A Perspective from Shanghai by Tim Hawkins

I am a British economist currently working in Shanghai. Discussion about manufacture of Solar PV panels with a friend, who is CEO of a major producer, brought home to me the urgency of establishing a Citizen's Income and lower marginal wage rates in the developed western countries. Factory labour in Shanghai is paid around 500 yuan per week – about £50. Looking forward say three years the figure is likely to increase to say £75 because of three factors :-

a) shortages in Shanghai
b) inflation in China
c) strengthening of the yuan exchange rate.

Long term, companies will need to experience very similar marginal labour costs in different countries. Manufacturing can take place in many locations and no country will be able to enjoy a sustained advantage due to knowledge or skills that is large enough to maintain high employment. There is probably little support now for the idea that the insurance, banking and retail sectors can together provide enough in the UK for us not to worry about manufacturing. Insurance and banking are easily copied, while good retailing mostly creates jobs in the country where the outlets are situated. The only sectors likely to persist as edges for the UK for many years are expensive legal services, educational services and global expert institutes. Germany has good international competitiveness currently based on quality and efficiency. But it will not be sustainable long term over China. In the short term, getting quality to an adequate level is a major challenge for China. But equally, it needs to be recognised that there are already exceptions, such as Solar cells production. Of course, long term equilibrium is rarely reached, but given differences in key economic measures between China and the West, it is clear that more needs to be done to increase global competitiveness. And in practice change can only be made progressively, so a figure of £60 per week as a Citizen's Income is a great start, but much more will be needed to sustain competitiveness long term.

A sound long term expectation is for working individuals to receive a Citizen's Income plus a globally competitive pay level, the latter element varying by skill level. The level of the Citizen's Income should mainly reflect the cumulative wealth of the country, though some income redistribution could also take place. By contrast, if countries choose to use their cumulative wealth to support high marginal wage rates and simply exhort their citizens to be innovative, that is a recipe for unemployment and a trade deficit. And it will get much worse as China develops and improves quality.

The tax/benefit system need not really balance to current revenue levels – a progressive increase in VAT (together with energy consumption taxes) would anyway be beneficial. A move to a Citizen's Income will reduce company costs and mitigate inflationary pressures from an increase in VAT. The same general arguments about competitiveness mean that the income tax threshold should be increased significantly.

To return to the figures, if reasonable income for a low skilled manufacturing worker in a developed country is £300 per week, then a more efficient (and fairer) economy would develop from a Citizen's Income of £200 per week plus a manufacturing wage of £100 per week. That latter figure is close enough to the Chinese equivalent of £75 estimated above. For now, the European economies will still have skill and quality advantages that can offset some labour premium.

Some will argue that this balance would discourage work in the UK. I think that this is a small risk. In their hearts most people understand the importance of work and will make decisions at the margin. Moreover, there is enormous scope for an expansion in the work force (including part-time) from the over 60's, the under 18's, housewives and people with disabilities. The social and emotional benefits of working are well understood. In any event, implementation – though urgent - would have to be progressive and £60 per week is a good start. But it is important that the minimum wage is reduced as the Citizen's Income is provided and increased.

Alternatively, a Citizen's Income of £150 per week plus a wage of £100 is a balance, because of household structure – in that approximately 50% of women of working age are carers – but this is a theoretical debate at this stage. The effect on the economy of establishing a Citizen's Income and reducing minimum wages, will be so dramatically good as to easily support a progressive increase in Citizen's Income while maintaining a prudent fiscal policy. The figure of around £200 per week is also supported by the current old age pension level and would sweep away the debate on retirement age.

One effect of a Citizen's Income and a reduced minimum wage would be immediate cancellation of some unnecessary automation projects, which typically involve expensive imported machines. Some other savings will also be readily available – maybe coal mining would become viable again. And at the margin, a much lower wage rate would make employing a few more staff in many areas in a company sensible.

With current levels of global communication and popular understanding, a Citizen's Income and lower marginal wages is the only economically sound way of avoiding increasing unrest in Europe. There is some chance that people will put up with the alternative of years of austerity, but not a high one. The situation in the United States is possibly even more serious. Even though many will theoretically agree with the strength of the arguments in favour of a Citizen's Income, getting significant change achieved in the USA is notoriously slow and difficult.

The opportunity for the UK to major on Solar PV equipment is a great one. The market is currently expanding by 40% per annum and a major scale increase, ranging between 50 fold and 250 fold, is highly likely in the next few decades. To compete with China, we need a Citizen's Income and lower marginal wage costs as soon as possible.

The BIEN Congress 2012

Citizen's Income Trust bursaries

The next Basic Income Earth Network (BIEN) Congress will take place in Munich from the 14th to the 16th September 2012.

The Citizen's Income Trust is offering up to three bursaries of £500 each to Congress participants who live in the United Kingdom and/or are staff members or students at UK universities, to enable them to give papers at the Congress.

The bursaries will be awarded to those whose papers have been accepted for presentation at the Congress and who, in the view of the Citizen's Income Trust's trustees, have submitted the best abstracts and draft papers to the Trust.

The paper should be on philosophical, political, economic or social aspects of moving towards a Citizen's Income. Abstracts should be submitted by the 1st September 2011, and draft papers should be submitted by the 31st January 2012.

Please submit your abstract and draft paper to the Director, Dr. Malcolm Torry (contact details on p.1)

For further information on the congress please see BIEN's website at www.basicincome.org or write to kontakt@grundeinkommen.de