

Citizen's Income *newsletter*

2015, issue 3

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Citizen's Income Trust
286 Ivydale Road
London SE15 3DF

020 7635 7916

Email: info@citizensincome.org
Website: www.citizensincome.org

Registered charity no. 328198

Director: Malcolm Torry

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New publications

The Policy Press has published *101 Reasons for a Citizen's Income*, by Malcolm Torry. This is a short introduction to the subject to complement *Money for Everyone* (Policy Press, 2013). Details are available on our website at www.citizensincome.org.

The Citizen's Income Trust has published a four page A5 comic strip leaflet. This can be downloaded and printed from our website. Printed copies will be available soon.

Editorials

The manifestos

The General Election is now over, so it is appropriate to review what the major parties said about the benefits system in their manifestos. The manifestos divide into three groups:

1. *Means-testing is the right approach, and Universal Credit will reduce disincentives.* The Conservative Party's manifesto ¹ says this: 'We will deliver Universal Credit, in order to provide the right incentives for people to work; target support at those who need it most; reduce fraud and error; and streamline administration of the welfare system.' (p.28). Similarly, the Liberal Democrat manifesto ² promises to 'complete the introduction of Universal Credit (UC), so people are always better off in work. We will review UC to address any issues regarding "cliff edges", and ensure increased working hours are properly incentivised for all claimants.' (p.43).

2. *We're not sure.* The Labour Party manifesto ³ 'supports the principle behind Universal Credit – that there should be a smooth transition into work – but it must be affordable and fit for purpose, so we will pause and review the programme.' (p.47). UKIP's manifesto doesn't mention Universal Credit or any alternative social security mechanisms. ⁴

3. *We want to change the structure of the benefits system.* As readers of the previous edition of the *Citizen's Income Newsletter* will know, the Green Party's Spring Conference in 2014 voted that Citizen's Income should be Green Party policy. Accordingly, the manifesto says this: ⁵

The Green Party thinks the time has come to reconsider the whole tax and benefits system and to rebuild it from the ground up – a system not built on punishing and isolating people, making them jump through hoops to get hand-outs from the state, but one that goes back to the founding principles of the welfare state, in the belief that, as members of society, we have a shared responsibility for one another's well-being in times of need and a shared commitment to helping others play the most active

¹ <https://s3-eu-west-1.amazonaws.com/manifesto2015/ConservativeManifesto2015.pdf>

² www.libdems.org.uk/manifesto

³ <http://www.labour.org.uk/page/-/BritainCanBeBetter-TheLabourPartyManifesto2015.pdf>

⁴ www.ukip.org/manifesto2015

⁵

https://www.greenparty.org.uk/assets/files/manifesto/Green_Party_2015_General_Election_Manifesto.pdf

role they can in our society. The idea in a nutshell is this. Scrap most of the existing benefits apart from disability benefits and Housing Benefit. Abolish the income tax personal allowance. Then pay every woman, man and child legally resident in the UK a guaranteed, non-means-tested income, sufficient to cover basic needs – a Basic Income. For those who earn, the Basic Income compensates for the loss of the personal allowance. Children will receive a reduced Basic Income, Child Benefit. Pensioners will receive their Basic Income at a higher level, as a Citizen's Pension.

As the manifesto suggests,

The advantages are many and we support the principle of a Universal Basic Income because it has the potential to:

- Act as a springboard rather than a safety net; people can take jobs without fear of prosecution for working while on benefits;
- Prevent people falling into absolute poverty rather than trying to help them when they are already there;
- Reward people for all the work that's done outside the formal economy, and most of this work is done by women;
- Encourage more of this unpaid activity, much of which – such as food growing, fixing things that have gone wrong, converting older buildings, protecting the natural environment – is a vital part of a transition to a more sustainable economy;
- Avoid the poverty trap in which an increase in wages leads to a massive loss of benefits;
- Make everyone who earns, however little, a citizen who contributes to society by paying taxes, giving almost everyone a stake – raising the personal allowance takes us in precisely the wrong direction;
- Be simple to administer and easy to understand.

We would use the forthcoming Parliament to

- Consult upon this scheme,
- Have government departments carry out and commission research (including research into behavioural changes and how
- Basic Income would affect those on the lowest incomes and child poverty), and
- Draft appropriate legislation, with a view to implementing the full scheme in the following Parliament. (p.54)

Similarly, the Scottish National Party says this: ⁶ 'We'll prioritise the immediate scrapping of the Bedroom Tax and a halt to the rollout of Universal Credit The current tapers for Universal Credit have been set too low, which means claimants will still be caught in the benefits trap, with clear financial disincentives in place for work.' (pp.5, 16)

Given that genuine reform of the social security system in the UK along the lines of a Citizen's Income will probably take more than one parliament (- not because a Citizen's Income is complicated, but because the present system is), all-party agreement will be required. Universal Credit, although a means-tested benefit, might be a useful first step towards a Citizen's Income, so there need be no contradiction between the different parties' positions on whether to base the benefits system on means-testing or on universal benefits. This really is an issue over which the parties in the new parliament might be able to co-operate.

Quantitative Easing for the people

On the 21st May, *The Guardian* ⁷ suggested that quantitative easing should benefit consumers rather than the banks:

'The empirical evidence from analogous policies – such as tax rebates in the US – suggests that transfers to the household sector would have a far greater impact on demand at a fraction of the size of QE. Consumers appear to quickly spend between a third and a half of any cash windfalls. So to increase consumption by 1% of GDP, you would need a transfer of 3% of GDP. UK QE currently stands at about 20% of annual GDP. The Bank of England estimates this raised GDP by 3%. Further QE would likely have less effect. So cash transfers to consumers are a far more effective stimulus than that provided by more QE for a lower spend

Consistent with operational independence of the Bank of England, the size of payments and their timing should be solely under its control, and subject to the inflation target. Parliament needs to equip the Bank with the infrastructure to administer payments, and determine in advance the recipients. An equal payment to all households is likely to be the least controversial rule. *It would have an immediate impact on spending and it is transparent and fair* – favouring neither borrowers nor savers, rich nor poor, nor one demographic over another.'

⁶ <http://votesnp.com/docs/manifesto.pdf>

⁷ www.theguardian.com/business/economics-blog/2015/may/21/now-the-bank-of-england-needs-to-deliver-qe-for-the-people

It is not easy to define a 'household', so payments should be made to individuals rather than to households if they are to be 'transparent and fair'. Evidence from Alaska⁸ suggests that one-off varying payments do not result in consumption in the same way as regular earned or benefits income, so if increasing consumption is an important objective then additional revenue should be employed to make the payments both equal and regular. The Citizen's Income that would result would indeed 'have an immediate impact on spending and [would be] transparent and fair'.

Main article

Two feasible ways to implement a revenue neutral Citizen's Income scheme, by Malcolm Torry

This article was first published as a EUROMOD working paper by the Institute for Social and Economic Research at the University of Essex.⁹ It builds on a previous EUROMOD working paper that was subsequently published in the first edition of the Citizen's Income Newsletter for 2015.¹⁰

Abstract¹¹

A Citizen's Income – an unconditional and nonwithdrawable income for every individual – would offer many advantages, but because the UK's current benefits and tax systems are complex, transition to a

⁸ Scott Goldsmith, 'The Economic and Social Impacts of the Permanent Fund Dividend on Alaska', pp 49-63 in Karl Widerquist and Michael W. Howard, *Alaska's Permanent Fund Dividend: Examining its suitability as a model*, Palgrave Macmillan, New York, 2012

⁹ This article was first published as a Euromod working paper, *Two feasible ways to implement a revenue neutral Citizen's Income scheme*, Institute for Social and Economic Research Working Paper EM6/15, Colchester: Institute for Social and Economic Research, University of Essex, April 2015, www.iser.essex.ac.uk/research/publications/working-papers/euromod/em6-15

¹⁰ Malcolm Torry, *Research note: A feasible way to implement a Citizen's Income*, Institute for Social and Economic Research Working Paper EM17/14, Colchester: Institute for Social and Economic Research, University of Essex, September 2014, www.iser.essex.ac.uk/research/publications/working-papers/euromod/em17-14. This paper was republished in the *Citizen's Income Newsletter*, issue 1 for 2015

¹¹ This paper uses EUROMOD version G2.0++. The contribution of all past and current members of the EUROMOD consortium is gratefully acknowledged. The process of extending and updating EUROMOD is financially supported by the Directorate General for Employment, Social Affairs and Inclusion of the European Commission [Progress grant no. VS/2011/0445.] The UK Family Resources Survey data was made available by the Department of Work and Pensions via the UK Data Archive. All remaining errors and interpretations are the author's responsibility. Opinions expressed in this paper are not necessarily those of the Citizen's Income Trust

benefits system based on a Citizen's Income could be difficult to achieve. This paper builds on the results contained in a previous EUROMOD working paper by proposing two financially feasible ways of implementing a Citizen's Income. The first method would be an 'all at once' method. That is, it would establish a small Citizen's Income for every citizen of the UK, of whatever age. This paper shows that a strictly revenue neutral scheme is available that could be paid for by raising Income Tax rates by 3%, by abolishing Income Tax Personal Allowances, and by making adjustments to National Insurance Contributions. This scheme would impose almost no household disposable income losses on low income households at the point of implementation, and manageable losses on households in general. A second method – a 'one step at a time' method – would turn Child Benefit into a Child Citizen's Income, then establish a Young adult Citizen's Income, and then enable those in receipt of the Young adult Citizen's Income to keep their Citizen's Incomes as they grow older. This method of implementation would impose almost no losses in household disposable income at the point of implementation. The paper concludes that both 'all at once' and 'one step at a time' methods would be financially feasible.

Introduction

A Citizen's Income is an unconditional, nonwithdrawable income for every individual as a right of citizenship. A benefits system based on a Citizen's Income would offer many advantages over our current largely means-tested system. A Citizen's Income would deliver reduced marginal deduction rates and so would increase employment incentives; it would offer greater social cohesion; it would not create the stigma that means-tested benefits generate; it would substantially reduce fraud and error rates; and it would be easy to administer.¹²

Research note: A feasible way to implement a Citizen's Income showed that in 2012/13 a Citizen's Income of £71 per week (with less for children and young people, and more for elderly people) could have been largely funded by abolishing the Income Tax Personal Allowance and means-tested benefits (except for Housing Benefit and Council Tax Benefit), but that at the point of implementation such a scheme would have imposed losses of over 10% of disposable income on 21.12% of low-income households (defined here as households in the lowest disposable income decile) and losses of over 10% on 9.28% of all households. An alternative scheme that retained means-tested benefits and took

¹² Malcolm Torry, *Money for Everyone: Why we need a Citizen's Income*, Bristol: Policy Press, 2013, pp 81-186

households' Citizen's Incomes into account when means-tested benefits were calculated, and which could have been largely funded by abolishing the Income Tax Personal Allowance and raising all Income Tax rates by 10%, would not have imposed losses on low income households and would have imposed losses of over 10% on only 5.38% of all households. A second alternative scheme, and with a Citizen's Income of £50 per week, that retained means-tested benefits and took households' Citizen's Incomes into account when means-tested benefits were calculated, and that could have been largely funded by abolishing the Income Tax Personal Allowance and raising all Income Tax rates by 5%, would not have imposed losses on low income households, and would have imposed losses of over 10% on only 1.09% of all households.¹³

The problem with all three of the schemes tested for *Research note: A feasible way to implement a Citizen's Income* is found in the term 'largely funded'. Each simulation delivered a funding gap of between £20bn and £24bn per annum – similar to the gap discovered when the costs of the first scheme were calculated using the national accounts.¹⁴ The proposal made then was that the gap would be partly filled by administrative savings, and that much of the rest could be found by restricting tax relief on pension contributions to the basic rate of Income Tax.¹⁵ However, as Donald Hirsch has pointed out,¹⁶ this

¹³ Subsequent to the paper's publication I discovered that as well as Child Citizen's Incomes being paid I had left Child Benefit switched on. This was of course a major reason for the low levels of losses.

¹⁴ This scheme was first prepared for submission to the House of Commons Work and Pensions Committee enquiry on benefits simplification in 2006. See the committee's report, *Benefits Simplification*, HC 463, vol.I, London: The Stationary Office, July 2007, paragraphs 51, 55, 148, 176, 262, 381. www.publications.parliament.uk/pa/cm200607/cmselect/cmworpe/n/463/46302.htm. The Citizen's Income Trust's evidence to the committee can be found in the second volume on page Ev 84 at www.publications.parliament.uk/pa/cm200607/cmselect/cmworpe/n/463/463ii.pdf. The Trust subsequently published the scheme in its booklet *Citizen's Income: A brief introduction*, London: Citizen's Income Trust, 2006. In 2013 the figures were updated to 2012/13 values and the booklet was republished in 2013.

¹⁵ Currently higher rate taxpayers can claim tax relief at the higher rate. Department for Work and Pensions running costs are currently £8bn per annum. An assumption is made that administration of Citizen's Income would cost 1% of the total paid out – the same proportion as for Child Benefit and the Basic State Pension – which would amount to £3bn. A saving of £5bn is therefore assumed. For the sources, figure, and calculations, see *Citizen's Income: A brief introduction*, London: Citizen's Income Trust, 2013, www.citizensincome.org/filelibrary/booklet2013.pdf.

¹⁶ Donald Hirsch, 'Could a "Citizen's Income" work?' York: Joseph Rowntree Foundation, 4th March 2015, p.33. www.jrf.org.uk/publications/could-citizens-income-work

method of funding a Citizen's Income is different in kind from changes in the Personal Allowance, in Income Tax rates, in National Insurance Contributions rates and earnings limits, and in means-tested and other benefits. It would be different from changes that would be intimately linked to the implementation of a Citizen's Income. Rather proving this point, before the General Election the Labour Party said that it wanted to restrict tax relief on pension contributions and to use the additional revenue to reduce university tuition fees.¹⁷ I therefore propose that we should distinguish between 'revenue neutrality' and 'strict revenue neutrality'. The schemes tested in *Research note: A feasible way to implement a Citizen's Income* are revenue neutral: that is, the costs of the Citizen's Incomes are met from elsewhere in the tax and benefits systems. In this paper I shall restrict myself to schemes that exhibit strict revenue neutrality: that is, the Citizen's Incomes will be paid for by reducing or abolishing means-tested and other benefits, by reducing or abolishing Income Tax Personal Allowances, and/or by raising Income Tax and/or National Insurance Contribution rates.

I shall apply the following criteria to the schemes that I shall regard as feasible:

- Strict revenue neutrality (as above)
- Income Tax rates to rise not more than 3% (see below) (adjustments to National Insurance Contributions earnings limits, and of National Insurance Contributions up to 12% of earnings, are permitted)
- No more than 2% of low income households should suffer losses of over 5% of disposable income at the point of implementation
- Any redistribution should be modest and should be from rich to poor.

In search of an 'all at once' Citizen's Income scheme

The first two schemes that I have tested for this research paper are similar to the first and third schemes tested in *Research note: A feasible way to implement a Citizen's Income*. I have omitted the second of those original schemes because it required Income Tax rates to rise by 10% as well as leaving a large funding gap, so to remove the funding gap would have required an even larger increase in Income Tax rates. In this paper I have added a third scheme – scheme C – because I have been asked what Income Tax rates would be required to pay Citizen's Incomes equal to the

¹⁷ <http://press.labour.org.uk/post/112217705819/a-better-plan-for-a-better-future-fairer-for>

Minimum Income Standards published by the Joseph Rowntree Foundation.¹⁸ Characteristics that apply to the schemes are as follows:

- For the first scheme, Citizen's Income rates are pegged to 2013/14 means-tested benefits rates (rather than to 2012/13 rates, as in the previous research note).¹⁹
- For all three schemes, National Insurance Contributions (NICs) above the Upper Earnings Threshold are raised from 2% to 12% and the Lower Earnings Limit is reduced to zero. This has the effect of making NICs payable on all earned income at 12%. This seems to me to be an entirely legitimate change to make. The ethos of a flat rate benefit such as Citizen's Income is consistent with both progressive tax systems and with flat rate tax systems,²⁰ but not with regressive tax systems.
- For all three schemes, all Income Tax Personal Allowances are set at zero.
- As suggested above, the schemes are strictly revenue neutral. The net cost of each scheme is at or below £2bn per annum.
- Estimates of administrative savings are conservative. In the first and third schemes, means-tested benefits are abolished (apart from Housing

Benefit and Council Tax Benefit²¹). Given that current DWP running costs are £8bn per annum, we can assume savings of £4bn per annum. For the schemes that do not abolish means-tested benefits, large numbers of households will no longer be receiving means-tested benefits, but the means-tested structure will need to stay in place. So in the case of scheme B I assume a saving of £1bn per annum.

As in the research for *Research note: A feasible way to implement a Citizen's Income*, I have studied the gains and losses experienced by households, and not those experienced by individuals. There are good arguments for both approaches. It is individuals who receive income, so gain or loss is an individual experience; and within households income is not necessarily equitably shared, so the amounts that individuals receive might be more relevant than the amount that the household receives. However, we can assume that in most cases income is to some extent pooled within households, so if one member gains and another loses then the household might be better off, which might be more significant than that one member of the household suffering a loss. Another point to make about households is that they are of different sizes, so the absolute gain or loss is not particularly relevant. However, percentage gains and losses are relevant, so this is the measure that we shall use.

Particularly problematic is knowing how to order households. A household of two parents and three children with twice the disposable income of a household containing just one adult will not be as well off as that individual adult. For the purposes of this exercise I ignore the different sizes of households. More detailed research, employing household weights so that the disposable incomes of households of different sizes could be more relevantly compared, would constitute a further research project.²²

The following table summarises the characteristics of the schemes and the results of the simulations:

¹⁸ Minimum Income Standards for 2013 can be found at www.jrf.org.uk/site/files/jrf/images/MIS-2013-figure2.jpg.

Deciding the levels of Citizen's Incomes that would match the Minimum Income Standards is not a simple matter as MIS levels are calculated for households whereas Citizen's Incomes are paid to individuals. The weekly MIS levels for 2013 are as follows (excluding rent and childcare): single work-age person, £200.64; pensioner couple, £241.25; Couple and two children, £471.16; Lone parent and one child, £284.57. Citizen's Incomes based on the smaller assessment units would be higher than Citizen's Incomes based on the larger units. I have chosen to be guided by the larger units. I have set the young person's Citizen's Income rate half way between the adult and child rates.

¹⁹ The most recent tax and benefits regulations available in EUROMOD version G2.0++ are those for 2013/14, and the most recent Family Resource Survey data is for 2009, uprated to 2013 values. It is therefore not currently possible to simulate Citizen's Income schemes for more recent periods. "The factors that are used to update monetary variables (parameter sheet *Uprate_uk*) from the mid-point of the data year (October 2009) to the mid-point of the policy years applying on June 30th (i.e. October 2010 to October 2013) are shown in Annex 1 of the EUROMOD UK country report. No other updating adjustments are employed. Thus the distribution of characteristics (such as employment status and demographic variables) as well as the distribution of each income source that is not simulated remain as they were in 2009/10' (Paola De Agostini and Holly Sutherland, *Euromod Country Report: United Kingdom 2009-2013*, Colchester: Institute for Social and Economic Research, Essex University, 2014)

²⁰ A.B. Atkinson, *Public Economics in Action: The Basic Income / Flat Tax Proposal*, Clarendon Press, Oxford, 1995

²¹ In 2013/14 Council Tax Benefit was centrally regulated. Under the Government's localisation agenda, its replacement, Council Tax Support, is locally regulated as well as locally administered. This means that every borough in the country can invent its own regulations, and, in particular, its own taper rate. It will be far from easy to include Council Tax Support in future tax and benefits simulations.

²² Malcolm Torry, *Research note: A feasible way to implement a Citizen's Income*, Institute to Social and Economic Research Working Paper EM17/14, Colchester: Institute for Social and Economic Research, University of Essex, September 2014, www.iser.essex.ac.uk/research/publications/working-papers/euromod/em17-14, pp. 3-4

	Scheme A	Scheme B	Scheme C
Relationship of Citizen's Income to means-tested benefits	Citizen's Incomes replace means-tested benefits except for Housing Benefit and Council Tax Benefit. Child Benefit and State Pension are no longer paid.	Means-tested benefits are left in place and the Citizen's Income is taken into account when means-tested benefits are calculated. Basic State Pension and Child Benefit are still paid.	Citizen's Incomes replace means-tested benefits except for Housing Benefit and Council Tax Benefit. Child Benefit and State Pension are no longer paid.
Citizen's Pension per week	£145.40	£30	£120
Working age adult CI per week	£71.70	£50	£160
Young adult CI per week	£56.80	£40	£120
Child CI per week	£56.80	£20	£80
Income Tax rate increase required for strict revenue neutrality	5%	3%	28%
Income Tax, basic rate (on £0 – 42,010)	25%	23%	48%
Income Tax, higher rate (on £42,010 – 150,000)	45%	43%	68%
Income Tax, top rate (on £150,000-)	50%	48%	73%
National Insurance Contribution changes	National Insurance Contributions (NICs) above the Upper Earnings Threshold are raised from 2% to 12% and the Lower Earnings Limit is reduced to zero.		
Proportion of households in the lowest disposable income decile experiencing losses of over 10% at the point of implementation	28.03%	1.5% (and 4.37% with losses over 5%)	29.0%
Proportion of all households experiencing losses of over 10% at the point of implementation	15.2%	1.24% (and 15.2% with losses over 5%)	30.2%
Administrative saving assumed	£4bn	£1bn	£4bn
Net cost of scheme	£1.8bn	-£1.9bn: i.e. a saving of £1.9bn	-£0.47: i.e. a saving of £0.47bn

(See the footnote for the method ²³)

²³ The method is as follows: A new set of benefits is created in the UK country system in EUROMOD: a Citizen's Pension (CP) for over 65 year olds, a Citizen's Income (CI) for adults aged between 25 and 64, a young person's Citizen's Income (CIY) for adults aged between 16 and 24), and a Child Citizen's Income (CIC) for children aged between 0 and 15. In the definitions of constants, levels are set for these Citizen's Incomes, and all Personal Tax Allowances are set at zero. So that the additional taxable income is taxed at the basic rate, and not at the higher rate, the first tax threshold is changed from 32010 to 42010. The National Insurance Contribution Lower Earnings Limit is set to zero, and the NIC rate above the Upper

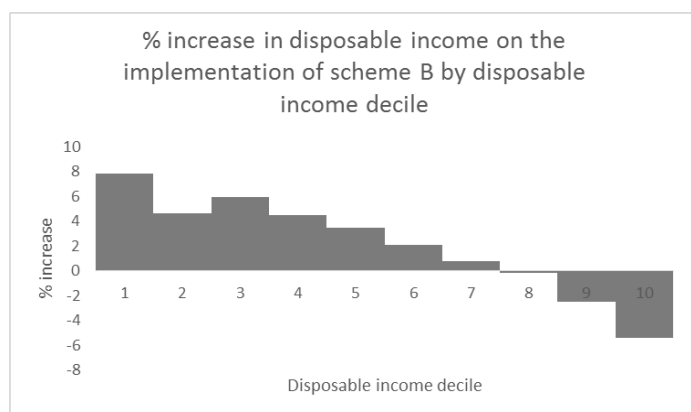
Earnings Limit is set to 12% (to match the rate below the limit). For the first scheme, Working Tax Credit, Child Tax Credit, Income Support, Income Related ESA, Pension Credit, and Income based Jobseeker's Allowance are no longer added to the total for means-tested benefits. Incapacity Benefit, Contributory ESA and Child Benefit are removed from non-means-tested benefits (except that in the second scheme Child Benefit is left in payment). For all schemes, the Citizen's Income total is added to non-means-tested benefits, and for the second and third schemes Citizen's Incomes are added to the means applied to means-tested benefits. The state pension is no longer added to the pensions total in the first and third schemes (as the Citizen's Pension has already been added to the non-means-tested benefits total). Where benefits are no longer in payment they are

Discussion

In relation to schemes A and C, while it is true that the high losses imposed on households at the point of implementation are the result of the complexity of the current tax and benefits scheme, and not of the Citizen's Incomes, such losses would make the schemes impossible to implement. And while it is true that higher tax rates in the context of Citizen's Incomes that are worth more than the Personal Allowance ought not to be a problem, and that what matters is the overall gain or loss in disposable income, Income Tax rates are a psychological as well as a financial issue,²⁴ and to raise them by more than say 3 per cent would probably make a scheme impossible to implement. So while all three schemes would be revenue neutral in the strictest sense, the only scheme likely to be viable would be scheme B.

There are three additional advantages attached to scheme B:

- a) On average, it would deliver a modest redistribution from rich to poor:²⁵



removed from the tax base. Simulations of the 2013 system and the system being tested generate two lists of household disposable incomes for the entire Family Resource Survey sample. These then generate a list of gains (negative gains are losses), and the total of the gains gives the net cost of the scheme for the sample. To convert EUROMOD's monthly figures to annual figures, and the sample size to the total population, a multiplier of $(12 \times 64.1m / 57,381) = 13.4m$ gives the cost for the UK population. A process of trial and error adjusts the Income Tax rates until the net cost minus the assumed administrative saving is below £2bn per annum. The initial disposable incomes are then ordered, the bottom 10% are selected, and the percentage gains are evaluated. The process is then repeated for all households.

²⁴ Donald Hirsch, 'Could a "Citizen's Income" work?' York: Joseph Rowntree Foundation, 4th March 2015, pp. 25-28. www.jrf.org.uk/publications/could-citizens-income-work

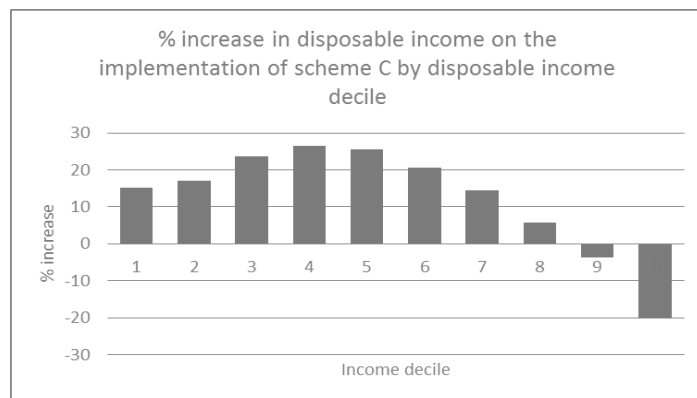
²⁵ Table generated from the results of statistics obtained from EUROMOD simulations for the current tax and benefits system and for scheme B.

The Gini coefficient for disposable income would be reduced from 0.3 to 0.28.

- b) In relation to the income component of poverty, the number of children in poverty²⁶ would be reduced from 12.16% to 9.19%, i.e., by nearly a quarter.
- c) Because all existing benefits are left in place, this scheme could be implemented both easily and quickly. All that would be required would be for the Citizen's Incomes to be paid, Income Tax Personal Allowances and the National Insurance Contributions Lower Earnings Limit to be reduced to zero, Income Tax rates to be adjusted, National Insurance Contributions to be collected at 12% on all earned income, and means-tested benefits to be recalculated – which would be easy to do as every household's Citizen's Incomes would be of entirely predictable amounts.

A long term aim

However, having made the case that only a scheme that satisfied the criteria suggested above would be politically acceptable, there is no reason why a Citizen's Income based on Minimum Income Standards should not remain a longer term aim. Such a scheme would have a considerable effect on inequality (- it would reduce the Gini coefficient from 0.3 to 0.2),



and it would reduce from 12.16% to just 1.60% the number of children in poverty. Redistribution would be largely towards the middle range of incomes, which could be politically acceptable – although a reduction of 20% in the disposable incomes of the

²⁶ Children in poverty are those living in households with income below 60% of median income. For detailed discussion of the percentage figures generated by the summary statistics function of EUROMOD, see Paola De Agostini and Holly Sutherland, *Euromod Country Report: United Kingdom 2009-2013*, Colchester: Institute for Social and Economic Research, Essex University, 2014, pp.71-2.

highest disposable income decile might be contentious for some:

A ‘one step at a time’ method

In the UK there is a tradition of cautious and piecemeal change to the benefits system. This has its disadvantages – particularly when the current system no longer fits the society, economy and employment market that it needs to serve – but the advantage is that new approaches can be tested out without causing too much disruption to administrative systems or to household budgets. But let us assume that the arguments for Citizen’s Income are understood by policymakers, and that only the difficulties relating to the transition from the current system to one based on a Citizen’s Income stand in the way. In this situation it could be useful to have asked about the financial feasibility of taking the first steps towards a universal unconditional and nonwithdrawable income for every citizen.

Clearly a possible method would be to start with children and young people, say up to the age of eighteen, and then as they grow into adulthood to allow them to keep their Citizen’s Incomes. If at the same time the new Single Tier State Pension were to be turned into a genuine Citizen’s Pension, then it would take about fifty years to implement the Citizen’s Income (– a period that could be shortened by thirteen years if a pre-retirement unconditional and nonwithdrawable income were to be paid to everyone over the age of 55).

The first step: raising Child Benefit for children up to the age of 15 (i.e. to their sixteenth birthday) and equalising the Child Benefit paid for every child.

Here, the only other change made is to increase National Insurance Contributions by 4% above the Upper Earnings Limit.²⁷ Income Tax Personal Allowances and tax thresholds remain as they are.

The results for two different rates are as follows:

	Scheme a	Scheme b
Child CI (increased CB) per week for every child up to the age of 15	£56.80	£40
Income Tax rate increase required for strict revenue neutrality	4.5%	2.5%
Income Tax, basic rate	24.5%	22.5%
Income Tax, higher rate	44.5%	42.5%
Income Tax, top rate	49.5%	47.5%
National Insurance Contribution changes	National Insurance Contributions increased by 4% above the Upper Earnings Limit.	
Proportion of households in the lowest disposable income decile experiencing losses of over 10% at the point of implementation	0%	0%
Proportion of households in the lowest disposable income decile experiencing losses of over 5% at the point of implementation	0.04%	0%
Proportion of all households experiencing losses of over 10% at the point of implementation	0.52%	0.03%
Proportion of all households experiencing losses of over 5% at the point of implementation	5.72%	1.88%
Administrative saving assumed	£0bn	£0bn
Net cost of scheme	£0.34bn	-£0.43bn

Discussion

Scheme b fulfils our criteria, but the Income Tax rate for scheme a is too high.

However, as we can see from the following chart, the number of children in poverty would be reduced by a tenth if a single rate of £40 were to apply to children under the age of 16, and to raise Child Benefit to £56.80 would reduce by a quarter the number of children in poverty. Such reductions in child poverty would in themselves be an excellent reason for

²⁷ Purely for the purpose of modelling the net cost, we eliminate Child Benefit for 16 to 19 year olds by adjusting the definition of a dependent child in both the current system and in the system with raised Child Benefit.

raising Child Benefit immediately to a single rate of £40, and then to £56.80. For such a virtuous purpose, increasing Income Tax rates by 4.5% might be acceptable.

	2013 base system	Child Benefit raised to £56.80	Child Benefit raised to £40
Gini coefficient for disposable income	0.30	0.28	0.29
Children in poverty	12.16%	9.18%	10.84%
% reduction of children in poverty		24.5%	10.85%

The modest rise in National Insurance Contributions, and bearable rises in Income Tax rates, would in either case suggest political feasibility for such a worthwhile outcome. To establish such a Citizen's Income for children would be a useful first step on the road to a Citizen's Income for every age group, and one that could be achieved with public acceptance simply because children are universally regarded as a deserving demographic group.

The second step: implementing a Young adult CI of £56.80 per week for young adults between their sixteenth and their nineteenth birthdays. (This could be paid to the main carer until the eighteenth birthday, and then transferred to the young adult; or a staged transfer could occur.)

The only change to be made would be to increase National Insurance Contributions, in this case by 6% above the Upper Earnings Limit.²⁸ Income Tax Personal Allowances and tax thresholds remain as they are, except that for those young adults now receiving a Citizen's Income all earnings would be taxed, thus enabling their Citizen's Incomes to be paid for as they grew older.

²⁸ The results are modelled by removing Child Benefit for everyone aged 16 and above, and instead paying a Young adult Citizen's Income. In this case the results are extracted from simulations of individual rather than household disposable incomes. As above, the removal of Child Benefit over the age of sixteen is achieved by adjusting the definition of a dependent child.

	Scheme c	Scheme d
Young adult CI per week	£56.80	£40
Income Tax rate increase required for strict revenue neutrality	0% (i.e. no increase would be required)	0% (i.e. no increase would be required)
Income Tax, basic rate	20%	20%
Income Tax, higher rate	40%	40%
Income Tax, top rate	45%	45%
National Insurance Contributions changes	National Insurance Contributions increased by 6% above the Upper Earnings Limit.	
Proportion of households in the lowest disposable income decile experiencing losses of over 10% at the point of implementation	0.23%	0.52%
Proportion of households in the lowest disposable income decile experiencing losses of over 5% at the point of implementation	0.39%	0.52%
Proportion of all households experiencing losses of over 10% at the point of implementation	0.39%	0.82%
Proportion of all households experiencing losses of over 5% at the point of implementation	1.63%	2.71%
Administrative saving assumed	£0bn	£0bn
Net cost of scheme	-£0.6bn (i.e. a saving of £0.6bn)	-£2.65bn (i.e. a saving of £2.65bn)

Discussion

This relatively modest proposal would not raise Income Tax rates, could generate savings (which would be useful), and would begin to sort out the income maintenance of a demographic group that is currently ill served by a patchwork of provisions that makes little sense and that doesn't provide the kind of

flexibility needed during a period which is inevitably one of transitions.

Discussion of both of the above steps taken together

Comparing the two schemes b and d with scheme B above shows that the increases in National Insurance Contributions above the Upper Earnings Limit and in Income Tax rates required by scheme B are generated by the Citizen's Incomes granted to children and young adults, and that the working adult Citizen's Incomes are effectively paid for by the loss of the Income Tax Personal Allowance, as we would rather expect.

If both the increased Child Benefit and the Young adult's Citizen's Income were to be implemented, then National Insurance Contributions would be at 12% on all earned income. The recipient year groups would not receive Income Tax Personal Allowances, and as they grew older they would continue to receive Citizen's Incomes (while everyone older than them would not be receiving Citizen's Incomes and would retain their Personal Allowances). The means-tested benefits structure would still be in place, and we would be well on the way to implementing scheme B (but with a genuine Child Citizen's Income, rather than a combination of Child Benefit and Child Citizen's Income). Gradual increases in the Citizen's Income rates for children and young adults would be both affordable and acceptable, enabling a Citizen's Income of £56.80 to be paid to all adults. Further rises might be acceptable. Because of the gradual nature of the implementation, nobody would ever need to suffer the modest losses in disposable income that would occur if the entire scheme were to be implemented all in one go. Income Tax rates might have to rise slightly, but the simulation of scheme B suggests that they would not need to rise by more than 3% over the fifty year implementation period if the adult Citizen's Income were to be at £50 per week.

Conclusion

In his new book *Inequality*, Tony Atkinson makes a number of proposals for reducing inequality: a more progressive Income Tax; Child Benefit paid at a substantial rate; an EU-wide Child Basic Income; and a Participation Income that looks as if it has been modelled as a Citizen's Income.²⁹ It is perhaps no

²⁹ Anthony B. Atkinson, *Inequality*, Cambridge, MA: Harvard University Press, 2015, pp. 303-4. The text offers some pointers towards social participation conditions for receipt of the Participation Income, but no such conditions are mentioned in

surprise that Atkinson's agenda and the content of this paper are similar; and equally no surprise that the steps that both Atkinson and this paper envisage would be steps towards a Citizen's Income.

We need a new approach to tax and benefits in the UK, and a Citizen's Income offers precisely what we require. Increasingly objections are not to the principle of a Citizen's Income, but to its feasibility. In this paper I have shown that there are feasible ways of implementing a Citizen's Income, either all at once or by one step at a time. There would of course be other ways to implement a Citizen's Income, and more research in this area would be most welcome.

What matters above all is that at every stage it should be a genuine Citizen's Income that is implemented, because it is the characteristics of universality, unconditionality, and nonwithdrawability, and the fact that every individual receives their own Citizen's Income, that deliver the many social and economic advantages of a Citizen's Income. Those advantages will need to be experienced at every stage of any implementation method if the population as a whole is to appreciate the advantages that a Citizen's Income for every citizen would offer. The implementation methods outlined above are for genuine Citizen's Incomes, and research on additional implementation options should follow the same rule.

Similarly, to be politically feasible, proposed Citizen's Income schemes should be strictly revenue neutral, should not propose large increases in Income Tax rates, and should impose very few losses on low income households, either at each stage of the implementation process or at full implementation for the entire population. As we have seen, such losses can be eliminated if implementation begins with children and young adults and they keep their Citizen's Incomes as they grow older. A Citizen's Income implemented for every individual at the same time will always generate some initial losses, simply because the current benefits system is so complicated – but, as we have seen, it would still be possible to implement a Citizen's Income scheme all in one go while imposing relatively few losses on low income households.

The difficulties facing our current tax and benefits systems, and the importance of fashioning a benefits system that will better serve our society and our economy, suggest that the Government, think tanks, and academic institutions should now be applying

the text relating to the results of EUROMOD modelling on p.297.

substantial research and policy analysis resources to the subject: and the many arguments for a Citizen's Income,³⁰ along with the results in this Working Paper, suggest that a considerable proportion of that effort should be spent on fashioning a tax and benefits system based on a Citizen's Income.

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News

The **Institute of Gerontology** at King's College, London, has published a report, *An Age Friendly City – How far has London come?* by Anthea Tinker and Jay Ginn: One of its recommendations is that 'the government restores the Winter Fuel Payment to its original value relative to fuel prices and older people be allowed to opt (in 2016) into the new single tier pension; the latter to be raised above the poverty threshold (about £175 per week in 2014)' (p.30). www.kcl.ac.uk/newsevents/publications/Age-Friendly-London-Report.pdf

Research published in the journal **Work, Employment and Society** 'investigates how welfare generosity and active labour market policies relate to employment commitment. As social policy is

increasingly directed towards stimulating employment in broader sections of society, this article particularly studies employment commitment among groups with traditionally weaker bonds to the labour market. This is also theoretically interesting because the employment commitment in these groups may be more affected by the welfare context than is the employment commitment of the core work force. A welfare scepticism view predicts that disincentive effects and norm erosion will lead to lower employment commitment in more generous and activating welfare states, while a welfare resources perspective holds the opposite view. Using multilevel data for individuals in 18 European countries, the article finds increasing employment commitment as social spending gets more generous and activating. This was also evident for weaker groups in the labour market, although the effect was less pronounced in some groups' (Kjetil A van der Wel and Knut Halvorsen, 'The bigger the worse? A comparative study of the welfare state and employment commitment', *Work, employment and society*, 2015, Vol. 29, no.1, pp. 99–118)

The **Child Poverty Action Group** has published a report by Lindsay Judge, *Round the Clock: In-work poverty and the 'hours question'*: 'Universal credit must be reformed so that it protects the incomes of parents. A second-earner work allowance would improve the incentives for the second partner in a couple to move into work, while a higher lone-parent work allowance would allow lone parents to retain all their universal credit award at a higher level of earnings. ... The poverty-reduction potential of universal credit could be greatly enhanced by reducing the taper rate, thereby allowing families to keep more of the in-work support they receive as their earnings increase. In addition, different taper rates should be considered in order to improve incentives once families start paying national insurance contributions and tax. ... The value of children's benefits must be restored to their pre-2010 levels. ...' (p.38). http://cpag.org.uk/sites/default/files/CPAG_Round_the_clock.pdf

ComRes has published the results of research on public attitudes to the Green Party's policies. In relation to Citizen's Income, 'More people oppose (40%) than support (36%) the idea of a Citizen's Income'. www.comres.co.uk/polls/itv-news-index-green-party-poll/

The **Institute for Policy Research** at the University of Bath has published a report, *Temporary agency work in the UK today: Precarity intensifies despite protective legislation*: 'Employment agencies and

³⁰ Malcolm Torry, *Money for Everyone: Why we need a Citizen's Income*, Bristol: Policy Press, 2013; Malcolm Torry, *101 Reasons for a Citizen's Income: Arguments for giving everyone some money*, Bristol: Policy Press, forthcoming, 2015

companies in the food, hospitality and healthcare sectors circumvent the legislative protections of the European Union Agency Workers Regulations (AWR). ... Temporary agency workers do not earn an adequate income and may have to rely on welfare benefits. ... Overall, TAW offers insecurity rather than flexibility.' www.bath.ac.uk/ipr/pdf/policy-briefs/Temporary-Agency-Work.pdf

Book reviews

Anthony B. Atkinson, *Inequality*, Harvard University Press, 2015, ix + 384 pp, hbk, 0 674 50476 9, £19.95

Politicians of all political parties tell us that inequality is a problem and that they are working to reduce it. Now they have the instruction manual that they need: and what we all now have is a book that builds on Tony Atkinson's lifetime of careful and relevant research, that offers analysis of the definitions and causes of inequality, that proposes policies to deal with the problem, and that shows that the policies proposed are affordable.

The first part of the book discusses the meaning of 'inequality', and then studies how inequality has changed during the last hundred years. A particularly important conclusion is that

in the immediate postwar decades, the welfare state was ahead in the race to keep up with widening inequality of market incomes, but since the 1980s it has failed to do so – often as a result of explicit policy decisions to cut back on benefits and on coverage. (pp.67-8)

Then the economics of inequality are discussed, and the final conclusion of the first part is that in order to reduce inequality market income inequality needs to be reduced *and* governments need to achieve more redistribution through tax and benefits systems.

The second part of the book makes detailed proposals for policy change: technological innovation to increase worker employability; a better balance of power between the different stakeholders in the economy; guaranteed public sector employment at the minimum wage; a national pay policy (including a living wage); a guaranteed positive real rate of interest on savings; a capital endowment payable at the age of majority; a sovereign wealth fund; a more progressive Income Tax; a broader tax base; an Earned Income Discount; a progressive lifetime capital receipts tax; a progressive or proportional property tax; increased Child Benefit; increased overseas development aid; and either a participation

income or a renewal of social insurance. Each of the proposals is persuasively argued.

In the third part of the book, Atkinson tackles three possible objections to his proposals: that they would reduce economic growth; that globalisation would make them difficult to implement; and that we wouldn't be able to afford them. He shows that the welfare state makes a positive contribution to economic performance; that his proposals would have incentive effects in the employment market; that global competition restricts the scope for redistribution rather less than we might think; and that his proposals could be revenue neutral.

Of particular interest to readers of this *Newsletter* will be the social security proposals. Atkinson is well aware of the problems relating to means-testing, he regrets that so many families in the UK are so dependent on means-tested benefits, and he studies two alternative possibilities: a Participation Income, and a renewed social insurance system. In relation to Child Benefit, he would like to see the end of the tax penalty for households that include higher rate taxpayers; he would like it to be paid at a higher single rate; he would like it to be taxed; and he would like the European Union to take the initiative in establishing an unconditional income for children throughout Europe.

Atkinson then discusses a Citizen's Income, and decides that a flat tax to fund a Citizen's Income high enough to replace existing benefits would be at too high a rate. He has here allowed research that he conducted thirty years ago into the rate at which a flat tax would need to be set to fund a Citizen's Income to create an inconsistency in his approach. One of the proposals in this book is for a *more* progressive income tax than we have now: so why expect a Citizen's Income to be funded by a flat tax? And why not consider paying for a Citizen's Income by reducing or eliminating the Personal Tax Allowance?

Atkinson's solution to the dilemma that he has constructed is a Participation Income that would be paid to people making a contribution to society. He recognises that an administrative process would be required to decide who should receive the Participation Income, but when he begins to outline the kind of casework approach that would be required we can quickly see the size of the bureaucracy and the extent of the complex regulations that would be needed. To create the kind of workable definition of 'citizenship' or of 'legal residence' that the administration of a Citizen's Income would require would be a lot easier. Research that the Citizen's Income Trust undertook when Atkinson first

suggested a Participation Income thirty years ago suggested that the list of eligibility criteria that he outlined then would have meant that only about 1% of the population would not have received a Participation Income. This research would now need to be repeated, but the outcome would not be very different. It would surely be both easier and cheaper to pay a Citizen's Income than to pay a Participation Income.

And then comes a further contradiction: The chapter on costings employs the EUROMOD software managed by the Institute for Social and Economic Research at the University of Essex (- Professor Holly Sutherland and her colleagues are well thanked in the book's acknowledgements). The graph on p.297 that shows the effects of a Participation Income on inequality shows no evidence of any 'participation' conditions having been taken into account: and it is difficult to see how a programme such as EUROMOD could take into account such social contributions as voluntary work. What appears to have been modelled is a Citizen's Income.

An alternative to a Citizen's Income would be a reinvigorated social insurance system, which, as Atkinson recognises, would need to be adapted to today's labour market. He takes as his model the new Single Tier State Pension, and suggests that other National Insurance benefits should be higher in value and should achieve greater coverage - for instance, by lasting longer - and that National Insurance Contributions should be credited for periods during which any kind of contribution is being made to society (- echoing the eligibility criterion for a Participation Income). The graph showing the effects on inequality of both a Participation Income and a reinvigorated Social Insurance system suggests that the former would redistribute from rich to poor, and the latter more towards middle income households.

We hope that this well researched and clearly written book will be carefully read by anyone with any connection to the making of social policy; that we shall see implemented as many as possible of the policies for which Atkinson has provided such useful evidence and such persuasive arguments; and that the arguments both for and against a Participation Income will contribute to the increasingly vigorous and informed debate about a Citizen's Income.

The book contains a useful glossary and a detailed index. The publisher is to be congratulated on publishing a good quality hardback at such a low price. Other academic publishers might like to follow this example.

Hartley Dean, *Social Rights and Human Welfare*, Routledge, 2015, xiv + 194 pp, 1 138 01310 0, hbk, £95, 1 138 01312 4, pbk, £32.99

Hartley Dean will soon be starting the process of retiring as Professor of Social Policy at the London School of Economics, and this book is a worthy summary of his lifelong involvement in social rights and human welfare, first as a welfare rights advisor in Brixton, and then as an academic.

The first chapter discusses the evolution and characteristics of social rights. The second summarises much of the material in Dean's 2010 *Understanding Human Need*, and, in the context of a discussion of inequality and poverty, understands social rights as the articulation of human need. The broad range of Dean's treatment is particularly visible in chapter 3 on ethics and social rights, where he discusses a variety of ethical theories, categorises rights-based perspectives, and asks that 'welfare' should again mean wellbeing. The fourth chapter deals with a variety of challenges to the idea of social rights, and particularly the neoliberal challenge, that social rights compromise property, civil, and political rights, and the post-structuralist challenge, that social rights imply state control.

The book turns from a more theoretical to a more practical treatment of social rights at chapter 5, on the meaning of, and prospect for, global social rights. Here the broad canvas reveals even more clearly the tension between rights founded on universal principles ('doctrinal' rights) and rights based on experienced and expressed needs ('claimed' rights). Chapter 6 examines rights to work and to subsistence, and some possible relationships between them: and in this context Dean discusses arguments both for and against universal benefits. Earlier in the book he had constructed a typology of competing perspectives - liberal, moral authoritarian, communitarian, and social democratic/democratic socialist - and probably rightly sees universal benefits as fitting most easily into the liberal and social democratic/democratic socialist understandings of social rights.

Chapter 7 tackles rights to shelter, education, health, and social care. Throughout the chapter we discover conflicting rights - for instance, between the rights of parents and/or children in relation to education), and also throughout this chapter we encounter the complex relationship between the right to satisfy needs (for health, knowledge, shelter, etc.) and the right to government services designed to satisfy those needs (healthcare, education, social housing, etc.). Chapter 8 discusses rights of redress - a civil right that assumes such social rights as legal aid.

The final part of the book is titled 'rethinking social rights'. In the cause of alleviating global poverty, chapter 9 explores the complex relationship between social rights and social development; and chapter 10 returns to the understanding of social rights as the articulation of human need and as the social means for satisfying it. Dean challenges T. H. Marshall's construction of history, in which civil and political rights preceded social rights, by suggesting that we were social beings before we were political or civic beings, so in practical terms there were social rights before there were ever civil or political rights; and he goes on to show how, in the future, social rights will be as much a global phenomenon as a national and local one, and that the international human rights framework will be a significant factor.

Writing an index is not an easy task, and no index is perfect: but perhaps one word that ought to have been in this index is 'contested'. It is a major theme of the book that ideas are contested: that is, that different interest groups in society will create their own definitions, ideas and processes, in order to satisfy their own needs, and that these definitions, ideas and processes might severely compromise other groups' abilities to meet their needs.

The concept of contestation is just one example of the breadth and the depth of the discussion. The depth of the treatment as a whole suggests that the book would serve well as the textbook for a module on social rights and human welfare, and its breadth suggests that it would be a useful resource for an entire master's degree on the subject. A complex agenda is well handled, and it is impressive how both depth and breadth are achieved without loss to either.

While Hartley Dean will soon be retiring from his full-time post at the LSE, we hope that he will not be retiring from the kind of thoughtful engagement with the theory and practice of social rights and human welfare of which this book is persuasive evidence.

Daniel Béland and Klaus Petersen (eds), *Analysing Social Policy Concepts and Language: Comparative and transnational perspectives*, Policy Press, 2014, xiv + 327 pp, 1 4473 0644 3, hbk, £70

This book is a study of the language that OECD countries use to describe social policies: language such as 'welfare state', 'social security', and 'safety net'. Some of the chapters are about particular countries, and some tackle transnational governance levels (such as the EU and the OECD): some are more focused on language, and some more on the

policy characteristics expressed by the language. All are informative.

As the introduction suggests, language is political and context-specific, and so similar terms sometimes describe different policies, and similar policies sometimes have different names. Such terms as 'welfare state' are used in such a wide variety of ways that clarity is difficult to achieve. The authors employ a broad range of disciplines in order to study language within its national contexts, and also to study how it travels – as 'workfare' has done from the US to the UK. All of the chapters are interested in how social policy language has changed, and in the reasons for that change.

To take two examples:

Barbier's chapter on the EU shows how the very notion of 'social policy' is problematic at the equally complex 'EU level'; how the dominance of European English in social policy research has affected social policy debate in the EU; how 'flexicurity', 'activation', 'workfare' and 'social investment' have come to flourish as somewhat vague notions; and how social policy as formulated in English by an élite Brussels group cannot hope to capture the complexity of social policy across Europe.

In his chapter, Daniel Wincott charts the history of the 'welfare state' concept in the UK from its origins in 1928 in a publication by William Temple to its later use during the 1950s and 60s as a description of a developed set of social policies – but, as Wincott points out, the term was *not* employed as a description of those policies when they were developed and rolled out during and after the Second World War. His interesting conclusion is that 'welfare state' has functioned as a description of a golden age that never existed in order to express dissatisfaction with the ways in which social policy has been changing during the past fifty years.

The editors' concluding chapter shows how influential the concepts of 'welfare state' and 'social security' have been; how transnational bodies have diffused such language, along with such modern terms as 'flexicurity'; how earlier traditions (such as 'deservingness') continue to influence language; and how more straitened economic conditions since the 1970s have caused convergence of social policy language around such concepts as social investment and activation.

An interesting pair of words to follow through the book are 'universal' and 'universalism'. In some places they mean an ideal state of affairs to which politicians aspire; in others (e.g., p.222) they

represent a plan for genuinely universal provision; and in others (e.g. p.263) they express a service's universal availability for anyone who possesses the need that the service is designed to satisfy. In this last sense the terms might have appeared in the context of the British National Health Service. Wincott does not discuss the current UK welfare state, but if he had then he might have said that Universal Credit is nothing like universal, and that only a Citizen's Income would be universal in the way in which that word is normally understood.

This most interesting book has opened up some important social policy questions, and we hope to see them pursued further. Maybe a future edition might ask why so many different terms – Basic Income, Citizen's Income, Universal Grant, etc. - have been used to describe an unconditional and nonwithdrawable benefit for every individual.

John Clarke, Kathleen Coll, Evelina Dagnino and Catherine Neveu, *Disputing Citizenship*, Policy Press, 2014, viii + 214 pp, hbk, 1 4473 1252 9, £70, pbk, 1 4473 1253 6, £21.99

The authors of this book come from the UK, the USA, Brazil, and France, and in all of these countries they find evidence for their major contention: that there is so much conflict over the keyword 'citizenship' because citizenship is a focus for conflict within society – which of course makes conflict over the idea different in each of the four countries. Citizenship therefore has no fixed or 'proper' meaning, but instead has a diverse history of complex meanings.

In their first chapter the authors 'recentre' citizenship to the margins of society where people do not experience the full benefits of their or others' understandings of citizenship.

Citizenship is both exclusionary and aspirational, the object of desire and the product of dispute, as well as a dispute in itself. (p.49)

In the second chapter they 'decentre' citizenship by showing how its connection to a variety of social actors decentres it from state governments and bureaucracies. Citizenship therefore becomes less of a legal status and more of a discourse about the relative strengths of different political and social actors. The authors might usefully have mentioned the Scottish independence referendum as a location for conflict over citizenship and – whichever side had won - as a decentring of citizenship from Westminster.

The third chapter shows how diverse the many locations of citizenship discourse are, and how this means that the concept is always under construction and never in any sense fully defined. The UK in particular represents a patchwork of levels at which citizenship is exercised and contested: the UK, its four separate nations, local government, and such institutions as schools: and here we see most clearly the authors' understanding of citizenship as a social process rather than as a legal status (which for most people living in England it is only in an ambiguous form anyway, because we are the subjects of a monarch and without a legally defined citizenship – except for immigrants who have passed the citizenship test and attended a town hall ceremony and are therefore in some ways more 'citizens' than the rest of us).

Given the authors' agenda it is no surprise that the book is 'undisciplined', by which the authors mean that it does not fit neatly into such disciplines as political economy, but instead wanders across disciplinary boundaries in order to understand the conflicts around citizenship and the context-specific nature of understandings of it. Where the authors do find coherent theories of citizenship (for instance, Marshall's), they show that such theories are as context-specific as the conflicts around citizenship.

This book is seriously interesting to those of us committed to debate on the desirability and feasibility of a Citizen's Income – whether or not we call an unconditional and nonwithdrawable income for every individual a Citizen's Income or a Basic Income – because a nation state's definition of citizenship will influence who in that state's territory (and outside it) will receive a Citizen's Income, and the granting of a Citizen's Income will affect that nation's understanding of citizenship. Means-tested and contributory benefits systems fragment the population of a country. A Citizen's Income would go to every legal resident (and perhaps in some cases to people living abroad), so citizenship at every societal level would inevitably become more inclusive.

The ways in which benefits systems are determined by a country's diverse understandings of citizenship, and the ways in which a benefits system in turn contributes to understandings of citizenship, would be a fascinating future project for the authors of this book.

Luciano Floridi, *The Fourth Revolution: How the infosphere is reshaping human reality*, Oxford University Press, 2014, 0 19 960672 6, hbk, xvi + 248 pp, £16.99

We cannot help being aware that information and communication technology (ICT) is changing the ways in which we process information and communicate with each other: but is it justifiable to call what is changing a 'revolution'? Luciano Floridi's title does not contain a question mark, and his book argues persuasively that the 'infosphere' in which we are now living really is changing everything.

The first chapter studies changes in ICT through time. Moore's Law, which suggests that the number of transistors on an integrated circuit board doubles every two years, describes a reality that is taking us rapidly into 'hyperhistory': a world in which everything *depends* on ICT, and is not simply served by it. Communication is now more between electronic devices than between human beings; and it is increasingly transitory. The average life of a document on the internet is 45 days. Chapters 2 and 3 study changing spatial and identity realities. We are now rarely if ever offline. A driver might not be using their mobile phone, but their satnav might be constantly updating. In terms of population, online communities can be huge - World of Warcraft's population is larger than the populations of most countries - and they can define who we are. To other people and to ourselves we are the people that Facebook and LinkedIn say we are.

In chapter 4, Floridi briefly describes the Copernican, Darwinian and Freudian revolutions, each of which removed a misconception about our uniqueness; and he credits Alan Turing with being the 'father of the fourth revolution', in which we understand ourselves as information processors, living in an 'infosphere' that we share with a lot of nonhuman information processors. Chapter 5 is a thorough discussion of 'privacy', and of the often contradictory ways in which we relate to it; chapters 6 and 7 suggest that rather than computers becoming more intelligent, we are adapting the world to ICTs as they are - and that we have a certain amount of choice as to how we do that.

Particularly important is chapter 8 on 'politics'. Both as defender of life and property, and as welfare provider, the state has monopolised information collection, production, and control: but increasingly ICT has enabled other actors to determine policy and events. It has made possible both global corporations and the ability of individuals and small groups of

people to challenge state power - hence national governments' attempts to retain control of social media and of information more generally. Politics is now 'multi agency', a nation's 'infrastructure' is the cabling required by fast broadband rather than its roads and railways, and warfare is increasingly cyberwarfare that must now be regulated in the same way as nuclear and chemical weapons have been regulated.

Chapter 9 shows how ICT both directly and indirectly damages our planet and its climate, and that it also has the potential to create a less carbon intensive economy. The so-far-unanswered question is which tendency will predominate: and it is therefore appropriate that Floridi's final chapter seeks an ethics for the infosphere as a whole.

One of the questions left both unasked and unanswered in chapter 8 is this: If the nation state's ability to collect, produce and control information is leaking into a wide variety of global and local agencies, then new contexts and methods will need to be found for the provision of welfare. In particular, it is no longer obvious that the nation state will be the right or only context for the management of the financial and other resources that individual and social flourishing will require. As well as propelling us into this new situation, ICT developments will make possible the management of such multi-agency and multi-level welfare provision - but only if welfare provision can be managed by the ICT available. Radically simple tax and benefits systems will clearly be the most appropriate.

The publisher is to be congratulated on such a reasonably priced hardback.

Paul Spicker, *Social Policy: Theory and Practice*, Policy Press, 2014, xii + 499 pp, 1 4473 1609 1, hbk, £70, 1 4473 1610 7, pbk, £23.99

This third edition of Paul Spicker's *Social Policy* combines updated material from two previous books: *Social Policy: Themes and approaches*, and *Policy Analysis for Practice*. The subtitle of the new edition of *Social Policy, Theory and practice*, is accurate. As Spicker puts it: 'Social policy has always been study for a purpose' (p.3).

The book is organised in four parts: a study of society (welfare, inequalities, social problems and responses to them, needs, and indicators), policy (how policy-making works, models of welfare, principles and values, strategies, policy analysis), the organisation and delivery of welfare (welfare sectors, public services and bureaucracies, service delivery, recipients, administration), and methods and

approaches (research, evidence, application). The book is comprehensive and is an excellent resource for lecturers, students, and researchers. The guide to sources, the glossary, and the indexes, add to the book's usefulness (although the index might have employed additional subentries).

The volume is not a detailed discussion of particular social policy fields. For that, the reader will need to refer to more specialised volumes. What this book *does* offer is a general education in how to study social policy in order to provide a context for detailed study of particular fields – and sometimes the text boxes provide illustrations of that process. So, for instance, a section on 'universality' is followed by a description of Liberia's health care system.

One very good reason for *not* arranging the book into different social policy fields is, as Spicker makes clear in relation to poverty (p.222), that the different fields are all connected. For instance: any relevant strategy to improve a population's health will need to provide for adequate income, good healthcare, high quality housing, and reliable sanitation.

The book raises some interesting questions for those of us interested in the reform of the benefits system – for instance: Should payment of a universal benefit be paid automatically, or is it important to enable people to exercise choice, and therefore to require them to make a claim for the benefit? (p.333). The book also provides some important arguments for universal benefits:

The argument for universality is the argument against selective approaches: the process of selection is inefficient, inequitable, difficult to administer, and it fails to reach people. By contrast, universal social provision can reach everyone, on the same terms. The degree of uniformity simplifies administration But there are also positive reasons for universality. One is the view that everyone has basic needs, and those needs can often be supplied more simply and effectively through general provision to everyone. ... Second, universality has been seen as a way of establishing a different kind of society – one in which every citizen has a right to basic services, and the basic texture and pattern of social life is one in which people do not suffer unjustifiable disadvantages. (pp.218-9)

Social Policy: Theory and practice comes highly recommended as a thorough and stimulating introduction to the field.

Benjamin K. Sovacool, Roman V. Sidortsov, and Benjamin R. Jones, *Energy Security, Equality, and Justice*, Routledge, 2014, xix + 213 pp, hbk 0 415 81519 2, £85, pbk, 0 415 81520 8, £27.99

This book is a recent product of the Vermont Law School's Institute for Energy and the Environment's research on how to 'equitably provide available, affordable, reliable, efficient, environmentally benign, proactively governed, and socially acceptable energy services to households and consumers' (p.xvii); and the aim of this book is to describe current inequalities and injustices associated with energy use and make suggestions as to how greater justice might be both understood and achieved.

As the first chapter points out, we are drifting 'into a future threatened with climate change, rising sea levels, severe pollution, energy scarcity and insecurity, nuclear proliferation, and a host of other dangers' (p.1), and that our desire for low-cost and reliable energy conflicts with the pursuit of the sustainable and cleaner environment that we also wish and need to experience. The chapter provides quite enough evidence for these statements.

Chapter 2 is more philosophical, and concludes that 'energy justice' should be based on two principles:

a prohibitive principle: 'energy systems must be designed and constructed in such a way that they do not unduly interfere with the ability of any person to acquire those basic goods to he or she is justly entitled' (p.42);

and an affirmative principle: 'if any of the basic goods to which every person is justly entitled can only be secured by means of energy services, then in that case there is also a derivative right to the energy service' (p.46).

Because a sustainable and clean environment and a stable climate are basic goods to which we are all entitled, the prohibitive principle requires that the damaging externalities associated with energy production must be minimised.

Anyone who doubts the doubts the environmental and climate damage being done by the ways in which we currently produce energy should read chapter 3; the damage done to health by fuel poverty in the UK and elsewhere, and the volatile and increasing cost of carbon, are described (- John Hills' *Getting the Measure of Fuel Poverty* ought to have been referenced) in chapter 4; in chapter 5 the socio-political dimension is described in terms of corruption, authoritarianism and conflict (- as

problematic in the so-called developed world as in the developing world); chapter 6 charts the disproportionate way in which the poorest communities fail to benefit from energy production and at the same time suffer the most from production methods; and chapter 7 describes widespread environmental damage and finds that the extension of conventional technologies can only increase inequality.

The impression left by this book is of ubiquitous environmental damage and fuel inequality: that is, damage and inequality in the world's wealthiest as well as in the world's poorest countries. The answer is not new technologies: the answer is to ask who is affected by investment and pricing decisions, and to factor in the externalities when relative costs are calculated. If this is done then solar and wind power turn out to be both more just and cheaper than nuclear power or fossil fuels.

The problem is therefore a political one: a fact that could have been more explicit in the book's concluding section.

This book should be read alongside Fitzpatrick and Cahill's *Environment and Welfare: Towards a Green Social Policy* (Palgrave Macmillan, 2002), in which Tony Fitzpatrick suggests that a Citizen's Income could encourage economic growth and therefore greater environmental damage, and James Robertson proposes a carbon tax to fund a Citizen's Income, which would encourage renewable energy production at the same time as promoting income justice and therefore fuel justice. It should also be read alongside the recent Institute for Fiscal Studies report *Energy use policies and carbon pricing in the UK* which recognises that an increased carbon tax is needed on domestic gas use and that this would require poorer households to be compensated. The acknowledged problem here is that such a compensation package would require an increase in means-testing, which would impose additional disincentives, administrative complexity and income volatility on those households least able to cope with them.

Energy Security, Equality and Justice lacks a bibliography, which is a pity, and its index is sketchy, which will make the book difficult to use as a reference volume: but it is a well argued and carefully evidenced discussion of issues vital to our future and it deserves a wide audience.

Mark White, *The Illusion of Well-being: Economic policymaking based on respect and responsiveness*, Palgrave Macmillan, 2014, viii + 206 pp, pbk, 1 137 36466 1, £22

This short book, of an introduction and just four chapters has a clear agenda: that people's interests are 'complex, multifaceted, and subjective' and that governments should therefore not attempt to influence how people should live their lives. That statement is on the first page of the book, which also recognises the legitimacy of governments providing 'essential services such as education and health care': something of an inconsistency, because, by choosing how our children are to be educated, governments are indeed deciding 'how we should run our lives ... though in a subtle way that is unlikely to inspire cries of government overreach and tyranny' (p.1). But on the whole this is a consistent book, and the message is clear: that the author's target is governments' attempts to measure their citizens' happiness, and their (broader) well-being, and to fashion policy accordingly. The problem is that no scale from 1 to 5 can capture the incommensurability of different people's happiness or well-being, and no government can understand how each individual understands their own happiness, or their wellbeing: so if a government employs a particular understanding of happiness or of well-being to inform social policy then it has ceased to respect people's autonomy.

The book is full of economic arguments clearly expressed so that readers without any specialist economics knowledge will come away understanding some important economic theories and some of the problems related to them. So, for instance, Pareto improvement (which makes at least one person better off without making anybody else worse off) is criticised for allowing one person's minor inconvenience to veto a policy that might benefit thousands; the connection between the satisfaction of an individual's preferences and that individual's and others' well-being is shown to be far from simple; and the economist's 'utility' concept is criticised for the same incomparability between individuals that the concepts of happiness and wellbeing suffer from.

White addresses a variety of questions: By happiness, do we mean a momentary emotional state, or long-term satisfaction with our situation in life? What do 'happiness' and 'well-being' actually mean (- White offers psychological, economic and philosophical understandings)? And how might any particular measurement of happiness influence policy? (White's discussion of the difference between total and average happiness would have benefited from an

understanding that the mean and the median are both averages and that they mean different things.)

The first two chapters, on happiness and well-being, are the negative argument. The positive argument, on personal interests, begins in chapter 3. For White, 'interests' means 'everything that matters to a person, everything that is of concern to him or her, and everything that motivates his or her decisions, choices, and actions' (p.93). One's interests relate to oneself, to other people, to one's environment, to personal and societal values, and to much more besides, and a government's task is to respect those interests rather than to impose some overall conception of well-being on people, or to care for people in some way – because any attempt to care has already decided what well-being might look like for the person cared for.

Given that governments do not know what people's interests are, the appropriate tasks for governments are to 'enable choice' and to 'respond to need', with 'need' defined as the problems identified through democratic means (p.142): with the understandable proviso that a proper government task is to ensure that one person's exercise of choice should not damage another person's interests (p.152). The result is democratic and pragmatic government rather than ideological government.

There are some nice proofreading mistakes (- 'happiness' certainly is 'a notoriously different word to define' than 'justice' or 'beauty', but the author probably means that it is a notoriously difficult word to define); the text sometimes veers too rapidly between chatty dialogue and complex logical argument; and the original text, written in the USA, has not been adapted for a British audience before being distributed in the UK: but these are minor quibbles.

What really is missing is case studies showing how *in detail* this approach to government would affect (and in fact does affect) policy-making. To take an example in which readers of this *Newsletter* might be interested: A benefits system that makes assumptions about the ways in which people should live (in terms of their employment, personal relationships, or anything else) is not a proper task for a government. This suggests that regulations relating to employment, relationships, or anything else, have no place in a benefits system, and that the only legitimate benefits system is a Citizen's Income.

Richard Freeman and Steve Sturdy (eds), *Knowledge in Policy: Embodied, inscribed, enacted*, Policy Press, 2014, xi + 242 pp, 1 4473 0998 7, hbk, £70

We know things; we express that knowledge; and we make use of it when we do things. What is true in daily life is equally true in the social policy world. People know things; people express their knowledge, in writing and in other ways; and people make things happen on the basis of their knowledge. Much knowledge is tacit and deeply 'embodied' in our experience as human beings – for instance, in our experience of stigma. Knowledge might then be 'inscribed': for instance, in documents. And knowledge is 'enacted' when embodied and inscribed knowledge influences action.

The book's authors employ this threefold embodied, inscribed, and enacted schema to enable them to understand particular policy processes. A study of mental health policy in Scotland reveals how context-dependent knowledge might be (- and in particular context can determine which knowledge is marginalised and which is prioritised). The process of school evaluation in Portugal shows how knowledge is 'subject to an almost infinitely extended process of social validation' (p.60); international organisations such as the World Health Organisation work by creating, fixing, and diffusing knowledge (p.75); and British civil servants choose to whom they talk, and then they choose what to do with what they learn:

When the civil servants spoke to others to learn about a policy issue, they were not only trying to develop an understanding of an issue, but also to rework this understanding in terms that enabled a policy proposal to meet ... in-practice requirements for success. (p.101)

Across a variety of countries school inspectors are found to create 'standardised knowledge' by 'collectively inscribing data' (p.122); and a European project became possible through the 'evolution of patterns and habits specifically erected through face-to-face interaction' (p.139).

The final three chapters study knowledge interests (- knowledge transfer must cohere with local knowledge if it is to be effective); knowledge conflicts (successful enactment has to take account of often competing embodied knowledges); and knowledge work (translation of knowledge for particular contexts is crucial to successful enactment).

This book succeeds in persuading the reader of the importance of knowledge in the policy process, and suggests that those who influence policy have an

obligation – one often fulfilled – to seek knowledge as widely as possible, because some knowledge might be embodied but not inscribed or enacted. In the context of benefits policy this means that the knowledge embodied in administrators, claimants, and anyone who might be a claimant, could be essential to the success of any proposed reform. To collect that embodied knowledge, to inscribe it, and to enact it, is a major and important task.

Stewart Lansley and Joanna Mack, *Breadline Britain: The rise of mass poverty*, Oneworld Publications, 2015, 1 78074 554 2, pbk, xvii + 334 pp, £9.99

On my bookshelves there is a slim paperback written by Stewart Lansley and Joanna Mack called *Breadline Britain*. It was published in 1983 to accompany a television series of the same name. Thirty years later the same authors have published a longer book with the same title – and the distressing thing is that not only have things not improved for the poorest in our society, but that in many respects they have got worse. For instance: the number of those who cannot always afford sufficient food has doubled since 1983, from thirteen to twenty-eight percent of the population. A too frequent proportion is ‘one in ten’: one in ten households now live in damp homes, and one in ten cannot heat their homes adequately. The book is easy to summarise: Lots of people are living in poverty, and their number is growing.

For the 1983 television series Lansley and Mack developed a method that defined poverty as an inability to afford a minimum standard of living defined by what the majority of people think are necessities. Where households lacked a range of necessities they were in ‘deprivation poverty’. The authors used the same method for the research underlying their new book, and the results are really quite shocking, particularly in relation to children. One in five children now live in a home which is cold or damp because their family does not have enough money to afford sufficient heating; and one in ten children lack an essential item of clothing such as a warm coat or a second pair of shoes – again, one in ten. And it’s not just the number of people below the *Breadline Britain* poverty line that has risen. The number of people just above that line is also rising.

What is important about the method is that it measures the extent to which households are or are not part of the society to which they belong. The number of households significantly not part of society in relation to the necessities of life identified by public opinion is now double the number thirty years ago: and, perhaps even worse, when measured against

the necessities identified in 1999 rather than those identified in 2012, there are more people in poverty now than there were then.

A particular problem that the authors identify is that in relation to the publicly-identified necessities, average living standards have risen during the past thirty years, so it is not too difficult for a government and the media to ignore the fact that the living standards of the poorest have fallen. Today’s reality is growing inequality as well as growing poverty.

This book is packed full of detail: on the method used to define and measure poverty; on the four surveys so far conducted using this method, in 1983, 1990, 1999 and 2012; on the effect of ‘upheaval in the market for jobs’ (p.89) on poverty levels among working age adults and their families; on the ways in which the victims are blamed rather than lack of opportunity being held responsible; on the ways in which the poor are punished for their poverty; on the ways in which the Government subsidises people who are already wealthy (particularly in relation to home ownership); and on foodbanks.

So what is the solution? The authors suggest that raising wages and improving job security is an important part of answer. Yes, it is: but while a government can impose a National Minimum Wage, and can regulate employment contracts, in the context of global markets for goods, services, and increasingly labour, government action in these fields is unlikely to be sufficient to significantly reduce inequality or poverty. The authors also suggest that a major problem is our largely means-tested social security system, and that a solution is to increase the coverage of universal benefits. In the short term, Child Benefit needs to be increased in value. In the longer term a Citizen’s Income is required (p.237), along with continuing means-tested provision for housing costs. They suggest that the tax system should be made more progressive in order to fund these provisions. The authors see the increasingly successful Living Wage campaign, and mounting social pressure for the reduction of poverty and inequality, as signs of hope. Yes, they are: but it is probably also true that unless universal benefits, better jobs, and a higher National Minimum Wage are successfully argued for on the basis of their economic efficiency – which of course they can be – they are unlikely to happen.

As Polly Toynbee suggests on the front cover, ‘This is the book everyone needs to read’. They do. And they particularly need to read page 237.

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