

BIRG BIRG BIRG

BULLETIN

BASIC INCOME RESEARCH GROUP BULLETIN NO 10 £3.00 AUTUMN/WINTER 1990

BIRG

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JAMES MEADE *on* SOCIAL
DIVIDEND

PADDY ASHDOWN *on* BASIC
INCOME

DAVID PURDY *on* CITIZENSHIP

NEW INITIATIVES IN ITALY

THE INDEPENDENT LIVING FUND

PENSIONS

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A *Basic Income (BI)* scheme would phase out as many reliefs and allowances against personal income tax, and as many existing state-financed cash benefits as practicable; and would replace them with a basic income paid automatically to each and every man, woman and child.

Basic Income would enhance individual freedom, and would help to:—

- Prevent poverty
- End the poverty and unemployment traps
- Reduce unemployment
- Create a less divided society

EDITOR: Hermione Parker
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APPEAL FOR SPONSORS

In earlier editions of the Bulletin we appealed for support from all organisations and individuals who share our belief that there must be far-reaching changes in social security and personal taxation. Hundreds of individuals and voluntary organisations have become BIRG subscribers. If you are not on our mailing list, why not consider joining us by completing and returning the application form on page 32. Subscribers are not committing themselves to support a Basic Income. They are encouraging informed debate about the desirability and feasibility of reform along these lines.

THE BASIC INCOME RESEARCH GROUP was set up in 1984, under the auspices of the National Council for Voluntary Organisations, to research all aspects of reform along the lines of a basic income. In 1986 it affiliated to the BASIC INCOME EUROPEAN NETWORK (BIEN), which it helped to found.

BIRG is not a pressure group, nor is it aligned to any political party.

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Editorial

Most people think of Basic Income (BI) in terms of money: how much the BIs would be, their cost, how they would be financed, who would gain and who would lose. In many ways this is a sound approach. Without the arithmetic, BI opponents can make false accusations with impunity, while BI enthusiasts tend to get carried away, promising untold bounty whether or not it can be delivered. In this Bulletin we shall nevertheless concentrate on the non-quantifiable aspects of BI: its value rather than its price, its political implications, and above all the opportunities it offers for a new type of society and an expansion of democracy.

In *Topsy-turvy nationalisation*, Nobel prize-winner James Meade sets the scene by drawing attention to the dangers of a free market that turns increasingly to labour-saving technologies, unless it is combined with 'compassionate social action'. Somehow a method has to be found that will spread the benefits of new technologies to all citizens. Meade favours a social dividend, which is not altogether the same as BI — being financed out of the profits of industry rather than personal incomes — a distinction to which we hope to return in a later Bulletin.

In *Breaking the poverty trap*, Paddy Ashdown MP (leader of Britain's Liberal Democrats) pursues a similar theme, emphasising the need to combine 'a vigorous modern economy' with 'an entirely new structure, which gives every citizen a non-withdrawable Basic Income, irrespective of work or marital status.' David Purdy (of Manchester University) takes the analysis further. In a major paper, he questions the capacity of BI to transform society, unless citizens are also empowered and encouraged to become active participants in society.

One of the intriguing features of contemporary life is the way new ideas take root in different parts of the world simultaneously. Ten years ago crisis in the welfare state led to widespread retrenchment within existing systems. Benefit cuts and stricter entitlement regulations became the order of the day. Today, as the effects of public sector retrenchment alongside unrestrained consumerism become apparent, the ideas of ten years ago (which in Britain are associated with Thatcherism, but in fact go much wider) are losing their appeal. Instead, in countries as far apart as Australia, Finland and Japan (see *BOOKS AND PAPERS RECEIVED*), the ground is being prepared for new ideas and new systems. These new ideas are founded on the realisation that old-style social security systems, like old-style production processes and old-style, formalistic democracy no longer meet expectations, no longer match the conditions in which people actually live, and need to be replaced.

Along with the new ideas come new terms by which to express them. Words like Basic Income, Citizen's Income and post-Fordism all signal the new approach — an approach that has immense (potential) voter appeal and is up for grabs by whichever political parties have the courage and foresight to adopt it.

In terms of party politics it is nevertheless important to

distinguish new terms that express new concepts from new terms that are euphemisms for old concepts. For example, when spokesmen for Mrs Thatcher's government talk about 'income-related' or 'targeted' benefits, they are using new terms to describe a very old-fashioned concept — namely means testing. When they talk about 'workfare' they are using a euphemism for direction of labour, and when they talk about 'community charge' they mean poll tax. There is a counter revolution — an attempt to take British social policy back to the nineteenth century — and they hope to succeed by fooling the electorate.

By contrast the language and content of BI is genuinely new and invariably forward looking, as in the words of Elio Giovanni of Italy:

... We became interested in Basic Income because the values of distributive justice underlying the welfare state seem to have run their course ... We perceive the need for a new concept of social citizenship ... In effect, we are talking about a new kind of welfare state.

Giovanni is president of IRES, the research institute of Italy's largest trade union federation. Maria Luisa Mirabile explains the background to his speech in her contribution to this Bulletin. The emergence of this debate in Italy, especially within the trade union movement, is of immense significance and could not be better timed. For it offers the newly-freed, embryonic democracies of Eastern Europe — and the Soviet Union — new models for reform. Instead of being slaves to the past (Bismarck or Beveridge), they now have the chance to work out systems better suited to their needs.

BIRG Youth Groups

With the future very much in mind, BIRG wishes to encourage young people's interest in BI, by the formation of BIRG YOUTH GROUPS. Already several voluntary organisations concerned with young people have offered to include BIRG material in their regular mailings. We believe that reform of tax and social security along BI lines would be of particular advantage to young people, especially students and trainees, would-be students and trainees, young unemployed or disabled, and young parents.

BI would give all young people a small, unconditional income, in return for which they would have to pay tax on virtually all their other income. All young people would get the same age-related amounts, including school students and vocational trainees as well as students on first-degree courses. For all of them — and for the unemployed — BI would be a firm base on which to build their lives. The BIs would carry no earnings restrictions or availability for work rules, and they would be paid on an individual basis, regardless of marital status.

Young people with disabilities would get supplements (in recognition of their extra needs) and would be allowed to take paid work within their capabilities without being accused of fraud, although they too would have to pay tax on their earnings. Young families with children would benefit twice over. The BIs for children would be

higher than current child benefit, and non-earning parents, who at present forfeit the value of their income tax allowances because they have nothing to put against them, would receive their BIs in cash.

BIRG is thinking of BIRG YOUTH GROUPS with an upper age limit of perhaps 30 years. We believe the groups should be autonomous, but for each group BIRG would provide a contact person, to offer help and advice. We already have contact volunteers for Bath/Bristol, Birmingham, Exeter and Manchester. **Readers interested in any aspect of this initiative, and who think they could help, should please contact BIRG at 102 Pepys Road, London SE14 5SG (telephone 01-639 9838) as soon as possible.**

Finally BIRG would like to take this opportunity of thanking Lady Rhys Williams most sincerely for her kind donation of books and papers from the collection of the late Sir Brandon Rhys Williams. These are held, along with BIRG's growing collection of other reference material, at 102 Pepys Road, where they are available (for reference purposes only) to all BIRG members. If you would like to spend a few hours studying this material, you will be most welcome. But please make arrangements with Malcolm Torry (BIRG's Secretary) first.

Topsy-turvy nationalisation

James Meade

*This article was first published in **Samizdat No 5** (July/August 1989) and is reprinted here by kind permission of Samizdat's editor, Professor Ben Pimlott. In it the author sets out a novel proposal for the financing of a social dividend.*

We live at an historic turning point in economic policy, with recognition on both sides of the Iron Curtain of the virtues of market competition rather than centrally planned management for the main range of industrial and commercial activities. I personally warmly welcome this development. But a healthy human society must not forget the social as well as the individualistic aspects of human behaviour and relations. During the last decade in the United Kingdom there has been a lamentable disregard of the need to temper certain greedy, devil-take-the-hindmost excesses of the private competitive system with central concern for the necessary social regulation and infrastructure and with compassionate social action for the individual citizen's welfare.

In a competitive market structure the basic distribution of the product of industry between the yield on property (interest, rent, profit) and the return on work (wages, salaries and other earnings of labour) will be determined by market forces. If there were much labour seeking employment against a limited capacity of capital equipment, if new technologies were labour-saving rather than capital-saving, and if consumers demanded products which required much capital and little labour to produce, the return on capital would inevitably be relatively high and the earnings of labour relatively low.

The competitive market structure can take many forms: capitalist companies with or without profit sharing or employee-share-ownership schemes, labour-managed co-operatives, or various forms of labour-capital partnership. The choice of such institutions can have some effect on the distribution of the product between labour and capital; but in a fully competitive regime this effect will be secondary. The basic distribution will be set by the basic market conditions.

This presents us with a fundamental policy problem. To secure useful employment in a competitive market setting for the mass unemployment faced by the restricted manufacturing capacity left over by the Thatcher regime, may well involve a substantial reduction in the return to labour relative to the return on capital, a development which could be intensified if modern technologies turn, out on balance to be labour-saving and capital-using. If the merits of a competitive system are to be preserved, and at the same time excessive inequalities are to be avoided, we need to consider radical ways in which part of the high returns on capital can be used to supplement the earned incomes of the representative worker.

A familiar suggestion is to institute a progressive structure of taxation which falls on the rich, the revenue from which can be used to finance adequate social benefits for the relief of poverty and for the raising of standards at the lower end of the income scale. This raises a serious danger of introducing disincentives into the productive system. If the social benefits are confined strictly to the support of those in poverty, the system will inevitably lead to serious disincentives in the form of the well-known poverty trap, since any additional earnings will be offset by withdrawal of social benefits as the recipients work themselves out of poverty.

On the other hand, if the benefits are not confined to citizens who are in need, but are paid on an adequate scale in the form of a Basic Income or Social Dividend to every citizen, the marginal rates of tax on private incomes needed for their finance would become intolerably high — perhaps implying a rise from 25% to 80% in the basic rate of income tax. The disincentive effects at the upper end of the scale become intolerable.

There is one possible radical change in our present economic system which would resolve this dilemma: a structural reform which we should, in my opinion, be considering very seriously.

Imagine the following happy state of affairs (I will discuss later how we might hope to get there). The state, instead of being burdened with a large national debt, has not only repaid the whole of that debt but has in addition accumulated an amount of public savings which enables it to own a substantial National Asset — taking the form of the state ownership of, say, one half of the shares of the national companies which are bought and sold on the Stock Exchange. The government does not manage any of the country's real assets. It simply invests its National Asset funds (which have replaced the old National Debt liabilities) in privately managed competitive investment trusts or similar bodies, whose funds, together with the remaining capital funds in other private hands, constitute the basis for a continuing private Stock Exchange and Capital Market.

The current finances of the State would be transformed. Its budget balance would gain through the reduction of payment of interest on the National Debt and through the indirect receipt of dividends from one half of the marketable capital resources of the nation, a net amount which would be not far short of the total revenue from the current income tax.

This would provide a very solid base for the introduction of a true Social Dividend. In effect, the state would indirectly be the beneficial owner of a substantial proportion of the real wealth of the nation, and the dividends from this wealth could be distributed to all the nation's citizens as a Social Dividend.

But, alas, we must face the problem of getting to this happy state from our present position. How do we do it? An obvious answer is to mount a once-for-all Capital Levy, on a scale sufficient to transfer the desired proportion of private wealth to public ownership. Personally, I would not advocate an earthquake of this magnitude, being in favour of a much more gradual approach to economic reform.

With a small budget surplus the process of transfer of

wealth to public ownership could be so slow and prolonged as to lose all its attraction. But, it may be asked, would not the present annual budget surplus of £14 billion suffice for a gradual redemption of National Debt and public acquisition of other Assets at an acceptable rate? The answer would be an enthusiastic 'Yes' if this surplus were a true and lasting one. But unfortunately, the announced surplus is greatly inflated by counting as current revenue the proceeds from sales of National Assets (from privatisation schemes, sales of council houses, etc.). The true reduction of net National Debt is very much smaller. Moreover, there is a crying need for at least some immediate increases in budgetary expenditures on health, education and social welfare and infrastructure.

We do, however, start with an exceptionally low rate of income tax at 25%, with no tax on private holdings of wealth and with ineffective levies on transfers of private wealth by gift or bequest. With a 9% employee's compulsory National Insurance Contribution (NIC), a vast range of earned income is taxed not at 25% but at 34%. It is in any case desirable to integrate NIC and income tax. If this were done at a basic rate of 34% the great range of earners would not be affected, but unearned income would start to pay as much as earned income; and there is certainly a strong case for taxing capital more heavily, as used to be recognised by earned-income allowances, or by a special charge on investment income.

The basic question is whether a scheme of effective capital taxation on private holdings and/or transfers of wealth could be devised which would be both tolerable in its incidence and at the same time productive of a worthwhile surplus revenue for the transfer of wealth from the private to the public sector. Once the process was started the magic of compound interest would come to our help. As the National Debt and so the burden of interest on debt was reduced, the budget surplus would automatically rise.

A part of the growing surplus could then be used for immediate improvement in social expenditures, the remainder being used to increase the rate of reduction of National Debt or increase the growth of National Asset. The result could be a gradual process of continuing improvement based on a lasting, well-founded rise in state revenue.

I have done many back-of-the-envelope calculations which suggest that an adequate structure of capital taxation might be devised to set a worthwhile process in motion. But it is a complicated subject which cries out for a careful professional study.

The whole process may be called one of Topsy-Turvy Nationalisation. When the post-war Attlee government nationalised coal, electricity, steel and transport, the management of those concerns was nationalised, but the beneficial ownership was left in private hands, since the interest on the funds raised to compensate the previous owners must be set against any revenue earned on the real assets which were transferred. The process advocated in this note in contrast involves the nationalisation of the beneficial ownership of the assets involved, leaving their management in private hands. It presents a vision of a future society in which private competitive enterprise is the ruling mode of production, but in which the state receives a substantial share of the yield on the

nation's real capital resources, thus enabling it to fulfil its proper social role without the immoderately high rates of taxation which would destroy private enterprise and initiatives.

Are we prepared to face a period of relative austerity in order thus to set in motion a process for such a transformation of our society?

James Meade is a former professor of political economy at Cambridge, and winner of the 1977 Nobel prize for economics.

Breaking the poverty trap: A Basic Income

Paddy Ashdown MP

*In this article, taken largely from his recent book **Citizens' Britain: A Radical Agenda for the 1990s**, the leader of Britain's newest political party — the Liberal Democrats — puts his own stamp on the case for BI. A Liberal-Democrat Green Paper proposing integrated reform of the tax and benefit systems is expected early in 1990. For further details of Paddy Ashdown's book, see **Books and Papers Received**.*

We have come to accept that one of the hallmarks of a prosperous and civilised society is that it should be able to guarantee not only good education and good health care to its citizens, but also an adequate system of financial support for those in need. This was what the Beveridge social security system set out to do. It was founded on the idea that every able-bodied man of working age would have a full-time job, paying a wage sufficient to support a family, and that the vast majority of married women would be housewives without employment. This was the pattern of the old industrial society. In the new industrial age all this has changed. Fewer men have full-time jobs, most married women are employed (mostly part-time), wages are far more variable and the balance between the working and the retired has altered massively.

Britain's national insurance system cannot cope with this situation. It has reached the end of a noble life and is going to have to be replaced.

Meanwhile, piecemeal measures have been taken to shore it up. Under this government, far more use has been made of 'targeted', means-tested benefits such as income support, family credit and housing benefit. Because they all involve filling in long and complex forms, they are confusing and put many people off. Others are too proud to claim benefits which they get only if they prove they are poor. Sometimes the rules are so complex that even the staff do not understand them. The result is long delays and inefficiencies, with claimants frequently complaining that the system gets them into debt, or even makes them homeless.

In spite of much trumpeting about reforming the system, targeting has been a failure because it has only reached between 30 and 70 per cent of those in greatest need. Much worse than this, it traps people in poverty.

According to the latest figures, 320,000 families with children now get family credit, and if take up were 100% this figure could be doubled. In other words, nearly 10% of families with children have earnings after tax that are so low they are expected to claim this latter-day equivalent of poor relief. The operative word here is tax.

If they were not taxed, far fewer low-income families would need family credit. Instead tax is charged and benefits are withdrawn simultaneously, resulting in marginal tax rates of up to 97 per cent, compared with 40 per cent for the richest in the land. It makes little difference in terms of spending power how much a family receiving family credit bothers to earn. A married man with two small children, paying rent of £21.80 a week and rates of £9.00, has a net weekly income after housing costs of £96.28 if he earns £56, and only £20 more (£106.74) if he earns £150 a week. A lone mother with two small children, and the same rent and rates, has a net weekly income after housing costs of £95.20 if she earns £56 a week and £104.85 (less than £10 more) if she doubles her earnings to £112.

Our economy cannot afford to have large numbers of workers with no incentive to earn more, and none to save either. What is more, the present system cannot cope with part-time work, which is such a growing feature of our modern economy. For people on income support, part-time work is useless, because their earnings are confiscated. The wives of unemployed men face the same problem. And the tax system leads to most part-time jobs for married women being offered at very low wages (often under £43 per week), in order to avoid paying national insurance contributions.

This government has proved that tinkering with the system makes it worse. What was once the pride of the civilised world has become a bureaucratic nightmare, complex and expensive to administer, failing the poor yet damaging the economy. The time has come for a radical new approach.

Britain should start to move towards an entirely new structure which gives every citizen a non-withdrawable Basic Income, irrespective of work or marital status. This would guarantee each individual a tax-free sum. It would end discrimination against women and against part-time workers, ameliorate the poverty and unemployment traps, replace existing state pensions and help prevent poverty rather than merely inventing new ways to relieve it.

It will probably never be possible to provide a BI which is, in itself, sufficient to meet the essential living costs of those in work. For the old, however, BI, replacing the state old age pension and paid as of right to all retired citizens, irrespective of their contribution record, can and must be sufficient for subsistence. To finance this approach, all social security benefits, tax reliefs and allowances would have to be brought together into a single system, replacing benefits such as income support, unemployment benefit, etc.

To say that an individual's right to income maintenance should be based on citizenship is a radical proposal, but one which is quite in keeping with the traditions of our system of personal provision in Britain. It merely involves bringing income maintenance into line with our public health and education provision, which are already founded, at least in principle, on equal rights for every citizen. Nor is the principle of making a payment in respect of people's status, rather than their means, in any way new. It is, after all, the basic principle upon which both child benefit and the old age pension are paid. It is in a sense the dividend due to every citizen on his or her notional share in the common wealth of society.

A BI scheme has many advantages:

- **It is simple.**

● **It is equitable.** It removes all discrimination against married women in the tax and benefit systems. Like men, women would have a sum that provided a modest weekly income if they did unpaid work, or a tax credit if they were in employment.

● **It is non-stigmatising.** It defines a right and an automatic process for citizens who are poor, unemployed, married or single parents to have their income supplemented. This takes away both the stigma of claiming and the power of state officials.

● **It encourages work and saving.** It removes the distinction between full-time and part-time work, giving everyone the same incentives to earn and save, and married couples much stronger incentives to share both paid and unpaid work.

Economists like Samuel Brittan of the *Financial Times* are right in believing that, far from encouraging dependence, the citizens' BI will stimulate the take-up of spare employment capacity, encourage enterprise and self-employment, and provide the flexibility required in a vigorous, modern economy. Indeed, it may be the most effective way to 'formalise' the black economy, since there will no longer be any incentive for 'fiddling the social' while moonlighting on a job. Instead of harassing unemployed people or creating occupational therapy schemes disguised as training, we will be giving people incentives and opportunities to contribute to the economy.

Another advantage of BI is that it is well targeted, because people with higher earnings automatically pay back more than the value of the BI through tax.

We have become accustomed to counting tax rates as the only evidence of fiscal rectitude, and turning a blind eye to tax allowances. The BI principle will make the whole scheme transparent, so that people will see what they are getting from it as well as what they are paying into it.

A full BI — in which every adult receives enough for subsistence — would, however, require all other income to be taxed at an unacceptable level. So we have first to implement the principle of BI rather than its perfect operation. Indeed, it may take several decades of growing prosperity to achieve a BI system, but every step we take towards it will diminish dependency, liberate economic power in the hands of the citizen and cut back on the oppressive power of the state bureaucracies over people's lives.

What is needed is a gradualist approach. In order to avoid sudden changes in incomes and incentives, a partial BI could be introduced, gradually replacing both tax allowances and many social security benefits. In this way, the dignity, opportunity and choice of our poorest citizens can be improved without undermining the security of other claimants or destroying long-established rights. The major principle which should guide our short-term policies is that no measure should be inconsistent with our long-term goals.

A partial BI would provide a basis that people could use to gain education and training, and to retrain during their working lives. The present nonsensical provision for student grants and the various training

allowances could be simplified, giving greater choice and flexibility in this area which is so vital for our economic progress.

We must also recognise that it will always be necessary to give some people extra benefits because of their additional living costs. Disabled people need a higher BI because they have a higher cost of living, and because they need help with every-day tasks. A proper disablement income would include an element related to the cost of care, which would be used to choose between various kinds of services — day care, residential care, family care, or an independent living scheme.

In the past, groups of citizens with special needs have been penalised and isolated in many ways. Some we have locked up in remote, regimented asylums, hospitals or workhouses. Others we have disabled by designing an environment which is a no-go area for those in wheelchairs, or who cannot see or hear. Above all else, we have condemned all those people, and those who care for them, to poverty.

We need new methods of care, new access to ordinary facilities and new income provision, but we must not allow the benefits we give to those with special needs (and their carers) to trap them in passive and excluded roles. For example, benefits to disabled people should not be made conditional on being outside the labour market, and benefits for carers should not — like the present Invalid Care Allowance — require carers to give up their jobs and spend a fixed number of hours on unpaid care.

This is where the BI principle has the potential to unlock current dilemmas. If every citizen had a weekly income guarantee of this kind, then the only question would be how to give a supplement to people with special needs which recognises the extra expenses associated with disabilities, and takes account of their disadvantages in the labour market. A BI would give a disabled person income security; a supplement for care needs would give real choice over what kind of care he or she would prefer. Finally, of course, a BI for all adults would allow family members to share caring tasks rather than trap one person (usually a woman) in the role of full-time carer.

This change should be an urgent priority. In the 1990s women will be in great demand in the labour market, yet the need for family care will also be growing at an unprecedented rate. It is morally wrong to expect women to combine both these roles, or to force women to make stark choices between them. A mechanism for sharing both paid and unpaid work more fairly is essential. BI provides this mechanism, because it gives men as well as women incentives to do part-time work.

I recognise that a BI scheme would take a long time to establish, but the time to start is now. Britain will suffer in future if our employment market is not quickly freed from the rigidities imposed on it by our antiquated and dilapidated welfare structure.

Paddy Ashdown has been the Member of Parliament for Yeovil since 1983, and leader of the Liberal Democrats since the party was formed in July 1988. Between 1959 and 1972 he served as a Royal Marines officer, and between 1972 and 1976 he was in the Foreign Office. He has also worked in industry, and experienced unemployment.

Proposals for a guaranteed minimum income in Italy

Maria Luisa Mirabile

*This article is based on a paper given at BIRG's conference on **Basic Income and the New Politics of Citizenship**, held at Toynbee Hall on 10th June 1989. In it the author explains how the Institute of Economic and Social Research (L'Istituto de Ricerche Economiche e Sociali/IRES) of Italy's largest trade union federation (the **Confederazione Generale Italiana del Lavoro/CGIL**) became interested in Basic Income, and describes other initiatives for reform.*

The existing benefit system

Before explaining the proposals for a guaranteed income in Italy, it may be helpful to summarise the existing benefit system. Entitlement to social security benefits in Italy depends on the claimant's work record and on the social security scheme of which he or she is a member. Italy's social security system works on the basis of programmes directed towards specific groups of workers. The resulting fragmentation of provision has been accentuated and distorted by a peculiar combination of 'public' and 'private' provision, due initially to delegation of responsibility by the state to non-government agencies (Catholic associations, mutual insurance agencies and workers' associations), and afterwards to diversification of initiatives among the different agencies.

This fragmentation is still present to some degree today. Through various extensions and stratifications, the system now covers almost all categories of citizens. But there are significant disparities and gaps. Total social expenditure (on pensions, public assistance, health, education and what little public housing there is) was at first very limited, but reached the expenditure levels of other Western European countries by the early 1980s. The national health system was gradually extended to cover the entire population by the early 1970s, but in general, as with other forms of benefits, entitlement depends on the work records of individual claimants.

Italy has national and local systems of cash benefits. Some benefits are administered by central government and others by regional, provincial and city authorities. There is no unemployment pay as such; instead there are many different types of income support, none of which uses firm criteria or clear procedures. Employees are eligible for ordinary unemployment pay when they have worked a minimum of 78 working days during the preceding year. Employees who lose their jobs because

of industrial restructuring are eligible for payments equal to 80% of their previous wages through the *Cassa Integrativa Guadagni* or *Wages Integration Fund*. Individuals are also eligible for benefit if they can demonstrate that a disability prevents them from working. There are two kinds of disability pension, *invalidita sociale* (social disability) paid to all disabled workers, and *invalidita civile* (civil disability), which is paid to the poor. Payments vary according to the nature of the disability. Retirement pensions which fall below a set minimum are supplemented by the state. Child benefits are also payable, but vary according to the family's tax bracket.

The lack of any form of unemployment benefit for people who have not already been in paid work perpetuates a contorted system of public assistance benefits, which often function instead of a specific programme of support for the unemployed. In particular, research has shown a correlation between transfer payments and the problems of Southern Italy. This correlation now regularly enters into economic, social and political discussions. In 1988, the unemployment rate in the South was 20.6% (*Istituto Centrale di Statistica*). A large part of Italy's transfer payments continues to be distributed in the South for the maintenance of socially marginal groups. For many years a disproportionate percentage of these transfers has been in the form of disability pensions, and this helps to make the 'client-list' politics of the area self-perpetuating.

Despite these difficulties, there are many positive economic indicators in Italy. The rate of economic growth has remained high during recent years (GNP increased by 3.9% in 1988), industry shows a healthy level of productivity, and in Central and Northern Italy the unemployment rate has fallen to quite tolerable levels of 4-5%. Meanwhile, the process of post-industrial economic transformation has led to major labour market changes.

Recent initiatives

Early in 1988 the Institute of Economic and Social Research (IRES) of the General Italian Confederation of Work (CGIL) set up a permanent research project into the future of the welfare state. Many Italian experts contribute to this work. Additionally, some recent seminars on Basic Income and on France's *Revenu Minimum Garanti*¹ (a restricted form of BI) have been enriched by the collaboration of foreign experts². Introducing the new research project, IRES' president Elio Giovanni explained the reason for our interest in BI.

"... We became interested in Basic Income because the values of distributive justice underlying the welfare state seem to have run their course. Since we refuse the idea of a society divided between those who are well-to-do and those who are dispossessed, we are called upon to invent a new social system, where different kinds of work (care work, community service, professional work, etc) are accorded equal recognition and worth. We perceive the need for a new concept of social citizenship, sustained by new forms of income maintenance, diversified combinations of public assistance, opportunities for on-going education and

active labour market policies. In effect, we are talking about a new kind of welfare state. This is the context in which we decided to take up the question of a citizen's wage."

IRES made the decision to investigate BI autonomously, in a positive exchange of ideas with CGIL. We believe that BI as a theme of reflection uncovers critical problems, by calling into question the idea that a person's social identity should be based on work. In this sense, the question of BI is provoking an extensive debate within the trade union movement, about the transformations taking place in the labour market, and the new relationships between work within the labour market (paid work) and work outside it (unpaid work).

Thanks to IRES' contribution, and in line with our recommendations, a serious discussion about a minimum guaranteed income began in Italy during summer 1988. This question, which until a short time ago was debated only in academic circles, has now become the subject of committed political discourse. It informs opinion. A resolution passed in the Chamber of Deputies in February 1989 calls for an annual report on the impact of social legislation, especially the impact of policies concerning employment and minimum income.

The only other work in this area is that of the Commission on Poverty (*Commissione di Studio presso la Presidenza del Consiglio dei Ministri sulla Povertà in Italia*) which was set up by government in order to put forward recommendations for changes and adjustments to the existing benefit systems. In May 1988, the Commission proposed the introduction of a new benefit for families and elderly persons defined as 'poor' on the basis of their income tax returns. Poverty would be defined on a sliding scale, according to the number of persons in the household. The benefit would be financed through a re-structuring of existing benefits, for example pensions for the physically disabled and war veterans, unemployment pay and so forth.

This proposal for a 'social benefit' grew out of the work of the Commission, but it does not specify which institutions should be changed and to what degree. It is clearly a proposal for welfare assistance. It does not tackle the causes of the new poverty, such as rapid change and new patterns of production. By contrast, IRES' proposal for a BI must come to terms with just these aspects of social change.

Basic Income or Minimum Income?

When the debate began, there were numerous attempts at adaptation and translation. It is indicative of what was going on in people's minds that the terms *Citizens' Wage* and *Citizens' Salary* were used synonymously with *Minimum Guaranteed Income*. Probably each of these terms corresponded in the imagination of those who coined them with ideas equally far from the original proposal to which they referred. Very soon, when the discussion was hardly under way, many groups belonging to the political left began to formulate proposals for a *Basic Income*.

A year ago, for example, the Catholic Workers'

Association (*Associazione Cattolica Lavoratori Italiani/ACLI*) held a national convention on the rights of citizens, during which they discussed BI. *Democrazia Proletaria* (a small political party to the left of the Communists) has presented a legislative proposal in the Chamber of Deputies. The Socialist Party has prepared a detailed proposal. The Communist youth organisation presented its own proposal. Finally, also in May 1989, the Ministry of Labour proposed a jobs programme for unemployed young people in Southern Italy. This programme has excited quite a lot of serious and enduring interest on the left. The Communist Party, whose national congress in March 1989 focused on the rights of citizens, took an official stance on BI, and is preparing a legislative proposal.

Principal characteristics of the proposals

At this point it must be emphasised that the Italian proposals for a minimum income do not have many features in common with the idea of Basic Income as it has taken form in the international debate so far.

Despite differences between them, all the proposals are informed by the need to identify those public mechanisms capable of addressing the most serious aspect of unemployment in Italy today, namely youth unemployment in the South. (The unemployment rate for young people aged between 14 and 29 years of age was 42.8% in Southern Italy in 1988.) They are therefore rather distant from the concept of BI as a generalised mechanism in favour of all citizens, regardless of work status.

In Italy the emphasis is on finding a remedy for the lack of work and social protection experienced especially by young people who have not yet worked, in any real sense. The potential recipients of a minimum income, according to these proposals, are young people (in some proposals only in the South), less than 32 years old (according to the proposal of the Communist youth organisation), who have been registered for work for a given period (one or two years). And the recommended minimum income ranges between 300,000 and 600,000 lire a month, which compares with average, take-home industrial earnings of about 1,200,000 lire a month. In return for the minimum income, the recipients would have to agree to perform socially useful jobs or participate in training programmes. And there is generally a two or three year limit on the length of time for which the benefit is payable.

All these proposals for some form of minimum income retain work as the source of social identity, yet they also show the influence of developments elsewhere in Europe. First, there has certainly been a miraculous 'Basic Income effect', which made many people here choose a cultural position more closely akin to positions already assumed in other countries, with regard to job security and flexibility, and to the crisis in the welfare state. Second, the French law of 1988 on minimum income and jobs (*Revenu Minimum d'Insertion* or Minimum Integration Income) is having a definite influence. I would say, in fact, that France's RMI is the main inspiration for the proposals currently under consideration in Italy, however simplified and less important they may seem.

As already explained, in Italy there has never been any direct government involvement in the processes that take people out of unemployment into jobs, and eventually into full participation in society. Nor has there been any evaluation of the direct effects of social legislation. That is to say, we do not know whether social legislation achieves what it is intended to achieve. For example, we do not know whether job creation legislation has actually created jobs. The indirect effects of such laws also remain shrouded in darkness. For example, what kinds of change will job creation laws produce in areas not directly concerned with the labour market? What effects will they have on workers' behaviour, or on labour costs? None of the proposals for a minimum income in Italy has been properly evaluated for its real effectiveness, whereas in France that is a salient feature of the new RMI.

Levers for further change?

For IRES the main interest in these proposals lies in their potential for encouraging discussion about BI. We hope that the interest they stimulate will help render them highly experimental moments in an on-going process.

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References

1. For an explanation of France's Revenu Minimum d'Insertion, see BIRG Bulletin No. 9, page 16, report by James Jaboureck.
2. For a report about one seminar, see BIRG Bulletin No. 9, page 17, report by Bill Jordan.

Citizenship, Basic Income and Democracy

David Purdy

*This article is based on a paper presented at BIRG's conference on **Basic Income and the New Politics of Citizenship**, at Toynbee Hall on 10th June 1989. In it David Purdy emphasises the wider implications of BI. In her introduction to the conference Hermione Parker pointed out that although governments may shelter behind economic and administrative objections to BI (too expensive, too complicated and so on), the real obstacles are political. A partial BI need not be too expensive, and by using new technologies the administration of a BI system could be easier than existing systems. But how to overcome the political objections of those who see their own futures at risk, and how to combine BI with an expansion of democracy?*

Basic Income (BI) is often described as a right of citizenship. But what does it mean to be a citizen with certain rights? Like most important political concepts, the term 'citizenship' has no generally agreed meaning. Certainly, the term has recently reappeared in the vocabulary of politicians and commentators. But this new vogue has its dangers. If anything, it compounds the controversy surrounding the concept. There is also a risk that the language of citizenship will be devalued through overuse, and drained of its potentially emancipatory significance.

This article has three aims:

1. To clarify the concept of citizenship.
2. To identify a number of problems for any contemporary movement which seeks to enhance the rights of citizens.
3. To suggest that these problems can best be tackled if the pursuit of BI is linked to the long-term goal of expanding democracy throughout society.

1. What do we mean by citizenship?

Defined in the most general terms, the term citizenship refers to a status enjoyed by all full members of a settled political community — nowadays typically a nation-state. Attached to this status are certain institutionalised rights and duties, which together determine (according to prevailing standards) what citizenship involves. Thus defined, the concept of citizenship combines three basic ideas:

- Universality
- Equality
- Participation

The criteria governing inclusion in the citizen body, the range of citizenship rights and duties, and the ways in

which citizens may (or should) participate in communal affairs, have varied greatly in different societies and historical epochs. In his classic study of welfare-capitalism, T.H. Marshall, distinguished three successive, though partially overlapping, stages in the development of citizenship in Britain.

Stage 1, which lasted from the late middle ages to the beginning of the nineteenth century, was marked by a protracted struggle against feudal privileges, restrictions and customs. The outcome was a more or less secure body of *civil rights* underpinned by the rule of law. Whereas despotic rulers claimed unlimited authority over their subjects, in Britain's emergent liberal state the law protected the rights of individuals — for example, against arbitrary arrest or imprisonment. It also upheld the sanctity of private property and commercial contracts, and provided safeguards for freedom of thought, expression, worship, mobility, assembly and association.

Stage 2 spanned the century from the First Reform Act of 1832 until the eventual achievement of universal adult suffrage in 1928, by which time the *political rights* of citizenship were entrenched in a mature Parliamentary system. Marshall also stresses the parallel development of a 'secondary system of industrial citizenship', as the state legitimised and accommodated the trade union and labour movements.

Stage 3 lasted from the beginning of the twentieth century to the political settlement after the Second World War. Marshall argues that during this phase the growth of the welfare state created *social rights* of citizenship, encompassing job and income security, together with universal access to a range of social services.

Not only has the meaning of citizenship changed historically, it remains contested today. Although all the main political parties in Britain have recently taken up the language of citizenship, they use it in very different ways. The New Right, for example, invokes the figure of the 'active citizen'. This personage is a successful practitioner of the enterprise culture, who takes his social responsibility seriously. Through charity and good works 'active citizens' — free from the alleged deadweight of taxation, bureaucracy and dependency imposed by active social policy — help to ensure that the prosperity created by competitive success 'trickles down' to their less favoured compatriots.

This image of Victorian philanthropy is not a cynical deception designed to conceal the growth of social inequality and the weakening of social cohesion. It is political creativity in action. The New Right conjures up its vision in a bid to make it happen. By contesting the interpretation of concepts they aim to change the world. There is nothing unusual or sinister about this. Liberals, Socialists, Greens and proponents of other political ideologies all seek to appropriate the concept of citizenship and define its meaning in public debate.

No vision of citizenship can be ideologically neutral. Nevertheless, the general definition set out above enables us to compare alternative interpretations, by drawing attention to four main issues:

- (1) Who belongs to any given community of citizens?

- (2) What formal rights and duties does citizenship entail?
- (3) To what extent are those formal rights realised in practice?
- (4) What does citizenship participation involve?

(1) Who belongs to any given community of citizens, and by virtue of what criteria? Some of the political difficulties raised by the pursuit of social rights in a world of autonomous nation-states are taken up in the next section. Here we may simply note that to fix the boundaries of citizenship is necessarily an act of exclusion.

The exclusive nature of citizenship is vividly illustrated by the repercussions on the people of Hong Kong of the recent repression in China. Except for a minority of wealth-holders and government employees, most of the Crown Colony's non-British residents who are entitled to British passports have been denied the right of abode in Britain, even as a hypothetical refuge of last resort. Debarred from this potential line of exit, the people of Hong Kong are to be granted an accelerated, if somewhat belated, transition to internal democracy — the People's Liberation Army permitting. Meanwhile, newly arrived boatloads of refugees from Vietnam are to be refused even a foothold on the territory's teeming space.

The interface between residence, nationality and citizenship presents awkward problems for BI. A legal residence qualification would be an unavoidable feature of 'BI in one country', even if the homeland in question were a supranational unit like the European Community. Without this requirement it would be difficult to allay popular fears, real or imaginary, that the availability of indiscriminate cash grants would attract floods of immigrants from states which provide inferior social benefits on more restrictive terms.

Immigration controls are not inherently illiberal or otherwise undesirable. But, in practice, it is difficult to devise entry controls which do not discriminate on racial or national grounds, at least indirectly. To require, for example, that applicants should possess marketable skills and educational qualifications inevitably favours migrants from states already well endowed with these assets. On the other hand, this problem is not peculiar to BI. Nor is there any reason to suppose that the introduction of BI would make it worse, except perhaps in the sense that the queue of foreign nationals seeking, but denied, rights of entry to a BI state might lengthen. It is, moreover, difficult to believe that an affluent nation which takes steps to improve the lot of its own least advantaged citizens, thereby becomes less sensitive to the continuing trans-national disparities in human well-being.

(2) What formal rights and duties does citizenship entail? Here the words 'rights' means legitimate entitlements, which may, but need not, be codified in law. 'Duties' tend to be neglected in the literature on citizenship, but seem to be of three kinds: general civic virtues such as industry and public spirit; specific requirements like jury service and (in some countries) compulsory voting in elections; and, lastly, those duties which follow logically from the acknowledgement of citizens' rights.

Only the last of these categories needs further comment. By way of illustration, consider the principle that governments should be elected on the basis of universal suffrage with each adult holding one vote and each vote

having (roughly) equal value. If citizens are to be in a position to exercise these democratic rights, then the state, acting on their behalf, must discharge a corresponding duty to see that appropriate enabling conditions are fulfilled. There must, for example, be an accurate register of electors; electoral competition must be free and fair; the voting system must ensure approximate proportionality between voters' preferences and the final distribution of parliamentary seats; and so on.

It is important to emphasise that this intrinsic connection between rights and duties is strictly logical; and that whereas rights are held by individual citizens, the implied obligations devolve upon the community as a whole. There is, in general, no warrant for the widespread belief that individual rights are null and void unless those who claim them fulfil some corresponding personal obligation. It is, for example, a particular moral code, not logic, which insists that unemployed benefit claimants must demonstrate that they are 'actively seeking work'.

It is also worth noting that not all rights, and not even all legal rights, are rights of citizenship. Some rights, such as the right not to be tortured apply to all human beings regardless of status. Similarly, animals and fictitious persons such as business corporations have rights, but neither of these entities can be citizens. Furthermore, not all the rights conventionally regarded as rights of citizenship are rights of the same kind. As C.B. Macpherson² helpfully observes, *civil rights* serve to safeguard individuals against the state, *political rights* provide means of control over the state, and *social rights* must, of their nature, be guaranteed by the state. Thus the provision of income security requires coordinated social policies, an administrative apparatus and considerable budgetary outlays.

(3) To what extent are the formal rights of citizens realised in practice? Citizenship confers equality of status on all who qualify for it. But people who are formally equal as citizens are also divided into economic classes and other hierarchies based on characteristics such as sex and race. There is bound to be tension between the standard of equality proclaimed by the principle of citizenship and the inequalities of social condition thrown up by these structural features of society.

Consider political rights. In theory, citizens enjoy equal control over the state. In practice, the most privileged groups exert a disproportionate influence on political outcomes. They may do so directly, through superior resources, organisation and expertise; or indirectly, through the policy bias built into a system of government which depends on preserving their confidence and goodwill. This point explains why the left in general, and Marxists in particular, have traditionally been suspicious of the concept of citizenship, regarding it as an empty abstraction in the absence of any fundamental shift in the balance of wealth and power.

(4) What does citizenship participation involve? Before we can answer this question we need to elucidate what is involved in the 'community life' in which the members of society *may* come to acquire a role as citizens. Human societies can usefully be regarded as self-reproducing systems. In order to survive and develop, all human societies must repeatedly renew their biological, economic, cultural and political conditions for

existence. They must raise new generations, produce goods and services, communicate ideas and regulate their patterns of cooperation and conflict. If their development is to be sustainable, they must, in addition, respect the ecological tolerances of their habitat..

In accomplishing these general tasks of *social reproduction* different societies have displayed immensely varied cultural forms. But, whatever its distinctive culture, every enduring social formation must evolve some system of rules to determine three basic issues: the distribution of the social product (who gets what); the division of labour (who does what); and the allocation of decision-making authority (who decides what).

In principle, citizenship may impinge on any or all of those issues. To indicate the potential scope for citizenship participation, imagine classifying different actual or possible societies according to the rules they use to settle those three basic, distributional questions. In a hypothetical (and wholly unrealistic) state of perfect dictatorship there would be no role for citizenship. One omnipotent (and omniscient!) overlord would decide everyone's share of the benefits and burdens of social reproduction. At the opposite end of the spectrum lies the utopia of perfect communism based on equality, reciprocity and self-management. All citizens would contribute to social reproduction according to their respective abilities, and would partake of its fruits according to their respective needs. Other societies stand somewhere between these two extremes, according to the degree of communality exhibited by their distributional rules.

The degree of citizenship participation depends critically on the arrangements by which people are governed. The business of governing any social unit, from the political community as a whole to residential neighbourhoods and productive enterprises, becomes the business of citizens only to the extent that they actually participate in the governing process. For this to happen they need to acquire not only certain constitutional powers, but also the requisite skills and attitudes. Citizenship expands to the extent that people are both able and willing to become active decision-makers rather than passive decision-takers.

By implication, the most advanced realisation of citizenship requires the maximum feasible degree of democracy in every social unit. Such a system is a remote, and perhaps unattainable, ideal. Nevertheless, the concept of maximum democracy is useful for gauging the degrees to which actual systems permit and encourage people to contribute their preferences, views and judgements to society's decision-making processes.

Advocates of BI sometimes neglect the political side of citizenship. They treat BI as a purely material entitlement, taking the framework of political decision-making as read. This is a mistake. The material and cultural consequences of BI would depend on the political framework through which benefit scales, tax rates and related matters were regulated. Indeed, it is hard to know what is meant by BI until its institutional articulation is spelt out.

The general point that political institutions shape the outcome of social reform ought to be familiar from our

experience of the welfare state. Marshall's contention, noted earlier, that the welfare state established rights of social citizenship is dubious. The government and administration of state welfare has been paternalistic and often authoritarian. For the most part 'citizens' have been passive and subordinate recipients of benefits and services. It is the welfare state's institutional regime as much as under-resourcing which has tarnished its popular image. It also restricts the scope for social learning and transformation. Public service managers, employees, users and taxpayers encounter little opportunity or incentive to rise above their own narrow self-interest.

2. Citizenship politics

Historically citizenship evolved within the framework of a relatively strong and unitary nation-state. Citizenship grew in scope as certain rights — like the right to vote — were extended to a widening circle of the national population. It grew in range and depth as new rights were gained and others made more ample. Nowadays two developments suggest that this model is no longer adequate for the pursuit of citizenship claims.

First the nation-state itself has become less significant as a political community and focus for political demands. National sovereignty has been eroded from above, by the internationalisation of economic activity, the globalisation of the political agenda and the transfer of some state functions to supra-national authorities. National cohesion has been undermined from below, by the emergence or revival of nationalist movements and cultures within larger national units. Substantial sections of the populace ruled by existing unitary states aspire to some degree of self-government. At the same time, throughout Western Europe, the ethnic diasporas resulting from post-war migrations have created social identities that transcend national boundaries.

Second, although there is no shortage of social movements calling for the re-apportionment of resources, roles and power, the most dynamic of these movements do not fit comfortably into the old model of expanding citizenship. Many of the demands pursued by feminists, ethnic minorities and Greens are specific to the causes they uphold. Claims by women to control their own reproductive systems, or by ethnic minorities for positive discrimination, or by environmentalists for the protection of threatened species cannot, by their nature, be formulated as universal entitlements. Furthermore, these movements are not concerned simply to remove discrimination and widen access to those 'goods' and positions that happen to be prized within the existing social order. They aim to transform the social order, according to new principles and values.

These two trends — the nation-state's diminishing sovereignty and cohesion, together with the diversity and novelty of social movements — do not mean that the concept of citizenship is now obsolete. They do mean that citizenship politics must find ways of engaging with the complexity of social identities in contemporary society.

One way this might be done would be to develop the potential of Basic Income as a democratic challenge to the prevailing structure of privilege and power.

3. Social citizenship and social inequality

As noted earlier, the egalitarian thrust of citizenship is at odds with systematic social inequality. T.H. Marshall (1950) describes this tension as a conflict between citizenship and class. But Marshall's formulation is incomplete, at least on any conventional definition of 'class'. Suppose we define 'class' in terms of ownership of capital, whether as personal wealth or as means of production. Certainly, the unequal distribution of capital skews the distribution of incomes, work and power. But its ownership is merely one of several types of asset-inequality which give rise to systematic inequalities of social condition. Others include position within hierarchies of authority and command; skills; educational attainments; job-holdings; gender; race and physical and mental abilities.

In general, the lines of social division formed by these multiple, unequal asset-holdings do not coincide with, but cut across each other. The resulting distribution of privilege and disadvantage is complex. The great majority of people are privileged on at least one dimension of the social structure and disadvantaged on at least one other. By the same token, relatively few people are privileged or disadvantaged on all, or even most, dimensions. In short, although the social structure is permeated by inequality, the pattern of inequality is pluralistic rather than polarised.

Basic income offers a polyvalent counterforce against this polycentric system of privilege. Unconditional entitlement to a minimum income is an empowering resource. It drives a wedge between the existing pattern of asset-holdings and the distribution both of purchasing power and social power generally. This tilts the balance of advantage across a broad front of social relations: between rulers and subjects, employers and employees, jobholders and jobless, men and women, whites and non-whites, able-bodied and disabled, parents and children.

This is an enticing prospect. It is also problematic. For the evolution of a BI society will depend on what political claims are made for the principle of citizenship, and how far they can be secured. Taken in isolation, BI confers only a passive, recipient entitlement to the material means of subsistence. **Unless citizens are also empowered and encouraged to become active participants in the government and management of public affairs, the capacity for BI to transform society will be limited.**

4. A Basic Income democracy

Any far-reaching proposal to re-order the division of labour and economic rewards is bound to provoke opposition from established privilege-holders. For example, even if employers come to terms with the principle of BI, they will undoubtedly oppose any scale of payment which provides more than barest subsistence, on the grounds that it would undermine work incentives, industrial discipline and international competitiveness. Similarly, the gainfully employed will resent the implied burden of taxation, and trade unions will resist any threat to wage bargaining. These are legitimate sectional

interests, which in a democratic society neither should nor can be ignored.

On the other hand, if the influence of these interests remains paramount, there is scant headroom for the social rights of citizenship to grow; and it is scarcely desirable or feasible to deal with resistance by force. The challenge, then, is to find ways of developing counter-vailing pressures which privilege-holders can be brought to accept, and to do so within a democratic framework.

This is not a problem that admits of simple, speedy or certain solutions. If a solution is to be found, it probably lies in the further expansion of democracy, both as a method of government and as a way of life. An analogy can be drawn with the advent of universal suffrage, which marked an historic shift in the nature of politics: government ceased to be the exclusive preserve of a narrow elite, and governments and contenders for political office were thereafter routinely compelled to justify their actions, compete for popular support, and negotiate over policy with a diversity of other power holders in the wider society.

In much the same way the transition to a BI system profoundly alters the context of the debate about the distribution of incomes, work and power. Everyone has a stake in the new system, and the implications of tax and benefit changes extend to all the activities of production, reproduction, communication, government and conservation which enable society to continue and flourish. Debate would centre initially on economic and social policy, thereby creating leverage for political change. On the one hand, there would be scope for broadening the policy agenda. On the other the policy-making process would be susceptible to influence by a wider range of social interests. As leverage was applied, questions of distributive justice would emerge from the recesses of the social structure to become regular and accepted items of public business.

The analogy with the rise of democracy may be taken further. A democratic polity is more than a set of institutions: it is also a moral and cultural formation, however imperfect and stunted. In general, a democratic culture restrains corruption, secrecy and political violence; impels the powerful and privileged to seek at least the mantle of legitimacy; upholds standards of tolerance and rationality in political competition; and, above all, inculcates the precept for the principle that democratic norms take precedence over sectional or partisan purposes whenever there is conflict between them.

In the same way, the revitalisation of citizens' social rights might be expected to assist the growth of a new source of social identity and allegiance, over and above the interplay of sectional claims and counter-claims. This is not to suggest that in a BI democracy people would, or even should, cease to think and act as members of sectional interest groups. Rather that the precepts and practice of citizenship would act to restrain and modulate distributional demands. In their sectional identities people make claims on the benefits and burdens of social reproduction. As citizens responsible for managing their common social environment, they are called up to adjudicate these claims. The creative tension between these two roles provides schooling in the difficult art of negotiated self-regulation.

The expansion of democracy cannot eliminate the conflicts between citizenship and structural inequalities. It does however hold out the prospect of a contest conducted under a new and more civilised set of rules.

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Disability: The Independent Living Fund

Pauline Thompson

*In BIRG Bulletin No. 7 (Spring 1988), we published a discussion paper by BIRG's working group on disability incomes. In it we examined ways of moving away from the existing dual system of social security benefits and income tax reliefs towards a system of guaranteed BIs, including a **Disability Costs Allowance (DCA)**. The existing social security system relies heavily on benefits paid as compensation for loss or interruption of earnings, hence the majority of people with disabilities receive little or nothing to cover their extra living costs. By contrast a BI system is intended to provide the same equivalent basic living standard for all, hence the importance of a DCA, which would be tax-free and without means test.*

Among the most expensive costs incurred by severely disabled people are the costs of personal care and domestic assistance. In some cases the costs of care run into hundreds of £s per week, but are still less expensive than residential care. In Bulletin No. 7 we drew attention to the debate between those who want a separate benefit for carers as well as a DCA, and those who say that the full amount should go to the disabled person.

*Since then the **Independent Living Fund** has come into existence. The ILF helps people with severe disabilities to buy the care packages they require in order to live at home. In this article Pauline Thompson of the **Disablement Income Group (DIG)** explains how the ILF came about and how it operates. And she pleads for its retention. For readers of this Bulletin it is important to emphasise that benefits paid through the ILF are means-tested. The importance of this paper for BI advocates is the light it sheds on costs and administration of a DCA.*

On 22nd February 1990 DIG will publish the results of its survey of the extra costs of disability. This survey was conducted during Autumn 1989, in response to the recent official surveys of disability in Great Britain conducted by the Office of Population Censuses and Surveys (OPCS). We will have more on this in Bulletin No.11.

Putting the costs of care onto the DSS map

Until introduction of the Independent Living Fund (ILF), the costs to disabled people of paying for care at home were largely unknown. The forerunner of the ILF was the domestic assistance addition payable with supplementary benefit (SB). It was available only to those on SB, the highest rate payable was £48 a week, and at

the time of its abolition in April 1988 only 250 people in the UK were receiving that amount. By contrast, the ILF already helps over 3,000 people, and has transformed perceptions of care costs. For the first time ever, the care needs of severely disabled people living on the edge of needing residential care, but wishing to remain in their own homes, have been put on the social security map. In this article I shall argue that this small but significant group will continue to need the support of the ILF even after the new arrangements for community care, emanating from the Griffiths Report¹ and subsequent White Paper², come into effect in April 1991.

A new departure

The ILF was established by the Department of Health and Social Security, in conjunction with the Disablement Income Group (DIG) and DIG (Scotland), in April 1988. It is a charitable trust, and its purpose is to help very severely disabled people with the costs of employing the personal care or domestic assistance they need to enable them to live independently. It is funded by government and administered by a board of Trustees.

The ILF was set up because the new system of income support (IS) introduced in April 1988 does not include the equivalent of the domestic assistance payments previously available through SB. DIG warned that this could result in some severely disabled people having to accept unwanted institutional care, because they would have insufficient money to pay for the help they need. Indeed, one of the first applicants for help by the ILF was a lady with muscular dystrophy, reluctantly on the point of going into residential care.

Deserted by her husband, she was living alone, eating and living very frugally, in order to eke out enough money to pay for help. Fighting a losing battle, as she described it, she eventually had to agree with her social worker that residential care was the only answer. She contacted DIG for advice and her timing was perfect, for DIG was just setting up the Fund. This applicant now receives £200 weekly from the ILF, with which she pays for assistance with personal care and household duties. Now she feels ready to put something back into the community, and is training to become a Citizens Advice Bureau volunteer.

Opposition within the poverty lobby

None of this would have been possible if DIG had listened to the protests that emanated from a number of disability lobby groups and journalists. "Doomed from the start", "a tragic abdication of responsibility", "the first step to privatisation of the social security system", was their reaction when the Minister of State for Social Security, Nicholas Scott, announced the setting up of the Fund in February 1988.

The main cause of the hostility centered on the government's decision not to include the ILF within the social security system, but to set up a trust to administer it. DIG had some sympathy with the argument. After all,

the campaign for a national disability income within the social security system has been at the heart of DIG's work for 25 years. Yet DIG felt there were three more important issues:

— **The needs of severely disabled people.** With the expertise and experience of 25 years behind them, DIG felt they could not reject this offer of help, at a time when the lifestyles of so many disabled people were fundamentally threatened.

— **The advantages of flexibility.** The provision suggested — that is to say a flexible approach, tailored to the needs of the individual — would not fit into the rigid social security system about to be constituted. It must be operated independently.

— **Nothing else was on offer.**

Taking a pragmatic decision, DIG therefore resolved to cooperate in the establishment of what was then seen as an interim measure — to fill the gap until disability benefits were reviewed, and Sir Roy Griffiths' recommendations on community care¹ had been considered. The Fund was officially launched in June 1988, with a limited life of five years and funding of £5 million for its first year. This amount has been doubled for its current (second) year and doubled again, to over £20 million, for its third.

Flexibility through positive discretion

To be eligible for help applicants must be living alone or with someone (relative or other) who is unable to provide all the personal care or domestic assistance required. They should also be receiving attendance allowance, or satisfy the criteria for it, and should be restricted in their ability to perform normal personal care or domestic tasks. They should be in receipt of income support (IS) or have insufficient income to pay for the care needed and have capital of less than £6,000.

Flexibility and discretion are possible within the terms of the trust deed. For example, if an applicant has submitted a claim for attendance allowance which the Trustees consider likely to succeed, an interim payment can be made, if this would prevent an applicant's admission into institutional care. Or again, if not all the criteria are met, the Trustees may exceptionally make payments as they think fit, if by so doing they will prevent a severely disabled person's admission to residential care.

The Fund operates from offices in Nottingham and is administered, under the direction and control of the Trustees, by civil servants on loan from the Department of Social Security. The Nottingham office assesses applications and reports from the Fund's visiting social workers, quantifies the care needs, as assessed by the social workers, and calculates the amounts of the applicants' resources available to pay for care.

The ILF is a discretionary trust. Discretion is a valuable asset in a system that is otherwise rigid and based on the needs of groups of people rather than individuals. However, the ILF does work as closely as possible to

procedures that have been carefully determined, and in observance of the IS scheme.

In the calculation of awards, the following are normally regarded as available to pay for care:

- Attendance allowance
- Severe disability premium, paid with IS
- Special transitional addition paid with IS
- In non-IS cases, any income in excess of IS entitlement

However, these principles may be varied. For example, it may not always be appropriate to regard attendance allowance as being available, if an exceptional amount of care is already being provided free of charge. The amount of excess income to be taken into account may also be reduced if there are exceptionally high disability-related costs (other than employing personal or domestic care). The Trustees have not set a maximum to the payment that can be awarded, but cases where the Fund's contribution would exceed £250 a week are submitted to the Trustees for their consideration.

Payments are made monthly in arrears, by a system of automatic bank credit. Most awards are reviewed on a yearly basis, but a small number are reviewed more frequently, if care costs or care needs are expected to change in a shorter period. ILF payments are ignored in calculating awards for IS, family credit and housing benefit.

Caseload

Between April 1988 and the end of October 1989, the Fund received 12,567 applications, of which 3,067 were successful. Most applicants receive less than £100 a week, and the average amount is £62.20. However, over 800 applicants are receiving payments in excess of £200 a week, and some awards have exceeded £400. Commenting on the high proportion of rejected applications, the first Annual Report of the Fund, published in November 1989, suggested that the success ratio, over the long-term, is about one to three.

In a study of 143 applications in a sample week during May 1989, it was discovered that 33.8% of applications were rejected because of an inappropriate request (for example help with general expenses), 18.3% were rejected because the applicant had sufficient income to buy care, 16.9% because attendance allowance was not in payment, 7% because of excess capital, and 23.9% for a variety of reasons, including no extra care being needed, or because the applicant had gone into hospital.

The Table summarises the characteristics of Fund beneficiaries in May 1989. A majority were found to be middle-aged or elderly women, but a surprising 15% were men, women and children below age 30.

Characteristics of ILF beneficiaries. May 1989

	%
1. Household status: living alone	24
with spouse	30
with adult offspring	21
other	25

2. Sex: male	36
female	64

3. Age: 0-15 years	3
16-29	12
30-49	29
50-69	14
70+	42

4. Care already received: paid care only	47
unpaid care + live-in	
carer	66
no extra care	18

5. Type of disability: neurological	31
cardio-vascular	17
arthritis	16
other	36

Source: ILF sample survey, May 1989

In practice there is no such thing as a typical ILF applicant. Successful applicants have included:

- A middle-aged man with a broken spine, living with his frail elderly mother, who can no longer care for him.
- A woman with Alzheimer's disease, whose elderly husband needed to buy in help, to give him a break.
- A woman with severe multiple sclerosis, who lives alone following breakdown of her marriage.
- A woman with very advanced motor-neurone disease, whose 10-year-old daughter had been providing care unaided.
- An 8-year-old child with a deteriorating genetic condition.
- A whole family (severely disabled father and mother, and child with a heart defect), where family break up was likely.
- A young mother with 2 children, who was suffering from cancer.

The importance of choice

Some commentators have expressed surprise at the high level of awards made by the Fund, although it must be stressed these are in a minority of cases. Very high awards are not unexpected when the extent of need is taken into account — some applicants need care on a 24 hour basis. Other commentators have wondered how people managed in the past, when the domestic assistance addition was all that was available, and then

only for people on SB. Clearly there were many disabled people doing without essential items in order to be able to pay for care. On DIG's case files there is evidence of people leading precarious lives in their own homes. But the fact is that some disabled people went into unwelcome residential care. Or they depended on relatives to provide the care that was needed, without respite and without assistance.

Helping disabled people to remain in their own homes has often been a difficult task for social services departments. Almost always it is simpler to find excuses and good reasons to move them into residential homes, where they would be well looked after amongst others like themselves. It is an open question how many people we have treated in this demoralising and inhuman way.

Disabled people have, of course, always had choice of a kind: they could decide to live in their own homes with just about all their weekly budgets being spent on paying the bills and paying for care, leaving precious little for food and clothing. They could, after all, accept places in residential care, where they would be looked after for the rest of their lives, and have none of these worries. Surprising that so many chose to live on baked beans, and stay at home? Not really.

Given a choice, most disabled people want to retain their independence, so that they can run their own lives and take responsibility for themselves. The concern now is that the plans for community care in the next decade (plans which emanate from the Griffiths Report and are outlined in the White Paper *Caring for people: Community Care in the Next Decade*²) make insufficient provision for the needs of severely disabled people living on the edges of needing residential care. This danger exists, despite official acknowledgement of the importance of choice.

On the face of it the White Paper does not suggest a continuing role for the Fund. The only reference to it is in para 9.10, as follows:

There would clearly be an overlap between the Independent Living Fund and the responsibilities of local authorities which will need to be reviewed.

In DIG's response to the original Griffiths report, it was argued that local authorities should in future only be responsible for a basic level of services, with needs above that level being met by the ILF, or its equivalent. The Fund has demonstrated that severely disabled people can live outside institutions if they have enough money to pay for the care packages they need. It was not, of course, in existence when Sir Roy Griffiths wrote his report, otherwise he might have come to a different conclusion. Yet today we find ourselves in the position of considering the ILF in a post-Griffiths world.

The ILF should remain

In my view the ILF should remain as a lead agency in the provision of community care. This is because the needs of severely disabled people are better served by an ILF-type system than through individual local authorities. The distinguishing feature of the people helped by the Fund, compared with the generality of

disabled people, is the overwhelming need of the former for personal care. Whereas most disabled people can get by with a few hours of domestic assistance or day care each week, people with very severe disabilities need help from the moment they wake up in the morning. They cannot even get out of bed without assistance. This is the most expensive part of any care package, and it is also the most important factor in determining whether or not someone needs residential care.

If an agency like the ILF were in existence after April 1991, local authorities could concentrate on meeting the community care needs of the generality of elderly and disabled people, using non-intensive packages of care. The financial responsibilities for keeping someone at home (or getting someone out of an institution) would then depend on the characteristics of each disabled person — and more specifically on whether he or she needed intensive help with personal care, or occasional help with domestic assistance. This distinction is valid because it singles out those who are truly at risk of needing residential care.

For such a proposal to work it would be necessary to have a strict prescription of the responsibilities of local authorities with respect to disabled individuals, and of their duties to meet individual needs within the specified parameters. The fact that this does not apply at present has led to demarcation difficulties between the Fund and local authorities and explains, of course, why many disabled people are still in institutions.

In my view, given the inability of the local authorities to provide intensive help in the home, and given their justifiable reluctance to organise such services for the small numbers of very severely disabled people living in each local authority area, the continuation of a nationwide Fund to handle the intensive personal care needs of this small group is the best way of meeting future needs.

Pauline Thompson is the General Secretary of DIG and Vice Chairman of the ILF Trustees. The views expressed in this article are those of DIG but not necessarily those of the other ILF Trustees.

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Pensions, Taxes and Welfare

T.A. Salter

*This article is based on a paper given at BIRG's conference on **Basic Income and the New Politics of Citizenship** held at Tynbee Hall on 10th June 1989. In it the author (who is a private pension professional) traces the development of public and private sector pension provision in Britain since the 1960s, and argues for greater priority to be given to the State basic pension, even if this necessitates curtailments of the State Earnings Related Pension (SERPS) and private pension tax reliefs.*

A question of priorities

It has been said many times that the most persistent and intractable of all social problems is poverty amongst the aged. Yet if one examines the measures and policies resorted to during the last half century to address this problem, it is clear that all have failed, due largely to a fundamental lack of understanding about the nature of income distribution in capitalist societies, and the considerable difficulty that so many people have to survive, let alone save, on the incomes at their disposal.

Although in principle there is nothing wrong in encouraging people to save for retirement (if they can), or even in providing income tax reliefs as an incentive to retirement saving, it is important to preserve a proper sense of social priorities. Thus it has to be remembered that the social security benefits of the public pension systems and the occupational welfare benefits of the private pension system are both instruments of social policy, in that both receive financial support from the state, the first directly and the second indirectly, through income tax reliefs. A reduction in income tax liability in the provision of an occupational or personal pension is as much an *implicit* transfer payment, as a social security pension is an *explicit* transfer payment.

Despite the expansion of occupational pension provision after the second world war (calculated generally by reference to service and earnings at or near retirement), a serious failure in British pensions policy was identified in the late 1960s/early 1970s. About 67% of those on supplementary benefits (Britain's means-tested safety net of last resort) were either pensioners or widow pensioners¹, and as less than half the workforce were members of occupational schemes (a situation which is still the case today) it seemed that this underclass of elderly citizens would be perpetuated indefinitely into the future. What is remarkable is that neither government nor opposition seemed seriously to entertain the idea of substantially increasing the State basic, flat-rate pension relative to earnings, which, for a single person, amounted to only about 17.5% of gross average earnings for adult men.

The response was to introduce a second-tier state pension scheme, with contributions and benefits based on earnings in employment, which up to a level of about 150% of gross average male earnings, would emulate the benefits of occupational schemes. It might all have been different had Barbara Castle listened to some of her colleagues in the social policy sub-committee of the Labour Party, like Bill Simpson and Judith Hart, who advocated a much higher State basic pension. But that is a matter of history. "We will bring back the Crossman Scheme," said Barbara Castle in 1972. And they did so, in the modified form of the State Earnings Related Pension (SERPS), in 1978.

Between October 1973 and November 1978 the State basic retirement pension did, in fact, rise by 20.1% in real terms, increasing from 17.5% of gross average male earnings to 20.5%. Between November 1978 and April 1989 it rose by 0.4% in real terms, but fell from 20.5% of gross average male earnings to some 16%.²

Personal pensions get priority

In the 1980s, supposedly because of the demographic scenario (with its increase in the ratio of economically dependent to economically active population), concern was expressed about the long-term costs of social security pensions, as well as the lost revenue from income tax reliefs given to occupational pension schemes. In 1986 the Conservative government, not uninfluenced by ideological considerations, introduced legislation to effect radical reductions in SERPS benefits over a period of years and, from 1988, to provide a framework for the encouragement of personal pensions, as an alternative to employers' pension schemes.

The new programme, weighted heavily towards personal pensions, will inevitably have a social cost. As Professor Leslie Hannah³ has pointed out, at one extreme a State pension system operated within the framework of the general tax-collecting mechanism, without the contracting-out option, could have a ratio of administrative expenses to cash flow as low as 1%, whereas at the other extreme, individual personal pension plans as currently marketed have expense ratios of 20% or more.

The costs of public and private pension systems before introduction of the new (more widely available) personal pensions were much closer together than one would conclude from these extreme examples, because occupational pension provision has attained lower expense ratios in operating its collective plans than is the case with personal pensions. Small and medium-sized, employer-sponsored collective plans (consisting of a few hundred members) have expense ratios of about 6%, whereas large plans (consisting of thousands of members) have expense ratios as low as 2%; and it should be noted that the majority of employees in occupational schemes are covered by large plans.

If personal pensions lead to pension costs being increased generally to the expense levels of individual plans with their 20% or more expense ratios, then the effect of greater private provision will be a significant reduction in the resources available for support of the elderly. This becomes even clearer if one takes into account the considerable cost to the National Insurance Fund of the

contribution rebates for Personal Pensions. In Hansard, 17 Jul 89, Peter Lloyd said:

The most recent estimate of the revenue foregone by the NI fund in 1989-90 in respect of minimum contributions to personal pension schemes is £2,050 million. This exceeds the amount taken into account in the Government actuary's estimate of net contribution to the fund by about £1,650 million.

State basic pension left dragging behind

The level of the State basic retirement pension, measured in relation to average earnings, has fallen significantly since Government switched the uprating mechanism from earnings to prices, in 1980. As earnings have continued to move ahead of prices (by about 2% a year over the last ten years), single pensioners are now about £11 a week, and married-couple pensioners about £18 a week worse off than they would have been if pensions were still uprated in line with earnings. In 1985, more than half of all pensioners (about 5.6 million people) were living in poverty or on its margins⁴.

Personal pensions, in conjunction with what remains of the UK State pension system after the changes of the last ten years, can hardly address the problem of poverty among the elderly. This will tend to worsen as post-industrialisation continues. Moreover, of the main opposition parties, Labour is pledged to a programme of poverty prevention based on 'universalist' principles but including a commitment to restore SERPS in full, which is not really consistent with the objective of an adequate pension for all; the SDP is committed to a policy of poverty relief based on selectivity (through means-testing); and the Liberal Democrats seem to favour a complex scheme which would replace social security benefits (including presumably the State basic pension, but apparently not SERPS) with tax-free credits (or BIs) convertible into cash in the case of people with little or no income.

SERPS or an adequate basic pension?

SERPS, because it is an earnings-related pension system administered by the state, has been criticised from both left and right of the political spectrum. Critics on the right believe it offends against inter-generational equity, and imposes an intolerable burden on future generations of workers. Critics on the left argue that it incorporates into the social security system the inequalities of income created in the market. Other critics, including Age Concern, argue that a flat-rate pension paid at a high enough level to eliminate the need for means-tested help "would ensure that no one, however poorly paid ... would be forced to suffer poverty in old age".⁵

It is this last point which suggests a new direction for social security, and a solution to the problems of income maintenance in post-industrial societies. A public pension system based largely on the principle of citizenship would be able, in its provisions, to accord full recognition to the fact that employment patterns are different from those of the past. If our societies continue to

incorporate substantial elements of the market economy, a significant proportion of the population will have irregular periods of work throughout their lives. Many will be unemployable unless or until they acquire the requisite skills; and in periods of rapid technological change this process will tend to accelerate. People in this situation will be unable to build up adequate earnings-related pension rights, whether under a State pensions system, or under employers' occupational plans, or as personal pensions. And this calls into question the ability of earnings-related pensions (whether public or private) to guarantee adequate levels of income replacement.

A new approach

A 1983 OECD study noted that the majority of expenditure on public old-age pensions:

aim to conserve social and economic status in old age: they are not targeted on low income groups or designed to correct the consequences of ... inequality of access to the labour market.

The exclusivity of existing systems will increase the scale of the rescue operations which governments have to finance. Additionally one must seriously question how there can be justification for financing (or subsidising) labour-market, income-replacement benefits through income tax reliefs, *unless* a basic retirement income (at a level high enough to guarantee a minimum standard of civilised life) is first provided for *all* members of the community, *with no exceptions*.

With so many competing claims on public resources, why should private pensions or earnings-related, public pensions be subsidised by the taxpayer, if they do not serve the needs of the community as a whole? An appropriate solution would be a pension paid on the basis of a citizenship or residence qualification, without test of means or contributions.

Canada's *Old Age Security* is a pension system which operates on this kind of principle. It has been Canada's major federal income support system for the elderly for a considerable number of years. It provides an index-linked 'basic income' on a universal, non-contributory basis for all elderly persons who satisfy a single test of residence. What is being advocated for Britain accordingly already exists in another major industrial democracy, and one, moreover, with strong historical and cultural links to this country. It cannot therefore be dismissed as an extravagant utopian notion.

Tax reliefs curtailed at last

This brings us to the Finance Act 1989. In his budget speech the Chancellor proposed an earnings ceiling of £60,000 (uprated with prices, not earnings), above which income tax reliefs for employees' contributions to occupational pension schemes and the underlying pension funds would no longer be granted. A similar limit on salary ranking for pension provision already applied to personal pensions, but a new age-related scale of contribution rates qualifying for tax reliefs, and the 'carry forward' and 'carry back' rules relating to unused reliefs, alleviate the effects of the restriction.

Under approved occupational schemes the pensionable earnings limit of £60,000 will result in a maximum occupational pension of £40,000 (at 1989 prices), inclusive of the value of a maximum lump sum of £90,000 (again at 1989 prices). This proposal has caused a great deal of concern within the National Association of Pension Funds (NAPF), as evidenced by the publication last May of their pamphlet *Truth, Honour and Democracy*⁶.

Realising the futility of trying to persuade the Government to abandon its plans entirely, the NAPF embarked on a strategy of trying to persuade them to uprate the earnings ceiling in line with earnings rather than prices. This would prevent the number of people affected by the new regulation from significantly increasing over the years. Lawson's £60,000 ceiling represents about five times average earnings in 1989. But, as the NAPF pamphlet pointed out, over the last 25 years average earnings have moved steadily ahead of prices. During the last 10 years they have outstripped prices by about 2% a year. If this process continues, it was argued, then in 30 years' time the value of Mr Lawson's ceiling will have declined to £28,600 in today's terms (or about 2½ times average earnings).

The NAPF was incensed that the Chancellor had broken the undertaking he made in his 1985 budget speech that any fundamental reform of the tax treatment of pension funds would be preceded by a Green Paper. The NAPF say that they care and fear profoundly for the security of future generations in old age, for the time-honoured traditions of our parliamentary procedures in the Palace of Westminster, and for democracy itself. And they even called in aid the opposition to the proposal by the Trades Union Congress, whose spokesman is quoted as saying that "in time, ordinary working people will find they are losing out".

The NAPF booklet also refers to the pressures constantly brought to bear on the Government, by right-wing policy advisers, to remove pension tax reliefs altogether, supposedly because such reliefs inhibit the spread of popular share ownership.⁷ The Pensions Management Institute (PMI) has also expressed concern about what they see as the progressive withdrawal of pension tax reliefs "not just for high earners but for an increasing proportion of the working population".⁸

The truth is that both the NAPF and the PMI have, among their members, a not insignificant number of socially concerned persons, as well as a very great number who have a genuine compassion for economically disadvantaged groups, particularly the elderly poor. What is hard to understand is how they can be afflicted by this curious social blindness that enables them to react with such passion to the introduction of an undoubtedly high earnings ceiling for pension tax reliefs linked only to price inflation and not earnings inflation, without also commenting on the downgrading (which commenced ten years ago) of the manner of uprating the State basic pension. There is a strange irony about this situation. For if the value of the £60,000 limit (by comparison with average earnings) will have fallen to £28,600 in 30 years' time, then the value of the single person's State basic pension will have fallen to £1,080 per annum (or £21 per week), compared with £2,268 (or £43.60 per week) today.

In pensions policy terms, something at least has changed. As a result of Mr Lawson's last Budget, a British government has curtailed pension tax reliefs at the higher levels of provision, thus removing a significant social subsidy from the retirement incomes of high earners. In this situation it would not seem unreasonable to ask whether the increased tax base will be used to finance increases in the State basic pension. But this seems improbable. The final abolition of the Exchequer's contribution to the National Insurance Fund⁹ — for so long a part of the institutional framework for financing social security in Britain — is scarcely a harbinger of hope for the poorer of our two nations in retirement.

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At Home and Abroad

BELGIUM

Conference at Louvain-la-Neuve

Bill Jordan writes: The conference on the *Ethical Foundation of a Basic Income*, held at Louvain-la-Neuve, Belgium on September 1-3, brought together philosophers from the Anglo-American and Continental traditions, and provided some memorable passages of dialogue, as well as wide-ranging analysis of the arguments for and against the proposal.

The occasion was an impressive tribute to Philippe Van Parijs' organisational abilities, as well as the respect in which he is held in philosophical circles. It also provided an interesting study in the nature and limits of obligations, several of the most distinguished speakers having withdrawn at the last minute, due to other commitments.

A rigorous enquiry into the case for BI, from ecological, egalitarian, libertarian and communitarian principles, seemed to indicate that no one set of arguments pointed conclusively towards BI. Rather BI represented a way of dealing with difficulties or contradictions within the case for social relations resting on a particular set of principles, or provided ways of reconciling desirable features of each.

The participants, who included politicians, activists, claimants and academics from all over Europe, were stimulated and provoked by the debate, which evidenced the growing seriousness with which BI is being discussed in all these circles.

NETHERLANDS

Basic Income: Alternative Benefit or New Paradigm

Joop Roebroek writes: A study commissioned by the Netherlands Department of Social Affairs and Employment and conducted by Joop Roebroek and Erik Hogenboom of Tilburg University (BIRG Bulletin No 8) is now complete, and is expected to be presented to the Dutch Parliament before the end of 1989, after which it will be published. A summary of the main findings will be sent to BIRG for publication in Bulletin No. 11.

The purpose of the project was to ascertain whether BI should be regarded as a desirable instrument within existing social security practice, or as a route towards new social welfare relationships between state and citizens. Or as a combination of both, that is to say an instrument for taking the first step on the road towards ... ?

The study uses historical, theoretical and empirical analyses. First, the concept of BI is put into the context

of the welfare state — its historical development and the debates it has engendered. Second, BI is put into the context of minimum income guarantees in general, and five models are presented: full, partial, household and contractual BI, and negative income tax. Third, there is a summary of the debate about BI in several Western countries, including Belgium, Germany and the UK, with special reference to the Netherlands. Finally, an answer is formulated to the central question alternative benefit or new paradigm.

UNITED KINGDOM

Toynbee Hall conference

Malcolm Torry writes: On 10th June last, forty-four people gathered for BIRG's all-day conference at Toynbee Hall, in London's East End. The subject was *Basic Income and the New Politics of Citizenship*. Bill Jordan (University of Exeter) gave a paper on *Basic Income and the Common Good*, in which he emphasised the need for inter-dependence as well as autonomy. By offering both, a BI would facilitate more equal and freer participation in the labour market and households, and would cohere with a definition of citizenship based on the common good. David Purdy (University of Manchester) took *Citizenship and Democracy* as the title of his paper, which is reproduced in this Bulletin. After a break for discussion groups and lunch, Hermione Parker's paper *Setting People Free* was followed by Fran Bennett (Child Poverty Action Group) expressing concern over the levels of support a BI system would provide for unemployed people.

There followed a series of short interventions by Mark Minford (Low Pay Unit), who called for a minimum wage; Anne Gray, who suggested that a minimum wage and a sizeable BI belong together; Peter Grosvenor (Trades Union Congress), who recommended renewal of the social insurance principle; and Maria Luisa Mirabile from Italy's largest Trade Union federation, whose paper is also reproduced in this Bulletin.

After tea Evelyn McEwen (Age Concern) expressed approval of the abolition of the pensioner's earnings rule, but concern about the low level of the basic pension; Tony Salter gave a short paper about pensions, which is reproduced in this Bulletin; Philip Vince (SLD) and Susan Raven debated the attitudes to BI of the major political parties; and Stuart Williams (ATD Fourth World) told of the desire of the world's poorest for paid work as well as a secure income.

Paying for it

Malcolm Torry writes: When Victor Anderson (BIRG's part-time development officer) left our employment in March this year, he also left in the files a set of essays by a variety of people on the question: *How should a BI be paid for?* Having agreed to complete the group's task, every now and then I took out the bundle and looked at it — and each time put it away, for the views expressed were clearly not going to be easy to turn into a coherent report. However, hard work had been put into the exercise, so one warm summer's day I sat in the

garden and laid out the essays in a line, with the realists at one end ('BI must start small, grow slowly and be funded by income tax, the abolition of tax allowances and a reduction in existing benefits'), and the idealists at the other ('We need a large BI funded by totally new kinds of taxation').

These positions were clearly irreconcilable, so I wrote a draft report suggesting that BI would have to start small and be funded out of income tax, but that as it grew new taxes could be used to fund it (taxes with other desirable effects, for instance a 'resource tax' which would encourage conservation of scarce resources).

My draft pleased nobody — except BIRG's chairman, who was kind about it. The idealists thought that a great opportunity would be missed if the introduction of a BI was not made the occasion for introducing new 'green' taxes, and the realists scorned the suggestion that BIRG might mention possibilities other than income tax.

I have bowed to the inevitable. The report will remain a draft and will stay in the filing cabinet. However, I still believe a two-tier approach is right. No Chancellor is ever going to put all his taxation eggs into one fiscal basket, for governments need a variety of instruments with which to tune the economy. It is therefore essential to retain an open mind about the kinds of tax which might eventually fund a BI. On the other hand, for BI to be politically feasible in the short or medium term, it will have to start small and it will have to be funded initially by income tax, by the abolition of some or all income tax allowances, and the reduction or abolition of existing benefits.

I would like to thank the members of the *Paying-for-it* group for their hard work, and offer my apologies that the secretary's political and economic abilities are too limited to enable him to create consensus on such a vital issue. But perhaps that is inevitable, and perhaps it is right that over an issue so crucial there should be such fundamental disagreement.

Wythenshawe Workshop

Kevin Donnelly writes: A rather unusual study group, varied in age, politics and religion, got together at the Friends Meeting House in Wythenshawe, Manchester, on October 7th, to consider 'Basic Income and independence'.

It began with a short video about Manchester's inner city area of Hulme, comparing its derelict buildings with the new, leafy garden city of Wythenshawe. In 1947, when the original film was made, Hulme's mostly low-income residents were being rehoused by a well-intentioned policy that gave them better houses in Wythenshawe six or more miles away, but destroyed their communities. Rents just about trebled, while wages remained the same. Bus travel further reduced incomes, as well as lengthening the working day by up to two hours. Poverty returned, intensifying during the last ten years. Keynes-Beveridge and full employment had failed the people; market forces and 'trickle-down' have failed them too. So the question becomes: what next for Wythenshawe?

One unexpected result of this meeting of diverse minds was the rediscovery of what people did before television: they actually talked to each other! Splitting into small groups, they discussed various aspects of BI with intense interest, showing great reluctance to re-convene for the plenary sessions.

The literature available was widely appreciated, especially the new (and free) BIRG leaflet. There was brisk demand too for Tony Walter's *Basic Income* and the Dutch trade union Voedingsbond's *No Frontiers to a Basic Income*.

The Wythenshawe study group plans to keep in touch, then meet in six months time to assess progress.

Ethnic Minorities Seminar

Conall Boyle writes: A seminar on the implications of BI for ethnic minorities was held on 10th November at Highbury, Birmingham. Contributions to the seminar came from A.S. Abrol (Asian Teachers and Indian Parents Association), George Adams (Community Relations Commission), Fazlun Khalid (Commission for Racial Equality), Bharti Patel (West Midlands Low Pay Unit), members of Chinese, Sikh and Yemeni Community Associations, and local resource agencies.

Discussions focused mainly on the labour market difficulties experienced by ethnic minorities. Specific examples of the results of discrimination were mentioned, for instance that Afro Caribbeans are concentrated in the lowest paid jobs in the National Health Service, and that very few school inspectors are of ethnic minority origin. The root of the problem used to be seen as the educational and language shortcomings of a largely immigrant group, yet today's second-generation, British-born ethnic minorities suffer the same experiences. The problem was pinpointed as racism: discrimination by employers on grounds of a person's skin colour or perceived non-European origin. In combatting this disadvantage, neither the Trade Unions nor Government training agencies are seen as taking a sufficiently positive role.

Nobody claimed to have a panacea, but three possible remedies were discussed:

- A national minimum wage
- Codes of good practice and ethnic monitoring
- Demographic change during the 1990s

The case for a national minimum wage (with or without a BI scheme) has been made elsewhere. The problems which minimum wage protagonists are attempting to tackle exist with even greater intensity amongst members of ethnic minorities. In order to overcome the anticipated unemployment which minimum wage legislation might induce, Bharti Patel proposed an employment subsidy. This would be conditional on employers showing that they operated non-discriminatory codes of practice in job and training allocation.

A problem specific to the Indian community is the existence of 'sweatshops' — small clothing factories, owned and run by Indians, employing mostly Indian women at very low wages. The effects of a minimum wage on this sector is not clear. Direct access to retail outlets might help.

The 1965 and 1975 Race Relations Acts had the specific aims of promoting good relations between communities and reducing or eliminating discrimination in jobs, housing and the provision of services. It was agreed that rather little positive progress has been made as a result of those Acts. Yet they have probably prevented things from getting worse.

For the future two areas are seen as holding some promise: codes of good practice and ethnic monitoring. Many employers, including public sector institutions have still not reformed their labour-hiring practices to ensure equal opportunities. They should be made to do so. Without ethnic monitoring, exaggeration and deceit can continue unchecked. Some people felt that 'if you don't measure, you will never know the size of the problem', but others were concerned that ethnic monitoring might be the first step towards South-African-style apartheid.

The upcoming 'demographic timebomb' could prove a turning point. Short of recruits, employers may turn to the ethnic-minority labour pool, resulting in fuller integration of all races in the mainstream labour market. But even with full employment ethnic minorities will probably be pushed into low-paid, low-status jobs. The nature of employment is also changing, with more part-time, short-term jobs, which will make enforcement of anti-discriminatory measures more difficult.

The case for BI was regarded as having little specific relevance for ethnic minorities, other than the general principles which underline it. BI rests on the concept of the rights and duties of all members of a community. There are civil rights which protect individuals against the state and other groups. There are political rights which (in theory at least) give people control over the state. And there are social rights, which can only be ensured by the state. It is these social rights — the right to a decent quality of life — which are most relevant to BI. Tensions exist between liberals, who emphasise civil and political rights, and socialists who emphasise social rights (Ed: see David Purdy's article in this Bulletin).

BI should resolve some of the tensions by ensuring the necessary minimum of material resources with the least state control. For ethnic minorities the significance of this is clear. BI allows a wide variety of family and household types, it is easy to understand and obtain, and it decriminalises the 'black economy'.

The seminar highlighted the following problems connected with BI, which require further study:

— Residence qualification: many ethnic minorities have relatives living outside the UK, whom they support. Yet there must be some boundary to the payment of BI, such as legal residence and (in the case of old age supplements) duration of residence. It was suggested that such rules might cause hardship, although the regulations governing child benefit could presumably act as a precedent.

— A full BI operated in one country (eg the UK) might be highly attractive to residents of EC countries like Greece or Portugal, and to countries like Bangladesh with very low per capita incomes. Would immigration policy need to be altered?

A more fundamental difficulty lies with the notion of

'community'. BI would be seen as tangible evidence of belonging, hence the perceived attraction for ethnic minorities who at present feel excluded. But belonging to what? The nation state, or some wider group, for instance the European Community? As well as power devolving up to some supra-national body, there are suggestions, notably from the Greens, for devolution down to regions. Where therefore is the natural focus for ethnic minority groups?

In conclusion it has to be said that none of the representatives of ethnic minority groups present at this seminar particularly welcomed BI. There was positive interest, but little enthusiasm. The main concern was countering racism. The onus is therefore on those who support BI to demonstrate that it is more than just a distraction, and to encourage people to take a wider view of the problems they face.

European Conference on Basic Incomes

Hermione Parker writes: A three-day, international conference was held at Windsor from 15-17th November, under the auspices of the European Commission, to discuss the feasibility and desirability of including recommendations for a European 'Basic Income' as part of the social charter. The conference was organised by Deo Ramprakash (social statistician *par excellence*) and Graham Room (UK link person for the Commission's Poverty Programme), both from the University of Bath.

From the subject matter chosen for the three main background papers it quickly became apparent that the term 'Basic Incomes' in the conference title had been chosen inadvertently. Somebody, somewhere, had been under the misapprehension that Basic Income (BI) is synonymous with Minimum Income (MI). Two British speakers (Professor Tony Atkinson of the London School of Economics and Hermione Parker) wasted no time in setting the record straight. Whether or not the delegates liked what they heard, none of them should have gone home thinking BI and MI are the same, or even similar. There was also noticeable enthusiasm for some BI characteristics, especially individualisation of assessment units.

Nobody expected BI to win the day. In the event there was a clear consensus against inclusion of BI in the Social Charter, certainly not at present. In a Community where some of the Member States do not even have minimum income guarantees, any attempt to introduce BI would be asking for trouble. One advantage of including recommendations for a Euro-MI within the Social Charter is to raise the level of debate in the four Member States (Greece, Italy, Portugal and Spain) which as yet do not have one. Significantly, the two countries whose delegates seemed least enthusiastic about MI were those with the longest experience of it (Britain and the Netherlands). By contrast the French spoke enthusiastically about their new *Revenu Minimum d'Insertion/RMI* (see BIRG Bulletin No. 9), despite warning signs that the new *contrats d'insertion* (integration contracts) will be extremely difficult.

As a concept France's RMI is extremely dangerous. If the Social Charter were to include recommendations for a

Euro-MI, it would be of the utmost importance to clarify the conditions of entitlement. Would the MI be a right of citizenship? Or a right of residence? Or would individual member States be allowed to nibble away at its edges, until it was little better than existing systems? In Europe there is a strong tendency to fudge difficult issues, and this is one of them.

If, as in France, the Euro-MI were made conditional on signature by the claimant of a contract promising to cooperate with officialdom by accepting job and training offers, living in approved housing, getting 'off the bottle' (or whatever), then it would only be a qualified right. In France time alone will show whether the *contrat d'insertion* is operable, and whether it reduces the RMI to a euphemism for pressurised conformity. Some people, as one senior delegate pointed out, do not want to be part of mainstream society. Should they therefore forfeit their rights as citizens?

France's RMI has vote appeal, otherwise it would never have reached the statute book. But it needs thinking through. The *contrat d'insertion* is uncomfortably close to the remedies for 'behavioural poverty' (if you're poor its your own fault), hinted at (though seldom spelt out) by best-selling American author and social scientist, Charles Murray.

The best thing about this conference, apart from the excellent food and company, was the unquestioned commitment to Social Europe — to a Europe that cares. The worst thing was the realisation of how inadequately the international 'experts' understand each others' tax and benefit systems (only a handful spoke about tax at all!), hence the fear that momentous decisions may be taken on the basis of misleading advice.

It follows that the Social Charter is best kept as vague as possible, and the Commission really must do something to improve its information systems.

Book Review. 1.

Basic Income: Freedom from Poverty, Freedom to Work

Tony Walter

Marion Boyars, 1989, ISBN 0-7145-2882-X, 175pp, Pb £7.95

Fred Twine writes:

I have two broad, and contrasting, reactions to this book. One is to set aside the range of moral and philosophical arguments, and focus on the problems of operationalising Basic Income. The other is to concentrate on the questions Walter raises about the pursuit of material wealth in post-industrial economies, and the extent to which BI would lead us to a less wasteful world and more sustainable economies.

Is BI a practical strategy for dealing with poverty? Already, earlier and grander claims for BI are being tempered by BIRG as it moves to a 'partial' BI (PBI), in the face of a range of practical difficulties. This moves the locus of debate and undermines a number of the advantages of BI argued for in Walter's book. A PBI then becomes more part of a package of reforms of the tax and benefit systems, than a substantive alternative in its own right. And there may be good arguments for that, but Walter's book argues the merits of a full-blown BI to replace nearly all the present range of social security benefits and tax concessions.

For me the core problem is the trade off between the level of the BI that can be paid, the marginal tax rate necessary to finance it, and the level of employment necessary to raise sufficient tax revenue. If the BI amount does not provide an 'adequate' living standard, then in a key sense it is not 'basic' but nominal, and requires topping up.

So, one reaction is to say that an adequate level of BI would require an unacceptably high marginal tax rate, or that with a PBI broadly similar goals could be better achieved via some combination of increased child benefit, changes to tax and benefit levels and a national minimum wage.

Walter states that the "Basic Income would vary with age, with supplements for those without other income or who incur extra living costs." It is acknowledged that "even though BIs could not provide an income sufficient to meet everyone's living costs, they are still 'basic' in the sense that they go automatically to every domiciled person and provide a basis on which adequate income can be built through earnings, support from kin or relatively small income-tested benefit" (p19). How close to the Beveridge strategy of the 1940s that sounds!

If BI is not intended to provide an adequate income in itself, it cannot be regarded as basic. It becomes a base

or minimum income below which people are not expected to fall. Whether that base income is enough to prevent poverty, as Walter intends, remains problematic. There is a danger that BI would come to address an absolute rather than a relative concept of poverty. If it becomes only a base or minimum income, as I suggest, then it seems doubtful whether it will provide adequate income for meaningful participation in the wider society, for those who are wholly dependent upon it. This would not meet the high philosophical goals set by Walter in his crucial chapter six.

That is my first reaction to the book, my second is quite different. It is to feel that here is a book asking, sometimes only by implication, key questions about how we live and relate to one another, and how we distribute the wealth we collectively create. These questions are aimed at the general public rather than an exclusively academic audience. This is the right target, for whether or not a BI is introduced depends on whether the electorate will vote for such an arrangement.

What is most powerful about Walter's exposition is the manner in which he mobilises arguments from both the political left and right in support of BI. In doing this he is attempting to create a new 'paradigm' for thinking about income support in a post-industrial economy. But, and this seems crucial to the establishment of a new paradigm, the limits of the old left-right debate are left behind as he pulls in the newer concerns of gender inequalities, arising from differential labour market participation and income distribution within the household.

The old paradigm of income support being rooted in relations of employment and unemployment in the labour market, is further attacked by the more implicit, 'green' implications of BI. On my reading, Walter is questioning the centrality of paid employment in our society and the continual pursuit of material wealth and economic growth as a social and economic goal, and the implication this has for the use of finite resources and the environment. BI would provide the income base for a less materialist world, a less wasteful world and a sustainable economy.

However, and here I return to my original concern, we would still need enough production to finance the BI of those not in paid employment. At times it seems as though BI would provide a minimum income for those who wish, for a time at least, to opt out of paid employment, the centrality of which the book questions. Yet the scale, at any one time, of such withdrawal from paid employment is a crucial issue. It is the taxes paid by those in paid work which largely fund the BI. If too many people, for too long a time, choose not to do paid work, and instead live off the BI, this would jeopardise the level of BI that could be paid.

Furthermore, as a PBI is not intended to provide an adequate income, most people would have to work, to provide a topping up income. This in turn would require a constant supply of paid jobs, to maintain both topping-up income and the taxes to finance the BI. I am not yet convinced that we have a practical proposal for BI which will bring about the paradigm shift necessary to meet the high moral and philosophical aims of this book.

Fred Twine is Senior Lecturer in Sociology at the University of Aberdeen.

Book Review. 2.

Instead of the Dole: An Enquiry into integration of the Tax and Benefit Systems

Hermione Parker

Routledge, 1989, ISBN 0-415-00961-8, 464pp, Hb £40.00, Pb £12.95

Wouter van Ginneken writes:

Since introduction of the Beveridge system in the 1940s, the original coherence of the British social security system has long since vanished under layer upon layer of patchwork change. The present system is a maze of laws and regulations that lock people into claimant roles, add to unemployment, penalise marriage, weaken the family, and leave much poverty unattended to. This, according to Hermione Parker's recently published book, is the basic situation that any proposal for reform of the British social security system will have to contend with.

Many analysts — both in Britain and other Western countries — have recognised such disadvantages in post-war social security systems. In Britain this led to the tax-credit proposals by Philip Vince for the Liberal Party, to Professor Patrick Minford's 'efficient relief of poverty' scheme, and to the 'basic benefit' proposals of the Social Democrats. In the United States various experiments were conducted with the so-called 'negative income tax', while in continental Europe an increasing amount of research is being undertaken into the guaranteed Basic Income (BI) for all.

As a parliamentary research assistant at the House of Commons since 1972, working for the late Sir Brandon Rhys Williams MP from 1979-88, Parker combines the qualities of a coherent mind and a sense of what is politically feasible. This book is not just an interesting proposal, it also quantifies the consequences of various alternatives for government expenditure and income distribution. Moreover, it works out a transitional plan between the old and the new systems, and it discusses how the proposed scheme and the transitional plan can be accepted politically.

The proposal is to introduce a Partial Basic Income (PBI) by the year 2000. Each adult would receive £26.00 per week (at 1985-86 prices), and each child an amount between £15.00-£21.50, according to age. The BI is called partial, because its level is lower than the assumed £60 poverty line (again at 1985-86 prices) for an adult living alone. It follows that PBI supplements are needed for widows/widowers, expectant mothers, old age pensioners, disabled persons, and carers (at home) for old and sick people.

All these benefits would be paid by the so-called Transfer Income Account (TIA), administered by central govern-

ment. Local government — through newly created Cash and Care (C&C) departments — would authorise payment of the disability supplements by the TIA, would provide counselling, child care facilities, an income-tested housing benefit and reformed Social Fund, and might also organise work guarantee schemes.

The BIs and C&C benefits are together intended to guarantee to each person an approximately equivalent basic living standard, much of it as an automatic right of citizenship. Those desiring a given percentage of previous earnings during sickness, unemployment or old age would be expected to make the necessary provisions through private insurance and/or collective agreements — without income tax reliefs.

The book unfortunately does not show what the total cost of this PBI scheme would be, had it been introduced in 1985-86. However, it is the reviewer's impression that it would cost significantly more than the £53,000 million spent on the current benefit systems. For the BI 2000 scheme, the total cost would be financed by a new, comprehensive personal income tax, which would replace current income tax and employees' and self-employed national insurance contributions (NICs). The employers' NIC would be replaced by an increased profits tax, designed to yield approximately the same amount of revenue, and would be used to finance general government expenditures. The personal income tax base would be widened by the abolition of all the personal income tax allowances, and some or all of the non-personal allowances, such as those for mortgage interest and private pensions.

The average tax rate necessary to finance the scheme is estimated at about 35% in the year 2000 if all existing income tax reliefs were abolished, and about 45% if all the non-personal income tax reliefs (for house purchase and private pensions) were retained. Abolition of the personal income tax allowances is an integral part of the scheme, but the first slice of earned income (£25 a week) would be tax-free.

What are the advantages of the BI 2000 scheme, which would replace the current systems of National Insurance benefits and means-tested Income Support? First and foremost, it would prevent poverty rather than at best relieving it, and it would put an end to the increasing dichotomy between an underclass of unemployed or under-employed welfare claimants and those who are the economically strong providers of the welfare system. Secondly, it would make the operation of the labour market much more flexible, because people would be able to withdraw from paid employment when family circumstances, personal preferences or general economic conditions made it desirable. Thirdly, the financing system (abolition of payroll taxes) would reduce labour costs and thus contribute to more employment creation. Fourthly, the integration of the tax and benefit systems would eliminate most of the 'poverty traps' which characterise the current system.

In a book of such breadth it is inevitable that many questions remain open to debate. One such issue is the link that the author establishes between the proceeds of personal income taxes and the expenditure on the BIs and C&C benefits. This has the advantage that benefits will almost automatically be linked to changes in economic growth, and that the benefit levels can hardly be

influenced by political decisions. Thus, it is proposed that the abolition of tax reliefs for mortgage interest and pension contributions will automatically increase the TIA revenues. But one can argue that the specific link between central government expenditure and taxes may result in an inefficient allocation of government expenditure.

Another issue is the author's assumption that the equivalent of the employer's NI contribution can be raised through increased corporate tax in the future. Finally, the scheme assumes a ten percentage point increase in the rate of tax on unearned and investment incomes. Even though in the UK almost all investment income is now taxed at source, new international rules will be needed in order to tax the increasing amount of capital income outside the national tax borders (such as Eurobonds).

In spite of some critical remarks on the financing of the PBI scheme, the work accomplished in this book is formidable. To propose an integrated tax and benefit system, to quantify its impact on income distribution and government expenditure, and to work out a politically feasible transition plan between the old and new systems, is a rare achievement. The book deserves concrete follow-up in Britain and can serve as an example for similar studies in other European countries.

Wouter van Ginneken works in the Employment and Development Department of the International Labour Organisation (ILO) in Geneva.

Books and Papers Received

A Citizen's Income in a Post-Fordist Society, Jan Otto Andersson, Department of Economics, Åbo Akademi, 20500 Turku, Finland. Paper presented at the WFSF Pacific Basin Conference, Nagoya, November 1989. An overview of the case for BI, from a Finnish perspective.

Citizens' Britain: A Radical Agenda for the 1990s: Paddy Ashdown, London Fourth Estate, 1989, £5.95. In this important book, the leader of Britain's Liberal Democrats, and Member of Parliament for Yeovil, sets out the case for a new sort of politics, and challenges the assumptions about how British society is run. With Thatcherism apparently in decline, and Britain's opposition parties searching for policies that can set the political pace in the 1990s, Ashdown argues for a new sort of Britain — a country in which everyone is valued, everyone gets a BI, and government is much more responsible to the people.

The Field/Ormerod Tax Reform Proposals, A.B. Atkinson, H. Sutherland, Taxation Review Background Paper No. 3, Fabian Society, 11 Dartmouth Street, London SW1H 9BN, February 1989. A detailed evaluation of the proposals by Frank Field and Paul Ormerod to reduce the basic rate of income tax to between 12% and 15%, in return for abolition of all income tax allowances and reliefs. "A more promising approach", conclude Atkinson and Sutherland. "is to convert the personal allowances into a guaranteed basic income".

Welfare — A Moral Issue? Michael Bayley, March 1989, published by the Diocese of Sheffield Social Responsibility Committee, 17 Barkers Road, Sheffield S7 1SD, 92pp, price pb £2.30, including postage. This short book, by the chairman of the working party which produced *Not Just for the Poor*, offers a penetrating insight into the debate about welfare, the notion of society and the separate roles of church and state. Of particular interest are the historical analysis of attitudes to welfare since the eighteenth century, and the descriptive analysis and critique of Britain's New Right.

Basic Income, Basic Income Research Group. A new, nine-page introductory leaflet, available free of charge from BIRG, 102 Pepys Road, London SE14 5SG.

Social Protection and Guaranteed Minimum Income: An International Perspective, paper (in French and English) prepared by Chantal Euzéby (consultant ILO) for the *European Conference on Basic Incomes*, Windsor November 1989 (organisers Deo Ramprakash and Graham Room, CASP, University of Bath, Claverton Down, Bath BA2 7AY). This paper includes a surprisingly misleading critique of BI. BI models are described as 'basically reductionist' and their advocates as 'the most extreme liberals'. Minimum Income models are preferred, despite recognition of their well known disadvantages.

The Age of Unreason, Charles Handy, Hutchinson 1989 (Hb), Arrow January 1990 (Pb). Change is no longer what it used to be. It is radical, random and discontinuous. We are now entering an age of unreason, when established rationality will no longer produce the answers. How should we respond? BI is part of the answer.

Market Labour Supply, Informal Work and the Basic Income Proposal, Stefan L.J. Késenne, Report 89/234, June 1989, Universitaire Faculteiten St-Ignatius, Prinsstraat 13 — B 2000 Antwerpen, Belgium. In this paper Késenne attempts a formal extension of the 'income/leisure choice' model which underlies most of the work of economists in the area of tax/benefits and incentives. The basic model argues that individuals derive utility from both consumption and leisure. Késenne introduces two additional elements: first, an intermediate state between work and leisure — informal work; second, the choice between attractive or unattractive jobs. He then employs his extended model to explore the impact of BI, but the results are unconvincing.

A Culture of Power: Rethinking Labour Movement Goals for the 1990s, John Mathews, 1988, Australian Fabian Society, PO Box 2707X, Melbourne, Victoria 3001, 60 pp, price pb Aust. \$6.95. Australia is at a political crossroads. The first two Hawke Governments established the credibility of Labour as a legitimate and competent manager of the economy. The third team opens the prospect for sustained reform during the 1990s. A comprehensive framework, or paradigm, is needed to guide this process. John Mathews argues for a new kind of economic democracy, including collective investment funds, co-determination, a guaranteed minimum income (BI?) and media diversification.

Age of Democracy: The Politics of Post-Fordism, John Mathews, 1989, Oxford University Press. Democracy has never been so central to world political debates and developments as in the closing years of the twentieth century. Popular participation through democratic structures is now seen as essential to economic and social progress worldwide. In the West, a narrow and formalistic notion of democracy, confined to electoral processes, is being extended to encompass the democratisation of economic and industrial life. John Mathews argues that this is an essential step towards productive efficiency. Instead of mass production as pioneered by Henry Ford, the new movement builds on flexibility and new forms of cooperative association.

Basic Income or Minimum Income, background paper (in English and French) by Hermione Parker for the *European Conference on Basic Incomes*, Windsor, November 1989 (organisers Deo Ramprakash and Graham Room, CASP, University of Bath, Claverton Down, Bath BA2 7AY). In this paper Parker emphasises the importance of clearly defined technical terms, especially in the context of the European single market and the move towards convergent income support strategies. She summarises the differences between Minimum and Basic Incomes; distinguishes between full, partial and transitional BI; and ends with a recommendation that the European Commission clarify the issues and avoid closing any options.

On the Role of Means Testing: Its Functions and Dysfunctions; Recent Developments in European Social Security Systems, Wim van Oorschot and John

Schell, 1989, Department of Social Security Studies, Tilburg University, PO Box 09053, 5000 LE Tilburg, Netherlands. Theoretical analysis (in Dutch and English) of the problems associated with means-tested benefits, followed by empirical analysis of the growing dependence on means-tested benefits in a number of European countries. Together with the implications of this trend.

Der wirtschaftliche Wert der Sozialpolitik (The Economic Value of Social Policy), Georg Vobruba (editor), Duncker & Humblot, Postfach 31 03 29, 1000 Berlin 41, price DM 74. A collection of essays (in German) on the economic value of social policy, and its implications for modernisation, economic growth and taxation. Contributors include Guy Standing and Philippe van Parijs.

Economic Benefits of Social Security, Georg Vobruba, Science Center Berlin, being an English version of discussion paper FS 1 88-11. Economic and social policies are usually treated as alternatives. Financial pressures on the social security system, following mass unemployment, have caused people to regard social security as a burden on the economy. Vobruba sets out arguments against this interpretation.

Redistribution of Work and Income in the Crisis: Problems of Working Time Reduction and a Guaranteed Basic Income, Georg Vobruba. A short paper to be published in *Contemporary Crises* (1990) Vol. 14, No. 2. The necessity of shorter working hours is now, says Vobruba, scarcely questioned. Is it possible to combine working time reduction with BI in such a way that they complement each other?

Signing On: The Voice of the Unemployed, Workforce Publications Ltd, 52 Queens Gardens, London W2 3AA, variable subscriptions. Launched in February 1989, edited by Philip Riley, this is a newspaper for unemployed people all over Britain. The issue of 29 June 1989 (Volume 2 Number 3) included a piece on BI by Bill Jordan and a review of Hermione Parker's book *Instead of the Dole*.

De Economische Effecten van een Basisinkomen, discussion paper based on a conference organised by Werkplaats Basisinkomen at Tilburg on 16 June 89. Contributors: Paul de Beer, Erik Hogenboom, Jos Mevissen, Piet Renooy and Jan Stroeken. Topics: theoretical examination of the micro- and macro-economic effects of BI; redistributive effects of a specific BI proposal; behavioural effects on private households; behavioural effects on businesses; conclusion and tentative costings. In Dutch only. Available from: Dagmar Varkevisser, Herman Heijermansweg 20, NL-1077 WL Amsterdam.

Labour Law, Social Security and Economic Inequality. Simon Deakin and Frank Wilkinson, The Institute of Employment Rights, 98 St Pancras Way, London NW1, February 1989. This study, published by Britain's new 'labour-law think tank', includes a critique of BI, which the authors say "would rapidly become a ceiling and not a floor", unless accompanied by "an effective social insurance scheme and a minimum wage". Instead the authors recommend a BI plus social insurance benefits and a minimum wage, but do not say how their scheme would be financed.

VIEWPOINT

Basic Income: Value or Price?

Conall Boyle

"A cynic", wrote Oscar Wilde, "is a man who knows the price of everything and the value of nothing". I would like to review the concept of value in relation to Basic Income, and suggest that a BI is in some senses more 'valuable' than the same amount of money paid out as a conditional benefit. Readers may find it strange to suggest that a BI of (say) £29 per week is more 'valuable' than unemployment benefit of exactly the same amount. After all, at the supermarket checkout we all pay with the same money. It is of no concern to the cashier how we acquired the cash. But this is to confuse price with value.

My argument rests on three propositions:

- BI is a 'platform', whereas social security benefits are at best a 'safety net'.
- BI is unconditional, and in consequence a much more certain source of income than benefits based on contingencies.
- The costs associated with obtaining an income and the perceived benefits from it add up to more than the sums of money involved.

BI is a platform

Existing benefits are based on the Beveridge 'safety net' principle. They are supposed to catch people on those occasions when they fall out of paid work. This, it was anticipated, would be a rare occurrence. Hence benefit levels are based, notionally at any rate, on the idea of cover for short-term emergencies, not regular living costs. Undoubtedly this argument is undermined by the reality of today's situation whereby millions languish for years on income support (IS). The permanence of their state is not however recognised, either by the authorities or by the claimants themselves. Most long-term unemployed cling to the belief that their situation is temporary, and that soon they will regain the status and income that go with a job. Thus a system that was intended to be a temporary safety net has turned into a permanent support for millions. This can only be described as a serious design flaw.

BI is an ongoing payment — a platform, not a safety net. Hence it is something to build on. In the jargon of the late Keith Roberts, who used to talk about *economic engineering*, we can compare the load-bearing requirements of safety nets and platforms. Engineering calculations show that a platform can bear at least twice the load of a safety net, for a similar applied weight. It is easy to picture how a platform which gently raises

people up requires far less strength than a safety net which prevents them from falling to the ground.

From a steady BI platform, people would be able to build without being hampered by earnings or cohabitation rules. By contrast a safety net only comes into action when you come crashing down as a result of some misfortune — indeed the only way you can invoke the security of a safety net is by falling into a category such as unemployment or disability.

BI is unconditional

BI is paid without means tests or investigations. This makes it worth more to the recipient than an equivalent benefit subject to bureaucratic discretion, which may be withdrawn at the whim of a Department of Social Security official. In management science there is a technique called decision analysis which enables investments to be compared: when a venture has an uncertain but high yield, it is worth less than one with a safe equivalent return, for instance putting money into a Building Society. Using decision analysis it is possible to calculate the statistically expected rates of return. Investors might well expect a yield of twice or more from risky ventures before they would be tempted to forego the certain return of a Building Society deposit.

Since BI is a life-long payment, without conditions, it allows steady plans to be made and carried through. Conditional benefits, on the other hand, last only so long as the condition (illness or unemployment for example). As an example of the malign effects of conditionality, consider the now almost ritual stories of distress caused by cold weather. Rather than insulate and eventually save money on heating bills, people who depend on social security have no option but to use heat in a wasteful way. Insulation has a pay-back period of one to five years, but only someone with a secure income can afford to invest in it, or borrow the money to carry it out.

Another example of the negative effects of conditional benefits is the loss of welfare suffered by wives who find it does not pay to take part-time work, because their husbands' benefit may be reduced. The loss is not cash, but the opportunity to take a job and contribute to society.

Cost/benefit analysis

Cost: The costs to individual citizens of acquiring the BI would be virtually nil. Every baby would be given a BI number at birth, which would be theirs for life. Immigrants would be given BI numbers as soon as they acquired the status of legal residents. The BIs would be credited automatically, probably on a monthly basis, either by government agencies or through the banking system.

This is in marked contrast to the current system, where applying for many benefits is time-consuming and bureaucratic. Benefit administration costs at least £3,000 million and is so intrusive that many claimants prefer to forego their entitlement, and suffer the consequences. The most notorious example of take-up failure is Family Credit, where an estimated 50% of claimants do not apply for what is due to them.

Low take-up rates indicate that there are 'costs' incurred in claiming benefits. In other circumstances these could be compensated for: when it comes to income tax claims, for example, the cost of professional advice is tax-deductible. But no-one compensates benefit claimants for the hours spent trudging from office to office, waiting in dingy rooms to be dealt with by sometimes surly and over-worked DSS officials.

Benefit: The psychological advantage of receiving an unconditional payment as of right has a positive value. People are quite ready to spend money on intangibles in order to feel good, a factor which is exploited in brand-image advertising. It would be difficult to quantify in money terms the psychological reward of unconditional benefits, but it undeniably exists.

Conditional benefits, on the other hand, have negative values. People resent the 'scrounger' label that goes with claimant status. Their self esteem suffers and also their health. This reduction of 'welfare' for the recipient lessens the value of the benefit.

Setting off a virtuous circle

A BI scheme could not be introduced overnight, and for any conceivable timescale would have to run in tandem with our present benefit system, where payment is subject to tests of need. Such a hybrid system, combining very small BIs with continuing dependence on means-tested benefits, has been called a *Partial Basic Income (PBI)* or *Transitional Basic Income (TBI)*. Transition towards a PBI system would have the effect of removing large numbers of people from dependency on conditional benefits. Hypothetical calculations on the redistributive effects of such schemes have always been done on the basis of strict cash equivalents. This is misleading because the calculations are not comparing like with like.

If the initial TBI were to be set at £10 a week (as described by Tony Atkinson and Holly Sutherland in BIRG Bulletin No. 8) and existing benefits reduced by the same amount, this would remove from claimant status all those whose benefits fell below £10. I would like to suggest that because each £1 of BI is more 'valuable' (for the reasons explained above) than each £1 of conditional benefits, more claimants than anticipated would choose to remove themselves from dependence on conditional benefits. Those voluntarily not claiming would be marginal claimants, so the saving to the Exchequer would not be great. But we can still ask how this extra money should be used.

- To increase the level of the PBI or TBI?
- To increase the level of the residual, conditional benefits?
- To reduce tax?

My choice would be to increase the level of the BI. This would have the added attraction of setting off a virtuous circle. Not only would the increase in BI be self-financing, it would also encourage more people to opt out of conditional benefits, thus making further BI increases possible in the future.

*Conall Boyle is a lecturer in statistics at Birmingham Polytechnic. In November 1989 he organised a seminar on **Basic Income and Ethnic Minorities** (see **At Home and Abroad**).*

BIRG Bulletin Back Numbers

The first two editions of the BIRG Bulletin were in tabloid form. The following, in the current A4 style, are available from BIRG, 102 Pepys Road, London SE14 5SG. In addition to the main articles, there are details of relevant events at home and abroad, book lists, and occasional book reviews.

Bulletin No 3, Spring 1985.

- *VIEWPOINT: A new deal for all*, Keith Roberts
- *Costing Basic Incomes*, Hermione Parker
- *Going, going ... gone: the vanishing right of young people to supplementary benefit*, Douglas Smith

Bulletin No 4, Autumn 1985:

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

Bulletin No 5, Spring 1986:

- *Social security, taxation and family financial arrangements*, Jan Pahl
- *Basic Incomes, some practical considerations*, Philip Vince
- *Public support for families with children: a study in British politics*, Sir John Walley
- *Fowler's reform of social security: facts and figures*, Hermione Parker
- *Labour surplus, flexibility and security*, Guy Standing
- *Cash and caring*, R.A.B. Leaper
- *VIEWPOINT: Realistic radicalism*, Malcolm Torry

Bulletin No 6, Autumn 1986 (photocopies only available):

- *A Basic Income for youth*, Paul Lewis
- *Basic Incomes and elderly people*, BIRG Elderly Group
- *Safeguarding social security in the Netherlands*, Jos Dekkers
- *Poverty and Adequacy*, Anne Miller
- *Letters from Andrew Brown*
- *The case for a guaranteed income in France*, Bruno Couder
- *Childminding costs*, Sue Owen
- *Journey-to-work costs*, Martin J.H. Mogridg
- *VIEWPOINT: Service credits: A new currency*, Edgar Cahn

Bulletin No 7, Spring 1988

- *What are Basic Incomes?* Bill Jordan
- *Are Basic Incomes feasible?* Hermione Parker
- *Alternatives to Basic Income*, Fran Bennett
- *The implications of BI for people with disabilities*, BIRG Disability Working Group
- *Back to basics: a plan for simple pensions*, Philip Chappell
- *Removal of private pension tax relief: viewpoint from an actuary*, Geraldine Kaye
- *Mutual responsibility*, Malcolm Torry
- *VIEWPOINT: Towards an income and work guarantee*, Peter Ashby

Bulletin No 8, Autumn 1988

- *Defining Basic Income*, Tony Walter
- *Administration of integrated tax/benefit systems*, Hermione Parker and Andrew Dilnot
- *Towards a BI democracy*, David Purdy
- *Analysis of a partial Basic Income*, Tony Atkinson and Holly Sutherland
- *A European guaranteed Basic Income System?* Nel van Dijk
- *VIEWPOINT: 'If any would not work, neither should he eat'*, James Robertson

Bulletin No 9, Spring/Summer 1989

- *Existence income and activity income*, Henri Guitton
- *Can it happen?* Susan Raven talks to Frank Field MP, Archy Kirkwood MP and the Rt Hon David Howell MP
- *Denmark's Basic Pension*, Adam Trier
- *Basic Income in Ireland: the debate so far*, Rosheen Callender
- *Proposals for a Basic Income in the Republic of Ireland*, Chris O'Malley MEP
- *VIEWPOINT: A place at the board*, Kevin Donnelly

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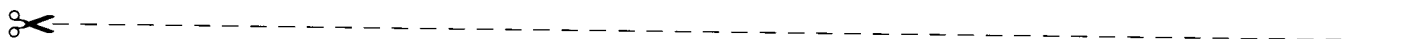
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BIRG and BIEN Programmes

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Saturday 16th June 1990 from 10.30am,
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Getting a BI Scheme off the Ground

Further details will be circulated to BIRG members,
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BIEN

Wednesday-Friday, 19th-21st September
three-day conference at the European University
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Economic Democracy and Citizenship Income (CI)

With four sub themes:

1. Competing justifications for CI
2. CI in alternative models of society
3. Missed opportunities for CI
4. Towards a European CI

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