Citizen's Income *newsletter*

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Contents

Citizen's Income Newsletter
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Editorials

Benefits sanctions

Over seventy years ago, Juliet Rhys Williams, a member of the Beveridge committee, [1] objected to the majority's recommendation of time-limited National Insurance benefits topped up by means-tested National Assistance. In her minority report (later published as *Something to Look Forward to*) she pointed out that means-tested benefits would mean that many families would receive too little of any additional earnings and that there would therefore be too little incentive to seek paid employment. This would mean that coercion would be required to get people to accept employment. Rhys Williams would have preferred an unemployment benefit that was not time limited and was not withdrawn as earnings rose:

> The hope of gain is infinitely preferable to the fear of punishment and the fear of want as a motive for human labour . . . The real objection to the Beveridge scheme does not lie in its shortcomings in respect of the abolition of want, which could be made good, but in its serious attack upon the will to work. [2]

Rhys Williams' prediction is even more relevant today than it was then. Employment is becoming more precarious. [3] To accept precarious employment is to lose means-tested benefits and then to have to reclaim them and suffer the inevitable income gaps. 'Universal Credit' is meant to improve on this experience, but, whereas now, entering employment means moving from out-of-work means-tested benefits to in-work means-tested benefits, under Universal Credit the shift will require a seamless computerised administrative transition within the same means-tested benefit. This will be no more seamless in practice. The 'precarity trap' is Guy Standing's term for the way in which these income transitions disincentivise employment. It compounds the unemployment and poverty traps (the results of means-tested benefits being withdrawn as earnings rise), and makes ever more necessary the coercion represented by benefits sanctions and predicted by Juliet Rhys Williams. There will be no escape from benefits sanctions until our benefits system is based on a genuinely universal benefit that is not administratively precarious and is not withdrawn as earnings rise.

But isn't a return to full, secure and well-paid employment the answer to this problem? It would be if it were possible, but unfortunately it isn't. Employment is becoming more precarious, and although there are still 'good jobs', the number of 'lousy jobs' is growing and 'middling jobs' are

[1] Sir William Beveridge, *Social Insurance and Allied Services*, Cmd 6404, Her Majesty's Stationery Office, London, 1942.

[2] Juliet Rhys Williams, *Something to Look Forward to*, MacDonald and Co., London, 1943, pp.13, 45, 141.

[3] Guy Standing, *The Precariat: The New Dangerous Class*, Bloomsbury, London, 2011

disappearing. [4] The reasons for this are complex (- the average annual rate of return on capital is rising faster than the annual rate of growth of the economy, [5] which means that a smaller share is going to wages and investment; rising inequality reduces yet further the share of GDP going to low earners; [6] and whilst new technology creates new jobs it also destroys old ones): but whatever the reasons, even if a return to full full-time employment were to be possible, this would not necessarily be desirable if it were to increase the rate at which we were using up the planet's resources.

Anna Coote of the New Economics Foundation argues that a shorter working week would help to deliver the kind of sustainable economy that we shall need, and that it would reduce unemployment, improve wellbeing, and increase opportunities for engagement in caring, community, and political activities. [7] If a shorter working week were to be achieved, then clearly it would deliver the promised benefits for individuals, families, and society as a whole: but it is difficult to see how a shorter working week is likely to be achievable in the context of a benefits system (including so-called Tax Credits) that withdraws additional income rapidly at low numbers of hours of National Minimum Wage employment. [8] For higher earners, shorter working weeks are always a possibility: but for lower earners they are not.

Juliet Rhys Williams' solution to the problem was that every adult citizen should receive an income from the State, and that this should not be reduced if the citizen earned an income or if their earned income rose:

> The State owes precisely the same benefits to all of its citizens, and should in no circumstances pay more to one than to another of the same sex and age, except in return for services rendered . . . Therefore the same benefits [should be paid] to the employed and healthy as to the idle and sick. . . . The prevention of want must be regarded as being the duty of the State to all its citizens and not merely to a favoured few. [9]

A Citizen's Income – an unconditional and nonwithdrawable income for every individual – would provide an income floor on which everyone could build. It would enable low earners to earn their way out of poverty more quickly than they can now and so would therefore reduce income inequality. It would not be withdrawn as earnings rose, so it would not be withdrawn faster for part-time employees than for full-time employees and it would therefore make more possible the kind of shorter working week that the New Economics Foundation would like to see. A Citizen's Income would therefore enable parents more easily to care for their own children, would give to more people the option of spending their time on community and political activity, and would give to families and communities the time to create for themselves many of the services that they currently purchase in the market. Whether the economy would be more sustainable is a question that only experience would be able to answer, but I suspect that it would be, because, as the Green Party suggests,

> saving the planet is down to all of us, but we cannot expect people still stuck in the poverty trap to think of it as a priority. Creating a fairer society and saving the planet go hand-in-hand. [10]

Commissions

In 2011 Compass published the final report of its High Pay Commission, [11] and the Living Wage Commission, chaired by the Archbishop of York, published its report in June of this year. [12] Both reports are well-researched and are the result of thorough consultation, and the commissions responsible for them have been made up of broad diversities of experts. It would be a pleasure to see a similar commission to study the feasibility and desirability of a Citizen's Income. We would do all that we could to assist.

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[4] Maarten Goos and Alan Manning, 'Lousy and Lovely Jobs: The rising polarization of work in Britain', *Review of Economics and Statistics*, vol.89, no.1, pp.118-133, 2007

[5] Thomas Piketty, *Capital in the Twenty-first Century*, Belknap Press, Cambridge, Mass. 2014, pp 22-7

[6] Stewart Lansley, 'From inequality to instability: Why sustainable capitalism depends on a more equal society', *Fabian Review*, The Fabian Society, London, Winter 2011, pp.12-14

[7] www.neweconomics.org/blog/entry/10-reasons-for-a-shorter-working-week

[8] www.citizensincome.org/filelibrary/booklet2013.pdf

[9] Juliet Rhys Williams, *Something to Look Forward to*, MacDonald and Co., London, 1943, pp.139, 145.

[10] Green Party, *Citizen's Income: An end to the poverty trap*, Green Party, London, 2008

[11] http://highpaycentre.org/files/Cheques_with_Balances.pdf

[12] http://livingwagecommission.org.uk/wp-content/uploads/2014/06/Work-that-pays_The-Final-Report-of-The-Living-Wage-Commission_w-3.pdf

Conference reports

Citizen's Income: A solid foundation for tomorrow's society

A conference held on Friday 6th June 2014

A full report of the conference, including Anne Miller's opening address, presentation summaries, working group reports, and speaker introductions, appear on our website

63 people attended the conference, held by invitation of the British Library at its conference centre.

Anne Miller, Chair of the trustees, welcomed everyone to the conference, offered a brief history of the recent Citizen's Income debate in the UK, and explained that an important aim of the conference was to help the Citizen's Income Trust's trustees to develop a strategy for the next few years. Jude England, Head of Research Engagement at the British Library, then introduced the British Library and its many research and educational facilities. Malcolm Torry, Director of the Citizen's Income Trust, explained a few terminological matters: that a Citizen's Income is an unconditional, nonwithdrawable income paid to every individual as a right of citizenship; that different rates can be paid for people of different ages; that a Basic Income is the same thing as a Citizen's Income (as is a Universal Benefit or a Social Dividend); and that in the UK the words 'minimum' and 'guarantee' are tainted by association with means-testing and so should be avoided. Child Benefit would be a Citizen's Income for children if it were paid at the same rate for every child. Debate ensued on the definition of a Citizen's Income, and on the meaning of citizenship.

Guy Standing, Professor of Development Studies, SOAS, University of London, spoke on 'Citizen's Income: an income floor for the Precariat, and the means of global development'. He explained that we are in the midst of a painful transition. More flexible labour markets are leading to the breakdown of social insurance methods for sustaining income and to a resultant increase in means-testing, which in turn leads to categorising people as deserving and undeserving poor. Means-testing reduces incentives to seek employment so coercion, sanctions and 'workfare' are the result. The precarity trap (the fact that it is irrational to take short-term low-paid employment if that means frequent benefits applications) might now be as significant as the poverty trap. Professor Standing described some of the results of the recent Citizen's Income pilot projects in Namibia and India, and offered four justifications for a Citizen's Income:

1. Justice: our wealth is due to the efforts of our forebears, so we all deserve a social dividend.
2. Rawlsian: a policy is only justifiable if it improves the position of the poorest member of society. A Citizen's Income can pass this test
3. A policy must pass the paternalism test: that is, no policy is just if it imposes tests on some groups that are not imposed on others. A Citizen's Income passes this test, too.
4. The 'rights not charity' principle. Due process was an important provision in the Magna Carta. Means-tested benefits allow discretion to State officials, thus bypassing due process.

John McDonnell MP introduced Tony Benn's theory of political change: that new policies are thought 'bad' and then 'mad' before everyone claims to have thought of the idea. Thomas Kuhn's research on scientific change suggested that current theory becomes problematic, new possibilities emerge, and suddenly a paradigm shift occurs. Iain Duncan Smith's Universal Credit and other changes are revealing the problematic nature of the current benefits system, but there is a vacuum in terms of new ideas. A Citizen's Income brings together debates about citizenship and poverty, and provides the necessary new paradigm: but obtaining agreement on the implementation of a Citizen's Income won't be easy. For the Labour Party, Ed Miliband will only move when it is safe to do so (as he has, for instance, over energy bills). When he does move, then he gathers support. We therefore need to make a Citizen's Income safe for politicians. We need to lead so that the leaders can follow. The Labour Party is bereft of policies designed to tackle poverty and precarity, so the Trust needs to work with think tanks to provide the required package, and it needs:

- A seriousness of intent
- A professional approach
- Confidence
- Excitement and enthusiasm

Natalie Bennett (Leader of the Green Party) suggested that the outcome of a successful campaign would be that she would be able to say 'Basic Income' on Newsnight and everybody would know what she meant. People do 'get it' when the idea is explained to them, because the welfare safety net has fallen apart and they want to be able to feed their children without going to food banks. Public education is essential. Biological evolution is punctuated evolution: that is, alternating periods of stability and change. A Citizen's Income constitutes the next major change because it would change everything, and in particular would provide both economic security and ecological sustainability. The Trust's task is to educate people about a Citizen's Income and its effects.

Tony Fitzpatrick (Reader, University of Nottingham) entitled his paper 'Schemes and Dreams'. The welfare state established after the Second World War was the closest that we've ever got to achieving both security and freedom. We must now ask how we should achieve that combination today. Dr. Fitzpatrick discussed four moral contexts: productivism, distributivism, the deliberative, and the regenerative. A post-productivist settlement is needed if we are to conserve the world's resources. A Citizen's Income could contribute to that happening, and it could conform to all four moral contexts.

After discussion, and then lunch, three working groups met and then presented their findings at a plenary session:

Brief reports from the working groups

1. *Funding options*: If the level of the Citizen's Income is too low then it might not be politically inspiring. A variety of funding methods were discussed, but because policymakers are cautious, in the short term it might be important to concentrate attention on the Citizen's Income itself rather than on possible funding mechanisms: so initially a Citizen's Income would need to be funded by reducing existing tax allowances and benefits, with other mechanisms being considered later.
2. *Political feasibility*: We need to avoid current vocabulary in order to avoid stale current debates; we need to offer a clear message of hope through visual representations; we need both a core message and variants to appeal to different audiences; we need a group of sponsors to raise the debate's profile; and we need to relate to MPs, MEPs, NGOs, and other groups, so that they can promote the idea. A Citizen's Income is the route to emancipation and freedom, and to the exercise of a variety of rights, and rights language could be useful. A Citizen's Income enables people to care for others, so care language could also be helpful. Pilot projects will be important.
3. *The research required*: Qualitative research is needed to test the acceptability of different ways of expressing a Citizen's Income. The level at which a Citizen's Income would be paid would also affect the idea's acceptability. We need to show that people would wish to work in order to demolish the myth that there would be numerous free-riders. We need to show that a Citizen's Income would act as an economic stabiliser in the context of a gap between wages and productivity; and we need to show how a Citizen's Income would impact on health and other outcomes.

Panel discussion

Natalie Bennett (Leader of the Green Party) asked the Citizen's Income Trust to provide both a wide variety of material and a clear and simple message; Kat Wall (New Economics Foundation) asked the Trust to be clear how work and social participation would be affected by a Citizen's Income; and Neal Lawson (Compass) said that the time is right for a Citizen's Income so we need to grasp the opportunity. A *moral* argument is required, and not just the figures. We need the courage to be utopian. Whilst a Citizen's Income isn't about everything, it is about security. Such central connections need to be clearly represented in new ways. Bert Schouwenburg (of the GMB Trade Union) discussed the fact that no trade union has a position on Citizen's Income, and that that needs to change. Trades unions are wage brokers, and it needs to be made clear that a Citizen's Income would complement that activity. Chris Goulden (Joseph Rowntree Foundation) explained that researchers are meant to be sceptical. A Citizen's Income is dignified and simple and it avoids stigma, but such questions as who gains and who loses are important. 'Something for something' remains a significant public attitude, and lifecourse redistribution is acceptable, but not redistribution across income groups. A Citizen's Income campaign needs to take account of such attitudes.

Further discussion followed; and then Professor Hartley Dean (London School of Economics), who had chaired the panel discussion, summed up the conference:

Citizen's Income is a technology, or policy mechanism, which can serve a variety of ends. We must ensure that it serves social justice. We need to say how it would work, and the detail matters. Citizen's Income is also a philosophical proposition. It is elegant, and it challenges prevailing understandings, for instance, of work, of human livelihood, of relationships of care, and of rights. 'Unconditional' is a stumbling block when applied to people of working age: but 'working age' is socially constructed. Work is diverse, and not just what happens within a wage relationship. A Citizen's Income would support a variety of forms of work. Social insurance is risk-sharing, and a Citizen's Income would also constitute risk-sharing. It deals with risk now in ways that social insurance did sixty years ago.

A global Citizen's Income is a distant prospect, but borders are breaking down and citizenship is changing. We need to keep alive a big vision.

The 15th International Congress of the Basic Income Earth Network (BIEN)

Re-democratising the Economy

Friday 27th June to Sunday 29th June 2014,

McGill Faculty of Law, Montréal, Quebec, Canada.

More than 200 delegates (academics, activists, policy-makers, political representatives, members of NGOs and the general public) congregated to take part in the 15th BIEN Congress, held in the pleasant leafy environment of McGill University's Faculty of Law, in downtown Montréal, Quebec. While many of them came from North America, there was also a good representation from Europe including 10 participants from the UK, and others from France, Belgium, The Netherlands, Germany, Slovakia, Poland, Finland, Austria, Switzerland, Italy, Spain and Portugal. True to its 'new' name (since 2004), there were also representatives from further afield, including Mexico, Brazil, Argentina, Japan, South Korea, India, Indonesia, and Australia.

Thursday 26th June 2014, NABIG Pre-conference Workshop Day

Prior to the main BIEN conference on 27-29 June, there was a special meeting for the 13th North America Basic Income Guarantee (NABIG) Congress - the annual joint meeting of the BI Canada Network, and the US BIG Network. This set the conference off to a good start. Each organisation held a meeting in the morning of 26th June to focus on strategies to activate and implement a BI policy in each of their jurisdictions.

At the Canadian session, the importance of the terminology used in a campaign was emphasised, recognising the political or social context in which it is made. A new campaign called 'The BIG Push' had been launched. It was suggested that different responses were needed to respond quickly to a query such as 'What is a Basic Income?' in an elevator ride, or during a bus ride, or in a full lecture, and that an example from one's own life is useful, as well as backing it up with economic, statistical or legal facts. The advantages of pilot projects were discussed, some people regarding their adoption as a delaying tactic.

During the afternoon, a moving tribute was paid to Allan Sheahan, a founding member of USBIG, who died in October 2013, aged 81. He was active in USBIG, and his other absorbing interests, right up until the end.

Dr Anne Reid, Past President of the Canadian Medical Association, 2013-14, gave 'The Health Case for a Basic Income', in which the advantages in terms of better health, and a saving in the costs for medical services, were clear.

The BIEN Congress plenary sessions

As usual, the plenaries were the keynote sessions of the conference.

Renana Jhabvala, President of the Self-Employed Women's Association (SEWA), and Guy Standing of SOAS described the pilot projects that had taken place in India, where food and fuel vouchers had been replaced by cash transfers. The procedure was described, and a film was shown in which some of the recipients in the scheme were interviewed. The beneficial effects were obvious and often moving. The fact that women had received their individual BIs increased their status in their families and villages. Some villagers had clubbed together to use their cash transfers to buy other members out of bonded labour. Thus the Basic Income had been truly emancipatory. The project had also helped to regenerate the local village economies.

Joe Soss presented a very interesting lecture, 'Disciplining the Poor, Downsizing Democracy? Why we need a Basic Income Guarantee', sponsored by NABIG. Democracy is not just to do with an election, but requires an educated public, a responsible media, and a government prepared to serve all, not just its own constituents. Democratising the polity will lead to a democratisation of the economy.

The second Plenary Roundtable featured Enno Schmidt (Switzerland) & Stanislas Jourdan (France). Stanislas described the campaign in 2013 that hoped to obtain a million signatures from a population of 500 million across the European Union, within a year of registration, for a petition to the European Parliament for it to discuss the concept of an Unconditional Basic Income (UBI). It asked the Commission to encourage co-operation between the 28 member states to explore the UBI as a tool to improve their respective social security systems. 300,000 signatures were obtained. Enno Schmidt is a co-founder of the Initiative Basic Income in Switzerland, which organised a petition that gained 100,000 signatures in 18 months from a population of eight million people. It called on the Swiss Government to hold a Referendum to vote on the proposal for the implementation of a BI in Switzerland. Philippe Van Parijs, a co-founder of BIEN, compared the two campaigns and identified some of the necessary conditions for success.

Concurrent sessions.

Concurrent sessions are always frustrating, as they necessarily mean that one will miss most of them - although many of the presentations have been mounted on the website. Often one would like to hear three papers in one session, but each is in a different room. How to choose which to attend, or whether to rush between rooms to hear the particular presentations?

The thirty two concurrent sessions included the following topics: Financing the BI, BI and the financial crisis, The economic case for a BI, BI and employment, BI and economic participation, BI and inequality, Rethinking the welfare state; Legal protection, BI and democracy, Politics of BI; Gender perspectives, Migration, Sustainability; From conditional cash to a BI in S. America, BI in Japan, BI in South Korea, and BI in N. America; and a Round Table on Thomas Piketty's book *Capital in the 21st Century*. These sessions presented about 100 papers. *

I enjoyed each session that I attended, including papers on how to protect the right to a BI, through a written constitution or other means, and I pondered on Jennifer Nedelsky's proposition that every adult should work only part-time, for 12–30 hours per week, and that it should become the social norm that each adult should contribute 12-30 hours per week of care-giving, alongside a role for professional care-givers.

The Roundtable on Thomas Piketty's book *Capitalism in the 21st Century* was well attended. The three presenters emphasised that the book, which reveals the extent that capitalism has led to increased wealth inequality, was a work of scholarship, based on fact, using an excellent data set. The technological revolution that has led to automation on a large scale is forecast to continue. It has led to an increase in productivity, and the rate of return on capital has become much larger than the rate of growth of the economy. Future inheritances would be an important method of maintaining the inequalities. Suggested solutions included tighter regulation of markets, a progressive global tax both on wealth and on income, a high-enough global Basic Income, and ceilings, as well as floors, to income.

As usual, the papers at a large international conference such as this vary both in content and in presentation. Newcomers sometimes appear to be re-inventing the wheel, yet there is still something new to learn for old hands, even after all these years. One becomes aware again what a multi-disciplinary exercise the study of a Basic Income is, drawing on philosophy, political science, psychology, economics, sociology, social policy, health, and the law. In addition, it is good to have the opportunity to meet up with old friends every two (or maybe four) years.

At the **BIEN General Assembly –** contrary to established practice, which would have led to the next Congress taking place in Europe (offers were made by both the Netherlands and Finland) - members accepted the proposal put forward by the Basic Income Korean Network, which put up a strong case to hold the 16th Congress in Seoul, South Korea in 2016.

The organisation of the Congress by the Basic Income Canada Network Organising Committee, co-chaired by Jurgen De Wispelaere and Kelly Ernst, was excellent. Montréal is a vibrant, bi-lingual, cosmopolitan city, which provided a great back-drop to the conference. We were also blessed with sunny but not oppressively hot days, during which we could enjoy lunch *al fresco*.

* http://biencanada.ca/congress/congress-program/program-2/ to access the BIEN Congress 2014 program. Clicking on a particular session brings up details about the authors and the titles of their papers in that session. The ones with (pdf) after them can be downloaded. For details about BIEN in general, go to www.basicincome.org.

Annie Miller

The Social Policy Association Conference

at the University of Sheffield, from Monday, 14th to Wednesday, 16th July. 2014

Social Policy Confronting Change: Resistance, Resilience and Radicalism.

More than 250 delegates attended the annual SPA conference, returning for its second year in Sheffield. Most hailed from the UK, but there was a substantial minority from elsewhere: from Maynouth, Cork, Lisbon, Bologna, Rotterdam, Rhodes, Toronto, Illinois, New York, Seoul, Hong Kong, Monash, Sydney, Jindal, Ashkelon and Cape, among other places.

The SPA is always a friendly conference, and this was no different. The papers usually report the results of academics' separate and often narrowly focussed research projects, often into the adverse effects of some aspect of current social policy on the population. Thus it is reactive, and divided. I have often wished that the conference as a whole would take a stand against government policy, and give a clear message to governments as to the sort of policies that this body would advocate. Given the dire, and worsening, condition of the welfare state as it is being dismantled in front of our eyes, it is not surprising that a little more advocacy has crept into the papers this year, and particularly in the plenaries.

Anna Coote has had experience of advocacy in her former roles, and is now Head of Social Policy at the New Economics Foundation. Her plenary paper entitled 'Towards a New Social Settlement: People, Planet and Economy' argues that 'society and environment are profoundly linked and interdependent, and that the economy should serve the interests of both, rather than the other way around. Planning for a socially just and more equal society should be anchored in this understanding.' She outlined the development of the NEF's ideas in its forthcoming document with the same title, due out later this year.

Fiona Williams' paper, 'The Commons of Welfare: activism, critique and criticality in Social Policy', drew out 'some of the key methods and insights to have emerged from … various grass-roots social justice activism, social movements and contestation, … since the 1980s. … it focused on two areas: first, the notion of 'crisis', and second, that aspect of critical analysis that goes beyond critique to criticality… to examine how far existing voices and practices of resistance allow imagination of different futures, and to ask what would be the material and ethical bases of those futures (for social policy) … How are we to live our lives?'

There was a special plenary, in which **Frances Fox Piven**, Distinguished Professor of Political Science and Sociology at the City University of New York, held us spell-bound, as without any visual aids to distract us, she recalled the many and varied stages and events that have been used to sweep away the protection for the poorest and most vulnerable in society, in the race towards neo-liberalism in the USA.

In the fourth and last plenary session, in his talk entitled 'Confronting Demographic Change: Why we need a Social Policy on Ageing', **Alan Walker** argued that the 'media and policy responses to ageing are framed within a highly restrictive public burden ideo-logy, which closes down debates about alternative approaches.' Drawing on research from the New Dynamics of Ageing Programme, he made a convince-ing case for changing the emphasis of public policy towards 'Active Ageing', a programme of preventative measures to ensure that the best physical, mental and emotional health is maintained throughout life, starting with investment before birth for pregnant mothers.

There were eight **Parallel Sessions** in which over 170 papers were presented. Out of many interesting papers, three sessions have stuck in my mind as being of special interest. Michael Hill, in his paper 'The Politics of Austerity', distinguished between austerity as applied to government, in which the government has to live within its own means, and government requiring austerity of citizens, and examined them from a historical point of view. In 'Austerity: more than the sum of its parts', Kevin Farnsworth and Zoe Irving distinguished between the causes of the recession starting in 2008, and the policy response chosen by governments - that of 'austerity' – comprising cuts in public expenditure, a freeze in benefits, and real wage reductions in the public sector.

Ian Gough's paper, 'Climate Change and Sustainable Welfare: An argument for the Centrality of Human Needs', neatly fitted in with Anna Coote's earlier plenary. In a separate paper, 'Time and Sustainability: the Impact of a Shorter Working Week', Anna examined in detail one aspect of her New Social Settlement, in which time, money, consumer goods and planetary boundaries would be interdependent. She discussed the distribution of paid and unpaid time - across the day for individuals, and between social groups, and their effect on health and social well-being. Shorter, more flexible hours of paid work could lead to 'a more equal and environmentally sustainable distribution of paid and unpaid time'.

In the last paper session of the conference, three excellent papers looked at different aspects of poverty. Rita Griffiths' 'No love on the dole: Do UK means-tested welfare benefits discourage two parent families?' suggested that they did have an impact on household formation. '"Cultures of Worklessness", Cross-Generational Inequality & the Reproduction (and deepening) of Class Disadvantage', by Robert MacDonald and Tracy Shildrick could find no evidence for the existence of 'families where three generations have never worked', nor for a 'culture of worklessness', and yet there is still a persistence of long-term unemployment and poverty experienced across generations of the same families, which can be better explained by a failure of the systems of educat-ion and training. Fran Bennett's 'Gender and Poverty: Inside the Household and Across the Life Course' distinguishes between gender inequalities and gender poverty, although they can be related. 'Hidden poverty' may exist, where individuals are financially dependent within couple households, and thus are at risk of future poverty. Analyses must look both within the household and across the life course. The paper critically investigates the potential of some method-logical approaches to achieve this more comprehensive and nuanced exploration of the links between gender and poverty. An independent income could enable currently financially dependent individuals to negotiate a fairer relationship with their partners.

At the AGM, it was agreed that the next SPA conference will be hosted by the University of Ulster at Belfast Metropolitan College in the famous 'Titanic Quarter' of Belfast, 6-8 July 2015, and again in 2016.

The SPA conference benefited from glorious sunny weather, which helped to lift spirits in the face of the effects of the government's savage social policy, of which we are all so much aware in our work.

Annie Miller

Main articles

Unconditional: The limits of evidence

by Alex Cobham

If there is a progression in international development thinking towards a more favourable assessment of a Citizen's Income, it involves more than one trajectory – and they are not parallel. Support for social protection, broadly, and cash transfers in particular, is increasingly a consensus position. The balance of views on the importance of transfers being unconditional and being universal however is far less clear. This article leaves aside the question of universality and addresses evidence on the benefits of conditionality – concluding that current efforts to demonstrate the superiority of unconditional transfers may be destined for disappointment, and suggesting additional approaches that may be of use.

As a starting point, we take Ian Orton's (issue 2, 2011) summary of the findings of his study (www.citizensincome.org/resources/newsletter%20issue%202%202011.shtml) of social protection for the International Labour Organisation (ILO). He drew out two main conclusions. First, he found supporting evidence for a Citizen's Income (CI) approach from social transfers for older people and for children. Second, however, Orton found 'a mixed message' from studies of transfers to the active population:

> The key impediment to using the [ILO evidence matrix] to support CI revolves around whether it is the conditional nature of many of the STs that is pivotal in producing the positive results they have delivered. Does conditionality make the difference? If conditionality is not the overriding factor, then perhaps we can conclude that the unconditional and universal nature of a CI could deliver results similar to those documented in the ILO matrix. There is not space here to discuss this debate in full, but suffice to say that the precise role played by conditionality in delivering positive outcomes is not clear.

Finally, Orton notes that current government and World Bank preferences appear to be shifting towards conditionality; and that 'this poses some concerns for those proposing universal and unconditional cash transfers. The political prospects of a CI would be better if the trend were against conditionality.'

Before moving to consider the evidence base on cash transfers and conditionality – which has been significantly strengthened in the last few years – it is worth noting the strength of the consensus on social protection of which the ILO position is part.

This is seen most clearly in the context of the live discussions over the post-2015 framework which will supersede the Millennium Development Goals. Broad support within the UN system is seen in the thematic think piece (www.un.org/millenniumgoals/pdf/Think%20Pieces/16_social_protection.pdf) jointly authored by the Economic Commission for Africa, the ILO, the UN Conference on Trade and Development, the UN Department of Economic and Social Affairs and UNICEF (2012). The title says it all: 'Social protection: A development priority in the post-2015 UN development agenda.'

Support extends across the spectrum of development NGOs also. In the drafting of Save the Children's outline post-2015 proposal (2013), to which I contributed, for example, social protection was one of the most keenly discussed areas. The first of ten goals proposed includes a target to 'Establish a global social protection floor', which itself draws on ILO work, and proposed indicators to capture both the percentage of GDP spent on social protection and the percentage of the population covered. In general, the detail of proposals is geared towards cash transfers.

Evidence on cash transfers

As Orton (2011) indicates, however, this consensus does not extend to transfer payments being of an unconditional nature. In common with many other areas of development, transfers have seen an explosion of randomised control trial (RCT) testing in recent years. Three review papers produced for the UK's Department for International Development (DFID) allow us to consider the balance of this evidence.

Hagen-Zanker et al. (2011) review evidence on the impact of 21 unconditional cash transfer (UCT) schemes, 18 conditional ones and 7 employment generation schemes (EGSs), focusing on effects on income ('money-metric') poverty. A second paper by DFID's own staff (Arnold et al, 2011) considers a much broader range of impacts, and underlying studies. Finally, Kabeer et al. (2012) provide a more thorough review of conditional cash transfers (CCTs) only, with a focus on the economic impacts.

Hagen-Zanker et al (2011, HZ hereafter) is the only study that specifically aims to compare conditional and unconditional transfers. The authors carefully considered the evidence offered by 35,991 documents, removed duplicates, and sifted out others on the basis of their screening criteria and on the basis of inadequate and duplicated data sets, and by these means reduced their selection 37 studies. Unfortunately the main finding in regard to un/conditionality concerns the quality of evidence – specifically, that (p.vii):

> Most of the high quality studies examined conditional cash transfer programming, and/or programmes from the Latin America region… In addition, greater methodological consistency in terms of analytical approaches adopted, and indicator selection and definition is needed to enable more meaningful cross-programme performance analysis, so that robust comparisons of performance both within intervention types (UCTs, CCTs, EGSs) and between types can be drawn, in order to inform future programming decisions.

On balance, HZ find stronger evidence for positive income and expenditure results from cash transfers than employment guarantee schemes, and for conditional compared to unconditional transfers – but the authors are clear that this reflects a lack of evidence on UCT effects, rather than evidence of a lack of effect of UCTs. Overall, the picture that emerges is of a failure to design either interventions or evaluations in such a way as to facilitate rigorous statistical comparison. The actual value of the thousands of studies examined, in terms of robust evidence on the value of conditionality, is ultimately close to zero.

Arnold et al. (2011) provide a literature survey rather than a systematic review, which allows them to focus more on specific findings rather than seeking the breadth of evidence to draw overarching conclusions. Their discussion of the relevant evidence leans against conditionality, highlighting the lack of evidence to support stronger results – even in terms of the narrow target indicators for conditionality. The major World Bank study of Fizsbein and Schady (2009) is cited in support of this finding; Fizsbein and Schady are notable for emphasising conditionality not in support of target outcomes but as offering potential to strengthen political acceptability of transfers – an important point to which we return below.

Arnold et al. (2011) also cite a World Bank randomised control trial carried out in Malawi (Baird et al., 2010) which was constructed to give a specific comparison and found that – compared to UCTs – conditions yielded no additional benefit in terms of increased school attendance and reduced dropout rates.

Finally, Kabeer et al. (2012) provide what looks the most robust review so far, but restrict themselves to conditional cash transfers only, recommending a separate study for UCTs. In light of HZ it seems unlikely sufficient evidence in fact exists; so a question for those interested in a Citizen's Income is whether or not to prioritise investment in randomised control trials to this end.

The limits of evidence on conditionality

In the preceding section we have taken more or less for granted three implicit positions of much of the literature, namely: (i) that conditionality is the default position, so evidence is required to overturn the presumption in its favour; (ii) that aggregate effects on target populations are appropriate as the main measures; and (iii) that RCTs are the main, or even only, type of appropriate evidence. Each of these can be, and has been, challenged.

Ravi Kanbur (2013) takes aim at the first and second in his deliberately provocative paper, 'Social protection: Consensus and challenges' (p.16): 'The somewhat unconditional support for CCTs is disconcerting. There seems to be very little questioning of them in the policy discourse. One is reminded of a similar situation with microfinance fifteen years ago. A more sober assessment of the microfinance phenomenon and its impact on the poor is now coming into view.'

Kanbur goes on to question the implications of the argument that CCTs may be more politically acceptable. He makes the case that conditioning tends to target 'normal goods' (those for which demand increases with household wealth), such as education and health. Almost by construction then, those households that meet the conditions for consuming these goods are likely to be the better-off in the target population – so that introducing conditionality to improve the middle class acceptability of transfers may have the effect of making them regressive, thereby exacerbating, for political reasons, the very inequality which the transfers may originally have been intended to challenge.

Kanbur goes on to argue that the onus should be on the supporters of conditionality to demonstrate its worth, rather than on its opponents to demonstrate the reverse. In the current climate, however, this seems an unlikely shift – which leaves a Citizen's Income proponent, once again, with the question of whether to pursue new, high-quality RCT evidence, with the aim of changing the balance of presumption.

The efforts of Citizen's Income proponents – notable among them Guy Standing – to do just this are commendable. Evidence from the trial in Namibia is indicative only, but compelling; while the major trial underway in India promises to generate exactly the kind of systematic RCT evidence that the debate currently relies upon. Evidence on the distributive impact of conditionality could be of particular value.

There are, however, two reasons to be cautious about the likely return to further efforts in this direction.

One is that the wealth of recent work means that additional pieces of evidence, even of high quality, will not necessarily provide the silver bullet to change policymaker positions. Rather, they are likely to add to that base of knowledge, undoubtedly improving but at the same time being diluted by their position as one among many.

The second is perhaps a more fundamental reason to be concerned about the current dynamic in relation to evidence on conditionality. The limits of RCTs are increasingly well documented (see e.g. my colleagues Lant Pritchett's views here: www.oxfamblogs.org/fp2p/?p=12562), in particular in regard to their non-applicability in wider circumstances. Some proponents believe that RCTs can themselves begin to answer these questions (eg Bold et al., 2013, document RCT findings on the scaling up of education interventions in Kenya).

It is the political questions that RCT approaches to conditionality seem least likely to be able to capture, however. Some aspects of dis/empowerment could potentially be assessed in RCT conditions; as perhaps could questions of wider public support, given sufficient scale and time; but to attempt to use RCTs to understand the implications of conditionality, and related questions around direct and indirect tax funding, in terms of long-term state-citizen relationships seems likely to prove a fool's errand.

Implications

Where does this leave a development-focused Citizen's Income proponent? A good question, with no easy answers.

Some pointers may come from the literature on tax and development, which perhaps offers an appropriate parallel. I once wrote an angry piece about the damage done by the 'tax consensus' (Cobham, 2007) – by which, to put it briefly, major donors including the International Monetary Fund had pushed a succession of 'reforms' with the result that most developing countries had backed off from direct taxation (and trade taxes), and pursued sales taxes including VAT instead.

These reforms were justified largely in the name of efficiency, and perhaps with the underlying thought that this was the direction of travel in rich countries and therefore represented appropriate 'modernisation'. Setting aside evidence on the administrative demands of running VAT systems, what was most striking about the dominance of the tax consensus was that it effectively put aside concerns about inequality and politics. To caricature only slightly, tax could be regressive because developing countries were better at doing redistribution through expenditure (hence for many years Latin America had the same type of market income inequality as the UK and USA, but, due to the absence of progressive taxation, much higher final consumption inequality).

At the same time, there was little consideration for the political impacts. Meanwhile, the evidence has grown that direct taxation is fundamental to the state-citizen relationship, and to the development over time of accountable governance (eg Ross, 2004; Mahon, 2005).

The pendulum has begun – though only begun – to swing towards a more holistic understanding of the role of taxation in development, and away from a simplistic and narrow focus on certain technical aspects. Arguably, this is the bigger shift that is needed on the expenditure side. Pursuit of additional RCT evidence on conditionality may ultimately reinforce a consensus about the appropriate basis on which to assess the impact of transfers. Wider analysis of the relationships between social transfers, citizenship and governance may provide a better path towards reassessment of the potential of unconditional Citizen's Income measures to contribute towards broad-based human development progress.

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Experiments in Euromod

by Chris Stapenhurst [13]

Abstract

This article develops a method for comparing the redistribution effects of tax-benefit schemes using summary statistics and graphical displays. As an illustrative application, it then compares four revenue-neutral Citizen's Income schemes constructed in Euromod, using 2009 data.

Please note that the full tables, charts and graphics can be found in the website version of the Newsletter.

Introduction

Whilst income redistribution may not necessarily provide the main motivation for the adoption of a Citizen's Income (CI) per se, some redistribution is inevitable, the nature of which will depend on such factors as the level of CI and the corresponding tax rates. The type and degree of redistribution may be a political constraint on the institution of a CI and will certainly be of interest to any government that considers doing so. In particular, we recognise that some groups will experience a fall in their disposable income as a result of a CI being introduced, which may undermine its political feasibility. We seek to develop a means of examining and comparing the disposable income losses of proposed tax-benefit schemes in general and CI schemes in particular. We then discuss the construction of redistribution-minimising CI schemes and proceed to use these techniques to compare a number of CI schemes simulated in Euromod, (a tax-benefits microsimulation programme developed by the University of Essex), using 2009 UK data.

Basis of Comparison

For the tax payer and benefit recipient, i.e. the citizen, the primary outcome of social security policy is disposable income. A new tax-benefit scheme will

[13] Chris Stapenhurst carried out this work during an internship with the Citizen's Income Trust in 2013. His work was supervised by Malcolm Torry. The paper uses EUROMOD F5.0+ using Family Resources Survey 2008 data. EUROMOD is continually being improved and updated and the results presented here represent the best available at the time of writing. Any remaining errors, results produced, interpretations or views presented are the author's responsibility. The process of extending and updating EUROMOD is financially supported by the Directorate General for Employment, Social Affairs and Inclusion of the European Commission [Progress grant no. VS/2011/0445]. We make use of micro-data from the EU Statistics on Incomes and Living Conditions (EU-SILC) made available by Eurostat.

affect the individual in the first case only by how it affects the level of disposable income. Thus we make the 2009 UK tax-benefits system the basis of comparison and refer to it hereafter as the *base* scheme. Two schemes are compared, by calculating the disposable income of households of individuals under each, and comparing them to the base scheme. For instance, if I have disposable income of £100 under the present UK tax-benefits scheme, £90 under proposed scheme A, and £105 under proposed scheme B then we can compare schemes A and B by saying: scheme A induces a 10% loss vis-à-vis the base scheme, whilst scheme B induces a 5% gain. This is different from concluding that I am 17% better off under B than A.

An important feature of CI schemes is that the individual becomes the basic unit of receipt. However, for these exercises I will compare household disposable incomes for the following reasons: i) the individual's spending power is most often determined by household income, so the practical redistributive consequences will be best seen by examining households; ii) in households where one individual receives benefits for the whole household under the base scheme, these benefits will be more equally distributed amongst all members of the household under CI schemes, such that one individual will make substantial losses and others substantial gains within a single household, leading to high intra-household redistribution, whereas the household may in fact have the same disposable income in both cases; iii) many individuals have zero disposable income, making analysis of percent changes in income impossible. Rather than remove these individuals from the sample or develop more complicated methods of analysis, we can use data for households, very few of which have zero disposable income. In short, using household data is more representative of real life, ignores redistribution within houses, and allows for easier analysis.

However, a more thorough analysis of redistributivity would require looking within households to see who is gaining and who is losing, for example whether it be pensioners, families, or working-age couples.

Measures of Losses

Suppose we have a large data base of household disposable incomes under the base scheme and some other scheme A: for each household we have a unique identification number, id, a disposable income in pounds over some period under the base, Yd_{base}, and a disposable income over the same period under A, Yd_A. Let us suppose that disposable income is measured monthly, a line in this database may appear as follows:

Household id	Yd_{base}	Yd_A
43091	1893	1810

In this example we see that household 43091 stands to lose £83 per month under scheme A. Since £83 can mean very different things across the income scale, it is more descriptive to calculate this as a percentage; in this case we see that the household loses 4.4% of disposable income per month under scheme A.

It is true that minimising losses and minimising gains are equivalent in a revenue neutral model, but we concentrate on losses because these are more politically threatening than gains. For this reason we take only the negative proportionate differences, square them and then sum to give the SumSquares statistic: let $Yd_{base}(i)$ and $Yd_A(i)$ be the disposable income of household i under the base scheme and scheme A respectively, and Yd_{base} be the mean household disposable income under the base scheme, then

$$\text{SumSquaresA} = \sum (Yd_A\,(i)-Yd_{base}(i))^2 / \, Yd_{base}{}^2$$

where we sum across households i with $Yd_{base}(i) > Yd_A(i)$ only. Squaring the proportionate loss weights high proportionate losses more than low proportionate losses; for instance, decreasing 0.15 to 0.14 reduces the statistic by $0.15^2-0.14^2=0.0225-0.0196=0.0029$, whereas decreasing 0.14 to 0.13 reduces it by $0.14^2-0.13^2=0.0196-0.0169=0.0027$. To weight high losses more heavily, we can use sums of higher powers. Including households with positive changes in income would mask whether a large SumSquares statistic was induced by a large number of heavy losers or a large number of heavy gainers. As it is, in comparing two schemes, A and B, the result that SumSquaresA > SumSquaresB allows us to conclude that 'other things equal, scheme A induces greater proportionate losses in household disposable income than scheme B'.

We saw how the SumSquares statistic weights high proportionate losses more heavily than low proportionate losses. We may wish to weight losses by poorer households to give an income-weighted statistic, WeightedSum, as follows: for a scheme A,

$$\text{WeightedSumA} = \sum (Yd_A\,(i)-Yd_{base}(i))\exp((Yd_{base} - Yd_{base}(i))/1000)$$

again summed across households with negative changes in disposable income. This formulation is a bit arbitrary. The income weighting is given by the exponent. Households below mean income give a positive argument[14], so the exponent will be big (larger

[14] Given a function f, the argument is the number (which may be a second function) to which the function is applied,

than 1, and increases rapidly as income falls further below mean income), whereas households above mean income yield a negative argument, giving an exponent less than 1, i.e. they might as well not count. Dividing the argument by 1000 eases computation with the effect that high and low earning households will be brought closer together in the weighting: if one household earns 2000 below mean income, and another 2000 above mean income, exp(mean income-income) gives exp(2000) and exp(-2000) respectively, their difference is big, about exp(2000) in fact, since exp(-2000) is negligible, whereas dividing by 1000 gives exp(2) and exp(-2) respectively, with difference approx. 7.25, which is far more manageable. Furthermore, this division makes the effect of above mean income households almost discernible: exp(-2000) ≈ 0, exp(-2) ≈ 0.135.

In comparing two schemes A and B, WeightedSumA > WeightedSumB allows us to conclude that scheme A induced higher proportionate losses in poorer households than scheme B.

To summarise, minimising the SumSquares will minimise high proportionate losses generally, whilst minimising the WeightedSum statistic will minimise high proportionate losses amongst low-income households. However we only consider them ordinally to say that if, for example, scheme A has weighted sum 4000 and scheme B has weighted sum 2000, then A takes more from poor households than B; it does not follow that A takes *twice as much* as B. Moreover, these statistics are only valid in comparing schemes of the same cost. If B costs more than A, we'd expect households in A to lose more than B, even if A is in fact less redistributive than B. (The 'cost' of a scheme means the difference between welfare spending and tax receipts, i.e. the amount financed by borrowing. In the short term this borrowing constitutes foreign wealth entering the economy, thus households are better off (until they have to repay the public debt). If B costs more, households must make a net gain over A, i.e. they lose less.)

Gains and Losses by Disposable Income bracket

We may wish to consider gains and losses within different income ranges. Ten disposable income brackets are chosen such that approximately 10% of the sample lies in each bracket under the base scheme. The Euromod data used later gives the following brackets for mean monthly disposable income:

i.e. g in the case of f(g) or (mean base disposable income – base disposable income)/1000) in the case of the exponent above.

Bracket/decile	1	2	3	4	5	6	7	8	9	10
Upper bound	720	960	1175	1410	1675	2010	2420	2985	3910	/

(the upper bound is base disposable income, £/mth)

We see, for instance, that 10% of the sample has a disposable income of less than £720 per month, whereas 10% have more than £3910 per month.

Now we can examine the effect of any given scheme by calculating the following:

i) The change in the size of each bracket. If lower income households are better off under a scheme then the number of households in lower brackets will fall; though if the size of a middle range income bracket falls, it is not clear whether these households are moving into a higher or a lower bracket.

ii) The percentage of households in each bracket gaining or losing a given percentage of income. This allows us to see how gains and losses are distributed across the income scale.

These results can be displayed in a table:

7# decile	%diff	Loss>15 %	15%> loss>10 %	10%> loss>5%	5%> loss>0
1	20.2%	20.96%	4.51%	5.35%	4.03%

No change	0<gain <5%	5%<gain <10%	10%<gain <15%	Gain> 15%
4.19%	17.56%	2.28%	5.59%	35.53%

In this example we see that under scheme 7#, the number of households in the first income bracket increased by 20.2%, that 20.96% of households lost more than 15% of their income, 4.51% lost between 10 and 15% of their income etc..

Graphical Comparisons (Tables and graphs appear in the website version of the *Newsletter*, and not in the printed edition)

We may wish to examine the number of households losing a certain percentage of income; a histogram is a useful way to present this information quickly by showing the number of households gaining or losing a given range of percent disposable income. In the following application, very few households lost more than 100% of their income, whilst many gained more than 100% (even up to thousands of per cent). We use 5% brackets from -100 to +100%, and households outside this range are counted in a single category >(<-)100%. This gives a clear representation of what percentage of their income most households gain or lose; we expect that most households will lie in the centre, having very small gains or losses, with fewer at the extremities making larger gains or losses, producing an approximate bell shape curve. A scheme giving low redistribution will show clumping in the middle, i.e. a tall bell (high kurtosis); high redistribution will appear more elongated, i.e. flatter bell (low kurtosis). If we are interested in minimising losses we look for a short and flat tail to the left (positive skew) and necessarily high kurtosis (since the scheme is revenue neutral the area left of zero must equal the area to the right, so if we cut short the left tail, the negative area must be clumped near the zero, giving high kurtosis). In future research it would be nice to model a probability density function from the histogram for easier analysis.

However the histogram does not allow for us to see who is gaining or losing, for example whether they are rich or poor. An alternative is to plot income against percent change in income under a given scheme. The presence of very high income outliers causes 'normal' income households to be clumped too tightly to distinguish high from low income households on a linear axis. To rectify this we use log[15] disposable income which effectively draws the higher incomes closer together, making lower incomes more distinguishable. This comes at the expense of losing negative income households since the log of a negative number is non-real. For the same reason we exclude households with positive changes to income.

To get a rough picture of how changes in income vary across income brackets we can plot a bar chart of the average absolute change in income of each bracket. If a scheme is revenue neutral then the area of the bars above the zero-line should be equal to that below it. The smaller the area, the lower will be the amount of redistribution, but if some brackets must gain and others lose, we might prefer that lower brackets gain and higher brackets lose, producing a negatively sloping straight line over the bars.

Application

Euromod [16] is a tax-benefits simulation programme developed by the University of Essex which allows us to input our own tax-benefits rules and simulate the effect on individual and household finances for a given data set. These experiments were conducted using UK 2008 household survey data from a sample of about 60,000 households. Five households were dropped from the sample since they had no interaction with the tax-benefits system whatsoever. The base model we use is the UK tax-benefits system as of 2009. For this and any CI scheme, the Euromod output gives average disposable income per month of all the individuals and/or households in the sample, and details of how much income each unit earns, receives in benefits, receives in means tested benefits, and pays in tax. Of these we have only considered disposable income, but looking at other variables could also be insightful.

It should be noted that Euromod gives a static simulation, i.e. it does not take into account endogenous changes in labour supply. This places CI schemes at a disadvantage since many of the proposed savings from CI come from increased incentives to work amongst benefits recipients, and these will not be modelled. Neither does Euromod model administrative savings, informal economic contributions, or enterprise, all of which will be substantial under CI.

We applied the method outlined above to a number of different CI schemes of which four are compared here. As an exercise we look for a CI model which gives as similar as possible a practical outcome as the base, differing only in administration. Besides revenue neutrality, this requires that redistribution be minimised. We first discuss what principles such a scheme might be based on.

Constructing a scheme:

The sample contains 13,613 children (strictly under 18), 9,987 pensioners (65 and over), and 33,676 working age adults (18-64).

To minimise redistribution, we set the CI equal to zero and leave the tax system as it is, i.e. do nothing. This gives zero gains and losses but also achieves nothing. We see that the greater the CI, the greater the gains and losses. To constrain our problem we must introduce some minimum effective CI for each demographic group, and in fact in minimising redistribution we will have no reason to exceed this minimum. Clearly £1/wk is not a very interesting case to examine, whereas £70/wk is. We propose examining CI in this range.

In the 'perfect' scheme with zero losses, each household will pay for its own CI either in forgone means tested benefits or else in extra tax. For those receiving means tested benefits exceeding the CI this should be easy to achieve since the value of the CI will simply be deducted from those benefits. For those in work the calculation is more difficult since we would need to set a unique tax rate for each individual to cover their CI. In fact we are helped by the existence of the Personal Allowance which will have equal worth for everyone whose earnings exceed it. This can then be used to partly fund a CI without loss. For under 65s, we get £6475*0.2 = £1295 pa = £25/wk; for 65-

[15] See the appendix for an explanation of logarithms

[16] Euromod version F5.0+ was employed, using Family Resources Survey 2008 data.

74s, £9490*0.2 = £1898 pa = £36/wk; and for over 75s we have £9640*0.2 = £1928 pa = £37/wk. So for this group (which will be big for working age people but much smaller for pensioners), CIs of £25/wk and £36/wk would result in no net losses. Those earning below their personal allowance would gain, which would require some other adjustment to maintain revenue neutrality, unless they cover the cost in foregone benefits. Child Benefit stands at £20/wk in the base, so replacing this with £20/wk child CI would change nothing. This may suggest a scheme which offers £20, £25, £36 CI for children, working age adults and pensioners respectively, though these numbers may seem a bit too low to be interesting.

CI replaces Working and Child Tax Credits in all of these schemes, so working families need be compensated for this to minimise losses.

Ways of funding higher CI include equalising the retirement age, raising Income Tax rate, changing Income Tax thresholds, and abolishing the upper earnings limit for National Insurance Contributions.

Example Schemes

Below are details of a number of schemes, each accompanied by its cost summary statistics and graphs.

Base (2009) scheme: JSA at £64.30/wk for over 25s, £50.95 for 18-24. Personal Allowance at £6475 for under 65s, £9490 for 65-74, £9640 for over 75s, and married couple over 75, £9795. Income Tax threshold 1 £2440/yr, threshold 2 £37400/yr. National Insurance Contribution basic rate 11%, lower threshold £110/wk, upper threshold £844/wk, National Insurance Contribution 1% above the upper threshold. Child Benefit £20/wk first child, £13.20 thereafter. Income tax 20% first band rate, 40% second band rate. Tax credits included. No CI. Retirement age, 65 men, 60 women.

Scheme 1#: Tax Credits replaced by CI: £56, £59, £120/wk for children, working age adults, pensioners respectively. Personal allowances abolished, contributory JSA abolished. Women's retirement age increased to 65 in line with men's. Upper NI limit abolished. Income tax first band 25%, second band 35%, third band from £40,000 threshold at 45%.

Scheme 3#: Tax Credits replaced by CI: £94, £94, £171/wk for children, working age adults, pensioners respectively. Personal allowances and tax thresholds abolished, replaced by flat rate tax 40% in addition to NI. Women's retirement age increased to 65 in line with men's.

Scheme 6#: Tax Credits replaced by CI £50/wk for children working age adults and pensioners. Personal allowances abolished. Women's retirement age increased to 65 in line with men's.

Scheme 7#: Tax Credits replaced by CI: £60, £46, £60 for children, working age adults and pensioners respectively. Women's retirement age increased to 65 in line with men's. Personal allowances and Upper NI limit abolished.

Results

The following table presents the summary statistics and annual cost of each scheme, found by summing across the absolute change in disposable income across the sample. The graphics described above are also presented for each scheme. It is interesting to note here that, whilst we present the scatter plot of only the losses induced by each scheme, what we observed including the gains gave a clear negative slope for all schemes, suggesting that all of these schemes are broadly progressive.

Scheme	Additional cost (£/million)	Sum Squares	Weighted Sum
1#	34	223	2111
3#	-119	275	2216
6#	2	532	4060
7#	52	444	5666

Interpreting results

We look for a scheme with low cost, low sum of squares and low weighted sum. This set of conditions may not produce a clear winner. Through pairwise comparisons of these four schemes, 3# is strictly preferred to 6 and 7. Scheme 3# is the cheapest but 1# has better statistics, so we cannot directly compare them.

Scheme 3# is the only scheme to reduce the size of the lowest income bracket, but 1# gives fewer large (>15%) losses for all brackets. A fifth to a third of all the lower brackets lose more than 15% of their disposable income under schemes 6 and 7#.

Looking at the bar charts of average level cost for each bracket, scheme 3# is clearly the most progressive, whilst schemes 6# and 7# appear blatantly regressive, as suspected from the statistical results. Scheme 1# is ambiguous in its redistribution. The scaling here can be particularly deceptive. Where scheme 3# takes an average of £300/wk from the richest, schemes 6# and 7# take no more than average £100/wk from anyone.

The histograms show negative skewness for schemes 6 and 7#, notice also that both of these are centred around the 10% gain region, whereas schemes 1# and 3# centre about zero and have low and positive skewness respectively. Scheme 1# seems to have the highest kurtosis (notice that scheme 3# has a smaller scale). Schemes 1# and 3# clearly come off best here; scheme 1# seems to suffer larger losses but scheme 3# shows more smaller losses. I suggest that scheme 3# would be preferred here.

Finally the scatter plots indicate a preference for scheme 1#: schemes 3#, 6 and 7# each show a large clump of lower income households losing more than 40%.

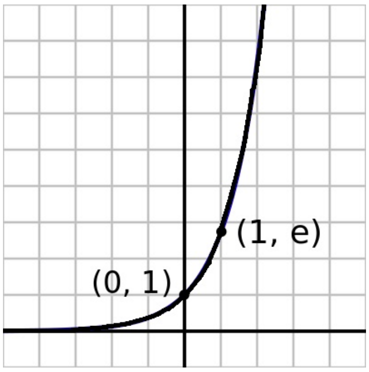
Conclusion

We have developed a method to compare the redistributivity of simulated tax benefit schemes. We then used this to compare the gains and losses of four CI schemes. We would expect scheme 3# to be considerably more redistributive than scheme 1# since the level of CI is so much higher, conversely it is not surprising that scheme 6# performs so poorly with the lowest CI. The performance of schemes 6# and 7# is disappointing since these followed the principles outlined above most closely and it would be insightful to look inside those households which are losing to see why. It is encouraging that the results are so consistent amongst the various analytical techniques. The development of the statistics Sum Squares and Weighted Sum should be useful in comparing the redistributivity of different CI schemes, and the graphics make for a more intuitive comparison. I have focused almost exclusively on the losses in these schemes which can be a bit bleak at times, though looking at gains, especially amongst the poorest is very encouraging. Of course, this analysis ignores the effect that the CI will have on other factors, in particular the marginal deduction rate and cost of administration to individuals as well as government departments.

Appendix: *An introduction to exponents and logarithms*

The exponent is a function with lots of useful properties, three of which are important here. i) the exponent of a real number is always positive, ii) the exponent 'spreads (positive) numbers out' much like squaring which I demonstrated above, iii) the exponent of a negative number is tiny whilst the exponent of a positive number is massive.

The graph plots x along the x axis and exp(x) up the y, the blue line illustrates exp. Notice how exp(x) < 1 for x < 0 and quickly becomes very close to 0 (but never reaches 0) as x becomes more negative.



Conversely for positive x, exp(x) is greater than 1 and soon becomes very big as x increases. To see the 'spreading out' action, imagine taking a few non-negative numbers on the x axis, say 0, 1, 2, 3 for convenience since they appear on the graph given here. Tracing these numbers up from the x axis to the blue line and across to the y axis, we see that exp(0) gives 1, exp(1) gives approximately 3, exp(2) approximately 7 and exp(3) lies off the scale, at about 20. We can see intuitively that 1, 3, 7 and 20 are more 'spread out' than 0, 1, 2 and 3 (the standard deviation is a well defined way of measuring spread). This can be stated succinctly: for positive numbers a>b we have exp(a)-exp(b)>a-b.

When we sum these numbers up, this property can be used to weight bigger numbers. Suppose we have two arrays of numbers, say (1, 2, 2, 2, 2, 6) and (0, 0, 0, 5, 5, 5) and we wish to select the array with the fewest 'big' numbers. In this case there is a natural divide between numbers 0, 1, 2 and 5, 6, so we can define 5, 6 to be 'big', of course there is not usually such a natural definition. It is clear that (0, 0, 0, 5, 5, 5) has the most big numbers. If we simply take the sums of the numbers, we get 15 in both cases, thus we cannot choose between them. If we sum the exponents of the terms in each array we get exp(1) + (4 x exp(2)) + exp(6) ≈ 3 + (4 x 7) + 396 = 427, for the second array we get (3 x exp(5)) ≈ 3 x 196 = 588, indicating that the second array has more big numbers.[17]

The opposite happens for negative numbers: these are 'compressed': exp(-1) - exp(-2) ≈ 0.369 - 0.136 = 0.232, but exp(-2) - exp(-3) ≈ 0.136 - 0.050 = 0.086, i.e. distances have grown shorter between successive numbers.

Formulating examples of such arrays could be an interesting problem: what's the smallest array with which you can demonstrate this without using ridiculously big numbers? It may be that we have to define a cap on the size of the integer in the array. I suspect that the problem is similar to trying to pay using as many of the coins in your pocket as possible.

You might have noticed that exponents of integers increase by a factor of approximately three each time, i.e. $\exp(1) \approx 3 \times \exp(0)$, $\exp(2) \approx 3 \times \exp(1)$ etc. so $\exp(x) \approx 3^x$. In fact they do increase by a fixed factor and this is 2.71..., called Euler's number **e.** exp(x) is often defined as e^x accordingly and the two expressions can be used interchangeably. e itself is defined as $\lim_{n\to\infty}(1+1/n)^n$, which is to say as you evaluate $(1+1/n)^n$ for ever higher values of n, you get successively closer to e, but without ever actually reaching it. The expression might look familiar to anyone used to working with compound interest as Euler was.

The logarithm function is closely related to the exponent. It takes *two* arguments, we call them *a* and *x*. $\log_a(x) = b$: read *the logarithm base a of x* means that $a^b = x$. For example $\log_3(9) = 2$ since $3^2 = 9$. Usually the base is not specified in which case we assume it to be 10, or in the case of the 'natural' logarithm, written ln, we use base e. No matter what the base (so long as it's sensible: 0 and 1 are not sensible), log has the same basic shape and properties. Imagine reflecting the exponential curve across the 45° line so that it approaches $-\infty$ as x approaches 0, passes through (1,0) and gradually flattens out as x approaches ∞. Notice that we do not take the log of negative numbers – these are non-real. The important property to note is that where the exponent stretches the distance between positive numbers, the logarithm compresses it. If a and b are positive numbers with a>b then:

$$\exp(a) - \exp(b) > a - b$$

$$\log(a) - \log(b) < a - b$$

Can you spot the relationship between exp and log? Log base e, i.e. the natural log, is the inverse function of exp. To see this write $\exp(x) = e^x = y$, then $\ln(e^x) = \ln(y) = x$ from our definition above. We also check that $\exp(x) > 0$ for any x, so $\ln(\exp(x))$ is always defined.

News

In April the UK Parliament's **Work and Pensions Committee** published a report on the implementation of Universal Credit: 'We continue to support the policy objectives of UC, particularly improving incentives to work and smoothing the transition from benefits into work. However, there have been significant problems with developing the IT systems necessary to operate UC, leading to delays in its implementation. … major adjustments to the implementation timetable were made in July and December 2013 because of IT and project management problems. National implementation did not begin in October 2013: claims remain limited to the Pathfinder Jobcentres (increased to 10) and to the simplest claims. New claims to UC are not now expected to be extended to the whole of Great Britain until 2016; the bulk of the migration of existing claimants will not now take place until 2016-17; and the process will not be completed until after 2017. Whilst it is essential to ensure that the system works effectively for claimants before it is extended, DWP needs to be clear and frank about all the implications of the delays. Due to the very slow pace of the roll-out to date, it is difficult to envisage how the volumes required to meet the most recent timetable are to be achieved. … The IT problems mean that £40 million spent to date on software has had to be written off because it is of no further use. The useful life of IT on which a further £90 million has been spent has been reduced from 15 to 5 years. This is regrettable. The IT problems were only revealed when the National Audit Office (NAO) reported on progress with UC implementation in September 2013, although the Government had known about them for at least 18 months before this. It is concerning that it took so long for the Government to acknowledge openly that there were problems with UC IT and to make the necessary switch to a different IT approach—referred to by DWP as the "end-state" solution, which will be open-source and web-based. DWP is continuing to spend millions of pounds (£37-£58 million) on the old IT system during 2014 to extend the functionality for the Pathfinder while at the same time extensive sums are being spent on the IT for the end-state solution. DWP should consider again whether it would not be more effective, and represent better value for public money, to focus solely on the end-state solution and abandon the twin-track approach. There remains a worrying lack of clarity about what the end-state solution means in practice. In the NAO's view these uncertainties include: how it will work; when it will be ready; how much it will cost; and who will do the work to develop and build it. DWP needs to set out what the costs of developing the end-state solution beyond November 2014 will be, including how much will be spent on in-house IT specialists and on external consultants. It should also make clear when the end-state solution will be ready to test on a representative sample of claimant households; and when and how it will be extended. …' www.publications.parliament.uk/pa/cm201314/cmselect/cmworpen/1209/120902.htm

Compass and the **Jimmy Reid Foundation** have published *In Place of Anxiety: Social Security for the Common Weal*, by Ailsa McKay and Willie Sullivan. As the foundations for a system of social security for Scotland, it calls for affordable housing, greater security of employment, and an end to low pay. It also calls for a Citizens' Income. 'There are many problems with targeted benefits, not least the withdrawal effect where people are caught in a benefit trap which makes working extra hours unattractive because of the loss of benefits. Targeting has also led to the marginalisation and demonisation of some groups in society and continual downward pressure on benefits. The existing system has also failed to address many periods in life where there are other factors which influence social security such as study, care responsibilities, volunteering, small enterprise start-up and a period prior to retirement when shorter working hours might be appropriate. All of these can be addressed by creating a Citizens' Income scheme. This is a model which replaces income support benefits (including the state pension but not housing benefit) with a single payment which is made to every citizen. This can be created in a cost-neutral way by converting all existing benefits and a proportion of the personal tax allowance into a Citizens' Income. It would be universal and would bring many benefits. Once a very basic Citizens' Income is in place there are a range of strategies that could be pursued to achieve different policy outcomes' (pp.2-3**).** www.compassonline.org.uk/wp-content/uploads/2014/03/InPlaceOfAnxiety.pdf

The **Joseph Rowntree Foundation** has published new research in *Wages, Taxes and Top-ups: The changing role of the State in helping working families make ends meet*: 'In the past two decades, the growth of tax credits combined with only modest improvement in wages have changed the balance in working families' income sources. Many families on low earnings have had more help than before from in-work support, and this has become more important relative to wages for such families. For many families, disposable income rose substantially between 1998 and 2008, and for lone parents and dual earner couples with children in particular, the chance of reaching a minimum acceptable living standard increased substantially. Single-earner couples also became better off, but on low earnings they were still likely to have substantially less than they need. These trends are identified in this paper by measuring the disposable income of typical low-earning families and comparing it to the Minimum Income Standard, a benchmark of income adequacy determined by members of the public. The paper shows the extent to which some of the earlier gains were reversed in the recession, as earnings fell relative to prices and some in-work benefits were cut. It finds that, having come to rely on state support, low-income working families have therefore suffered when the state has made cuts. Moreover, given that those depending on tax credits, and in future on Universal Credit, have these credits withdrawn sharply whenever their earnings increase, it can be extremely difficult to make up for any cuts to state support by earning more (for example, working more hours).' http://jrf.org.uk/sites/files/jrf/Wages-Taxes-Topups-FINAL1.pdf

The **International Labour Office** has published *The State of Social Safety Nets 2014*: 'The expansion of cash transfers is particularly evident in Sub-Saharan Africa. For example, back in 2010, 21 countries in the continent (or about half) had some form of unconditional cash transfer in place; by 2013, the number had almost doubled … Unconditional cash transfers are also common and now are implemented in 118 countries globally. (p.xiii) … Unconditional cash transfers (UCTs) include the provision of cash without particular co-responsibilities. Examples embrace various cash transfer programs targeted to particular categories of people, such as the elderly (also known as "social pensions") (p.3) [NB 'unconditional' does not mean 'nonwithdrawable'] www.worldbank.org/en/topic/safetynets/publication/the-state-of-social-safety-nets-2014

The **Campbell Collaboration** has published *Relative Effectiveness of Conditional and Unconditional Cash Transfers for Schooling Outcomes in Developing Countries*: 'Our main finding is that both CCTs and UCTs improve the odds of being enrolled in and attending school compared to no cash transfer program. The effect sizes for enrollment and attendance are always larger for CCT programs compared to UCT programs but the difference is not significant.' http://campbellcollaboration.org/lib/project/218/

The **Joseph Rowntree Foundation** has published updated figures for a Minimum Income Standard: 'Working-age benefits, which already fell short of meeting the standard, have fallen further behind. Pensioner benefits remain close to the standard, although they too have reduced relative to MIS. The official poverty threshold defined as 60 per cent of median income, which was below MIS for working-age households in 2008, has fallen further short of the standard because median incomes have fallen in real terms but MIS has not. Households supported by workers on the National Minimum Wage, most of whom did not meet the standard in 2008, have also fallen further behind, partly because this wage has risen more slowly than living costs but also, for families with children, because of cuts in in-work benefits.' (p.5) To take a single result: a couple with two small children needs on average £735.36 per week (including rent and childcare). www.jrf.org.uk/sites/files/jrf/Minimum-income-standards-2014-FULL.pdf

The OECD has published an *Income Inequality Update*: 'Lower income households either lost more during the crisis or benefited less from the recovery. Across the OECD countries, real household disposable income stagnated. Meanwhile, the income of the bottom 10% of the population declined from 2007 to 2011 by 1.6% per year (Figure 3). Focusing on the top and bottom 10% of the population in 2007 and in the latest year available shows that, on average across the OECD, the drop in income was twice as large for the bottom 10% compared with the top 10%. Out of the 33 countries where data are available, the top 10% has done better than the poorest 10% in 19 countries.' (p.2) www.oecd.org/els/soc/OECD2014-Income-Inequality-Update.pdf

The Scottish Parliament's Welfare Reform Committee has published a report that says that 'evidence presented to the Committee showed that the loss of income that sanctions can lead to is now twice the maximum that can be imposed in fines by the courts, with 79 people in Scotland in receipt of the maximum 3 year sanction. Additionally, four in ten decisions to apply a sanction are overturned.' www.scottish.parliament.uk/newsandmediacentre/78115.aspx

UNICEF has published a report, *Simulating the costs and benefits of a Europe-wide Basic Income scheme for Children*: 'At first sight it might appear far-fetched to introduce a Europe-wide Basic Income for Children (BIC) (for EU countries), but similar schemes already exist in most European countries and [a Europe-wide scheme] might be thought of as a rather modest extension of current policies. The case for universal child benefits is twofold. … if children to some extent can be viewed as a public good, shifting some of the costs involved from families with children to society at large must enhance social welfare (contributing to horizontal equity) [and] … because universal child benefits avoid the gaps in coverage associated with targeted policies, they improve the position of families at the bottom of the income scale who often fail to take up or are ineligible for assistance under targeted policies (contributing to vertical equity). … The European Commission have cautiously floated the case for a Europe-wide BIC; "*it could be a demonstration of the European Union's commitment to children, to the future, and could contribute to the reduction of child poverty. It would also document the solidarity existing between people without and with children*." Furthermore, if jointly financed it might be useful in the current economic crisis to ease the situation of countries that face massive shocks.' www.unicef.org/socialpolicy/files/CPI_Manos_January_2014.pdf

The **Royal Society of Arts** has published an article on a Creative Resources approach to tax and expenditure: '… Another option is to consider tax in a completely different way; to regard it not as cash to be used by government and public sector officials but as a creative resource available to citizens. In other words to use tax in a way that chimes with our creative times. The fundamental shift would be from one where the default position is the use of tax by government and its agencies to provide services to citizens to one where the default position is the distribution of tax revenues to citizens to arrange the delivery of services for themselves. Importantly such a principle, by virtue of its redistributive aspect, still addresses the fundamental problem of a free market in this area, namely that unequal material resources mean unequal access to services such as healthcare and education which are fundamental to human well-being, flourishing and equal opportunities. Indeed, the extent and nature of the redistributive aspect would remain, as it currently is, a matter for political debate. But, importantly, it removes the second part of the twentieth century equation which was that a technocratic elite knew better than citizens how to spend the tax revenue.' www.rsablogs.org.uk/2014/adam-lent/citizens-spend-tax-revenues-technocrats-top/

Book reviews

Guy Standing, *A Precariat Charter: From denizens to citizens*, Bloomsbury, 2014, xiv + 424 pp, 1 4725 1039 6, pbk, £16.99, 1 4725 0575 0, hbk, £55

The first chapter of this important book relates how citizenship rights have evolved, both rights granted by the State, and rights granted by other associations, such as those that grant rights to practise professions. It defines the difference between work (creative, ecological, and reproductive) and labour (resource-depleting and alienating); and it describes the precariat: 'People living through insecure jobs interspersed with periods of unemployment or labour-force withdrawal … living insecurely, with uncertain access to housing and public resources' (p.16), with no occupational identity, having to 'work for labour', and suffering from poverty traps induced by the withdrawal of means-tested benefits.

Subsequent chapters discuss employment restructuring in the austerity era; growing inequality; the growing precariat; and an increasingly utilitarian politics which 'creates minorities, each targeted for denial of rights, transformed into denizens' (p.117): that is, into people with limited social, economic and political rights.

The 'hinge' of the book is the list of five 'justice principles'. A policy is 'socially just only if it improves the security of the most insecure groups in society … if it does not impose controls on some groups that are not imposed on the most free groups in society … if it strengthens *rights* and does not increase the discretionary and unaccountable power of those dealing with citizens … if it promotes the capacity to pursue work that is dignifying and rewarding in other ways … if it does not impose ecologically damaging externalities' (pp. 123-4).

The second and longer part of the book contains the twenty-nine articles of Standing's Precariat Charter, which is designed to promote 'recognition … representation … and redistribution' (pp. 138-43).

Article 1 calls for work to be redefined as productive and reproductive activity; article 4 for flexible labour to be regulated; article 5 for associational freedom; articles 6 to 10 for the reconstruction of occupational communities; article 14 for migrants to be seen as labour market equals; and article 17 for the removal of poverty traps and precarity traps (- a poverty trap is where additional earned income results in very little additional net income, and a precarity trap is where forced acceptance of a low-paying short-term job can jeopardise training or future benefits). Article 25 calls for a universal basic income as a citizenship right: a proposal for which Standing offers ethical, labour-market, economic and social justifications.

The book's final chapter is titled 'There is a future'. Much of the first part of the book is a most depressing read because it describes the situation that all of us are in, and in particular the situation of the precariat; but the charter itself is a positive and hopeful document because it charts a way forwards.

Now all we need to do is to make it happen.

Staffan Kumlin and Isabelle Stadelmann-Steffen (eds), *How Welfare States Shape the Democratic Public: Policy feedback, participation, voting, and attitudes*, Edward Elgar, 2014, 1 78254 549 1, hbk, ix + 337 pp, £90

In democratic countries public policy is influenced, at least to some extent, by public opinion. At the same time, policy changes affect public opinion. This in turn influences the next wave of policy change. The process is circular. This collection of essays is an attempt to understand the somewhat under-researched part of the loop in which policy change affects public opinion.

An important finding is found in the book's introduction. The editors review the 'simple accountability model' that assumes that populations hold governments responsible for unpopular welfare state retrenchment and vote them out of office and find that the model does not

> capture the actual nature of feedback in European welfare states. ... cuts in replacement rates and dissatisfaction with public services have appeared to matter little for government survival, except when cuts are very large and recent, and extensively covered in election campaigns.

They suggest that this phenomenon is a function of

> frustration with the functioning of democratic institutions and actors more broadly, perhaps exactly because it is hard to hold specific actors to account. (p.8)

This suggestion is borne out in chapter 2, on the immediate galvanising effect of the Spanish Government's 2010 austerity measures and of the longer term decline in levels of political engagement that followed. Financial resources can empower citizens, so it is no surprise that declining resources disempower them. Chapter 3 finds that 'individuals in countries that invest in and spend more on working-age adults and families are more likely to participate in elections' (p.56). Chapter 4 finds that those with vocational education are more likely to vote in countries with more co-ordinated market economies than in countries with more liberal market economies. (Here more attention might have been paid to the relationship between economic co-ordination and more equal pre-tax incomes, the connection between more equal incomes and political participation, and the combination of these relationships as a possible causal factor.) Chapter 6 comes to a particularly interesting conclusion:

> As individuals pay more direct taxes, they are more likely to vote based on their redistribute preferences. Receiving tax breaks, by contrast, actually reduces the weight that individuals attach to their preferences, even though they have important distributive implications. Against expectations, receiving direct benefits did not accentuate the importance of redistributive preferences. (p.109)

Similarly, chapter 10 finds that 'unemployment benefit generosity loses some of its legitimization effect as the problem of unemployment is magnified and paid attention to' (p.193).

Chapter 7 finds that across Europe fixed-term workers tend to reject centre-right parties in favour of social democratic and far-left parties, particularly where there are clearer differences between permanent and fixed-term employment contracts: although the researchers found that in the UK there is now little difference between the major political parties in the employment field, little difference between fixed term and permanent contracts, *and* fixed term workers will still often vote for the major centre right party: perhaps because fixed term employment contracts exist higher up the earnings scale. There is a difference between zero hours contracts and other types, and a difference between the parties on zero hour contracts – although this is not an issue discussed in the book.

Chapter 8 finds that in the case of Germany's Bismarckian welfare state the government has been published for retrenchment – perhaps because of the social insurance basis of the German welfare state, and suggests that such punishment does not occur in more liberal welfare states, with means-tested benefits at their core, because status maintenance is not such an issue: that is, where substantial social insurance benefits give way to means-tested benefits, status is lost, but where the majority of benefits recipients are already on means-tested benefits then retrenchment does not change the mechanism by which households receive their benefits.

Chapter 9 finds that major and visible retrenchment *can* result in electoral punishment; chapter 10 finds that in relation to Belgium's regional governments citizens' attitudes 'may be the outcome of public policies' (p.218); and chapter 11 discovers quite a complex pattern of public attitudes to increasing state retirement ages. People are able to understand the argument from increasing longevity to a higher state retirement age, but an increase in the retirement age in one year reduces acceptance of further increases in the next. It is possible for a population to reach short-term reform saturation; but in the longer term generation change again aligns public attitudes with changed institutions. Chapter 12 finds varying patterns of acceptance of the deservingness of unemployment benefit recipients across Europe, with lower unemployment benefits associated with a greater appreciation of unemployed people's deservingness. The chapter also records the fact that 'about 70 and 90 per cent of the European public favours linking strict job search obligations to benefit receipt' (p.264). Chapter 13 interestingly discovers that dissatisfaction with a public service can lead to a public desire for increasing expenditure on it, and that satisfaction can lower demand for spending. Chapter 14 finds that providing the public with more increasing amounts of information on public service performance levels increases public knowledge of those levels: and that the public does not find it easy to distinguish between reliable and unreliable information: a serious problem for democracy, particularly in the context of national elections. A concluding chapter recognises the complexity of the ways in which changing policy affects public attitudes.

Every chapter of this book is full of rigorous research and interesting results, and its contents should be carefully absorbed by any policy-maker contemplating a transition from means-tested to universal benefits. Such a policy change would change public attitudes, which would in turn make it either easier or more difficult to embed the change. My reading of this book suggests that if the Government were to propose an increase in genuinely universal benefits, and an accompanying decrease in means-tested benefits, then public approval of the reduced level of means-tested benefits being paid to unemployed people would cohere with a willingness to spend additional public money on sorting out the benefits system to generate public acceptability of the policy change. The crucial factor will be government enthusiasm for the transition.

Erik Brynjolfsson and Andrew McAfee, *The Second Machine Age: Work, Progress, and Prosperity in a Time of Brilliant Technologies*, New York: W. W. Norton & Company, 2014, 0 393 23935 5, hbk, 320 pp, $26.95. Audio edition: Grand Haven, Michigan: Brilliance Audio, 2014.

This book was recommended to me as a technology-based argument for the basic income guarantee (BIG), and it is, but its support is tentative and only for BIG in the form of the Negative Income Tax (NIT), not in the form of a Universal Basic Income (UBI).

The authors define the computer revolution that is currently underway as 'the second machine age'. The industrial revolution was 'the first machine age'. It brought machines that could apply power to do simple but profoundly important tasks, eventually replacing most human- and animal-powered industries with steam, electrical power, and so on. Machines of the first machine age could often do those tasks much better than humans or beasts of burden ever could. For example, the replacements for horses - automobiles, trains, and airplanes - can carry more people and more cargo further and faster than horses ever could.

Machines of the second machine age have gone beyond the application of power; they are also replacing some human brainwork. Calculators have been around so long that few people are aware they replaced a form of human labour, called 'computers.' In the early 20th century, 'computers' were people who did computations. It was skilled brainwork, far beyond the capabilities of the up-and-coming technologies of the day, such as the internal combustion engine. Computers (as we define the term today) have almost entirely replaced that form of human labour, and their ability to substitute for human labour only continues to increase - especially when combined with robotics.

The computational powers of computers are so strong that they can already beat the best chess masters and 'Jeopardy' champions. Self-driving cars, which have turned driving into a complex computational task, will not only relieve us all of the task of driving to work, they have the potential to put every professional driver out of business. Perhaps computers, then, will someday learn not just to calculate, but also to think and evaluate. If so, might they eventually replace the need for all human labour?

Perhaps, but Erik Brynjolfsson and Andrew McAfee, the authors of *The Second Machine Age*, do not base their arguments on any such scenario. The possibility of a truly thinking computer is out there, but no one knows how to make a computer think, and no one knows when or how that might happen.

So, the authors focus on the improvements in computers that we can see and envision right now: machines that can *augment* and aid human thought with computational ability increasing at the current exponential rate. As long as computers are calculating but not truly thinking, humans will have an important role in production. For example, although computers can beat an unaided chess master, they cannot beat a reasonably skilled human chess player aided by computer. This is the focus of the book: computers and robotics taking over routinized tasks (both physical and mental), while humans still perform the deep thinking with access to aid from more and more computer power.

This change will be enough to transform the labour market radically and eliminate many (if not most) of the jobs that currently exist. At the enormous rate of increase in computing power, one does not have to envision a self-aware, sentient machine to see that the effects on the economy will be profound. According to the authors, 'in the next 24 months, the planet will add more computer power than it did in all previous history; over the next 24 years, the increase will likely be over a thousand-fold'.

The authors' analysis of those changes is very much based on mainstream economic theory. In the book's analysis, increases in unemployment and decreases in wages are attributed almost entirely to a decline in demand for labour thanks to the introduction of labour-replacing technology. Political economy considerations, in which powerful people and corporations manipulate the rules of the economy to keep wages low and employment precarious, are not addressed. When the authors consider shifting taxes from payroll to pollution, they don't consider that powerful corporations have been using their power over the political process very effectively to block any such changes.

Yet, the book demonstrates that even with purely mainstream economic tools, the need to do something is obvious. We have to address the effects of the computer revolution on the labor market. The second machine age creates an enormous opportunity for everyone to become free from drudgery, to focus their time on the goals that they care most about. But it also creates a great danger in which all the benefits of the second machine age will go to the people and corporations who own the machines, while the vast majority of people around the world who depend on the labour market to make their living will find themselves fighting for fewer jobs with lower and lower wages.

The technology-replacement argument for BIG has been a major strand in BIG literature at least since Robert Theobald began writing about the 'triple revolution' in the early 1960s.[18] So, approaching this book as I did, I was on the lookout through a large chunk of the book, waiting for BIG to come up. I was very surprised to see the entire "Policy Recommendations" chapter go by without a mention of BIG.

The authors finally addressed BIG in the penultimate chapter entitled, 'long-term recommendations'. In the audio version of the book, the authors spend about 20 minutes (out of the 9-hour audiobook) talking about BIG. They recount some of the history of the guaranteed income movement in the United States with sympathy, and write, 'Will we need to revive the idea of a basic income in the decades to come? Maybe, but it's not our first choice.' They opt instead for an NIT, writing 'We support turning the Earned Income Tax Credit into a full-fledged Negative Income Tax by making it larger and making it universal.'

Their discussion of why they prefer the NIT to UBI is perhaps the weakest part of the book. They favour work. They want to maintain the wage-labour economy, because, taking inspiration from Voltaire, they argue that work saves people from three great evils: boredom, vice, and need. I am sceptical about this claim. I view it as an employers' slogan to justify a subservient workforce, but my scepticism about this argument is not why I find the book's argument for the

[18] Mostly in three works, *The Challenge of Abundance* (1961), *The Triple Revolution* (1964), and *The Guaranteed Income* (1966).

NIT over UBI to be the weakest part of the book. The reason is that the argument from work-incentives gives no reason to prefer the NIT to UBI. The authors view the NIT as a ‘work subsidy,’ but it is no more a work subsidy than UBI.

The NIT and the UBI are both BIGs, by that, I mean they both guarantee a certain level below which no one’s income will fall - call this the ‘grant level’. Both allow people to live without working. UBI does this by giving the grant to everyone whether they work or not, but taxing them on their private income. NIT does this by giving the full grant only to those who make no private income and taking a little of it back as they make private income. In standard economic theory, the ‘take-back rate’ of the NIT is equivalent to the ‘tax-rate’ of the UBI, and so either one can be called ‘marginal tax rate’.

Applying standard mainstream economic theory (which is used throughout the book), the variables that affect people’s labour market behaviour are the grant level and marginal tax rate. The higher the grant level and the higher the marginal tax rate, the lower the incentive to work whether the BIG is an NIT or a UBI. You can have an NIT or a UBI with high or low marginal tax rates and grant levels, and you can have a UBI or an NIT that have *the same* grant level and marginal tax rate. It is for this reason that Milton Friedman, the economist and champion of the NIT, gave for drawing equivalence between the two programs:

> INTERVIEWER: ‘How do you evaluate the proposition of a basic or citizen´s income compared to the alternative of a negative income tax?’
> FRIEDMAN: ‘A basic or Citizen’s Income is not an alternative to a negative income tax. It is simply another way to introduce a negative income tax.’
> (Eduardo Suplicy, USBIG NewsFlash interview, June 2000, http://www.usbig.net/newsletters/june.html)

If the book’s arguments for work incentives are sound, I see an argument for a modest BIG with a low marginal tax rate, but I see no argument one way or another why the BIG should be under the NIT or the UBI model.

Whatever one thinks about the issue of NIT versus UBI, the book presents an extremely sophisticated and powerful argument for moving in the direction of BIG. Therefore, it is a book that anyone interested in any form of BIG should examine closely.

Karl Widerquist

Viewpoint

In place of pensions – why there is no alternative to a Citizen’s Income for pensioners (and for working-age adults)

The global financial crisis (GFC) has now been on-going for 6 years. All the promises made by politicians in 2008 that they would soon be able to restore the system to stability have been proved hollow. Output and real incomes are still below the level of 2007 – in Britain and most industrialised countries. At the same time the huge debts, public and private, that brought the global economy to its knees – including the “toxic waste” on the banks' balance sheets – are at least as great as ever.

Although this outcome was predictable, all mainstream political parties, media, trade unions and academic economists even now remain resolutely in denial and stuck in a sterile debate about whether the cure for continued stagnation is to cut or expand public spending – even though it has been obvious from the outset that neither strategy can possibly cut the massive debt burden that is crippling the economy. None of them can face the truth that most of this debt is unpayable and that the only solution is to write it off, in line with the dictates of market forces. In their desperation to avoid such an outcome – which would entail the mass insolvency of enterprises and the wiping out of stock markets and asset values round the world – most governments, including the UK, have now resorted to printing money (officially known as Quantitative Easing) – a practice normally associated with bankrupt governments such as Weimar Germany in the 1920s.

All this obscures the wider truth that

- the capitalist economy is as dangerously unstable as it always has been, and
- in addition it has now been rendered completely obsolete by technological change, just as the rural / feudal economic order was put out of business by steam power 200 years ago.

The failure of our rulers to come to terms with this new reality is shown in their continued insistence that ‘full employment’ is still attainable – presumably based on at least 97 per cent of the labour force being employed for at least 1600 hours a year for at least 40 years of their lives. This despite the fact that millions of jobs (in the UK alone) have been automated permanently out of existence over the last 40 years. In this climate of permanently high and rising unemployment the traditional Beveridge model of social welfare based on contributions from employees – which always depended on maintaining more or less full employment over the long term – has effectively collapsed.

Against this background – which is broadly similar across Europe and other industrialised countries – successive British governments' attempts to recast the social welfare system look increasingly doomed to fail. Following the nightmare of the Working Tax Credit and other means-tested benefits in a climate of increasingly insecure employment we have to look forward to the coming fiasco of Universal Credit as it is rolled out with cross-party support. At the same time the future of the basic state pension (BSP) seems unclear, although in principle the Coalition remains committed to introducing a flat-rate single tier state pension at a high enough level to avoid recipients having to claim means-tested supplements. If the rate is no higher than the figure of £144 per week that has been mentioned then this condition will clearly not be met.

Where does this leave pensioners? Since the turn of the century they have seen the 'promise' of occupational pensions – based on a guaranteed proportion of their lifetime earnings – increasingly broken, whether in the public or private sector, in response to growing weakness in the economy and financial markets. Although the non-funded, pay-as-you-go BSP model – financed through National Insurance contributions – is much more efficient and viable than funded schemes, it is not clear that there will be enough people in employment in future to enable the system to continue working as it has hitherto.

The only logical way forward in this situation must be a system based on a universal, non-means-tested Citizen's Income: a flat-rate benefit paid to all adult citizens, preferably at subsistence level. It is payable out of general taxation unconditionally (regardless of other sources of income) and does not affect entitlement to welfare benefits in kind (health care, education, special needs). It will:

- Ensure that everyone's basic needs are covered by a non-means-tested weekly payment.
- Replace benefits such as Job Seeker's Allowance or other forms of income support, as well as replacing personal tax-free allowances.
- Ensure that anyone who takes paid work will be better off financially for doing so (avoiding the poverty traps created by means-testing).
- Make working part-time a more affordable option for many people who would prefer it.
- Act as a safety-net for those considering self-employment, so that they have less to fear if their business isn't successful.
- Put an end to demeaning benefits procedures and form filling – as well as saving the substantial administrative costs of means-testing.
- Recognise the economic value of the vast amount of presently unpaid work of family carers.
- Permit the undertaking of other socially useful and creative (but non-commercial) activities which would not otherwise happen.
- Raise everyone's level of dignity and freedom by liberating them from the obligation to undertake paid work in order to survive.
- Remove the need for governments to find or create jobs for people simply as a means of providing them with an income, thus avoiding costly and wasteful public spending both on welfare-to-work schemes and on infrastructure projects which are often justified on job creation grounds but serve no other worthwhile public purpose.

For existing and prospective pensioners such a system would be especially liberating as it would effectively eliminate the distinction between them and other citizens in terms of entitlements – as well as the distinction between working life and retirement. The same applies to those, particularly women, who have devoted much of their adult lives to being family carers. Those who have made NI contributions under the current system could be compensated with appropriate payments as it was wound up.

Such a change to our system of income distribution may seem like a logical evolution from the traditional model, given that the opportunities for earning work-based entitlements are progressively disappearing along with much of the need for labour. But it is also clearly a very radical change from the pattern of economic and social organisation that we have become used to in the 20th century. Likewise it is easy to see that it threatens the established power of those who have always controlled the masses by forcing them to seek work to survive. That is why they continue to try to prevent such rational alternatives from even being discussed in the mainstream media – or simply dismiss the idea as hopelessly unaffordable.

Despite their best efforts the idea of a Citizen's Income is forcing itself onto the political agenda in more and more European countries, notably Germany, Italy and Spain. Significantly it is now to be the subject of a referendum in Switzerland, likely to happen later this year.

Harry Shutt