Citizen's Income *newsletter*

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Citizen's Income Newsletter
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Book launch

You are cordially invited to the launch of

Basic Income: A Transformative Policy for India

by Sarath Davala, Renana Jhabvala, Soumya Kapoor Mehta and Guy Standing

on Tuesday 27th January 2015, at 6.30 p.m., at Bloomsbury Publishing, 50 Bedford Square, London, WC1B 3DP

RSVP via the Eventbrite page:
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Editorials

Predistribution

During a speech in September 2012, Ed Miliband suggested that to tackle poverty the UK needs better 'predistribution', and not just 'redistribution': [1] that is, we need people's pretax incomes to be larger than they are now so that not as much redistribution is required to lift people out of poverty. In his speech to the 2014 Labour Party Conference, Miliband promised an increase in the National Minimum Wage to £8 per hour by 2020. This would represent improved predistribution for the low paid.

Should a Citizen's Income count as redistribution or as predistribution? Everyone legally resident in the UK would receive a tax-exempt Citizen's Income, and to it they would add earnings. This suggests that a Citizen's Income should be counted as predistribution rather than as redistribution.

Another reason for linking a Citizen's Income to the predistribution debate is the effect that a Citizen's Income would have on the incomes of people on low earnings. As Wilkinson and Pickett point out in a recent essay, when tax rates are reduced we would expect the drive to earn more to moderate because with the same earned income disposable income rises; but the evidence is that the opposite occurs: because additions to earned income become more valuable when tax rates are reduced, lower tax rates result in higher earnings. [2] If someone on means-tested benefits earns more, their benefits are reduced. Withdrawal rates therefore function as a tax on earnings. If the withdrawal rate is reduced, then the effective tax rate is reduced, earned income becomes more valuable, so more income is earned. Again, predistribution.

It would assist the debate on the desirability of a Citizen's Income if we ceased to think of it as redistribution and instead regarded it as what it is: it is itself predistribution, and at the same time it is a stimulus to further predistribution.

The necessity and the feasibility of a Citizen's Income

In the context of a discussion of the Labour Party's intention to increase the National Minimum Wage if

[1] www.bbc.co.uk/news/uk-politics-19503451

[2] Richard Wilkinson and Kate Pickett, *A Convenient Truth: A better society for us and the planet*, Fabian Society, 2014, p. 33-4: www.fabians.org.uk/publications/a-convenient-truth; Picketty, T., Saez, E., Stantcheva, S., *Optimal taxation of top labor incomes: A tale of three elasticities*, National Bureau of Economic Research, 2011

it wins the next General Election, the General Secretary of the Fabian Society asks:

> But what about social security? A sudden increase in spending may seem impossible given the state of the public finances and public attitudes. But social security will otherwise wither away, with spending on pre-retirement age groups projected to fall sharply as a share of GDP over the next 15 years (from 5.5 per cent today to 3.9 per cent in the early 2030s according to the Office for Budget Responsibility). The Fabian modelling indicates that this will lead to low and middle income working-age households falling far behind everyone else. A long-term plan for social security is therefore essential. Labour should introduce reforms to widen popular support for social security, by seeking affordable ways to expand universal or contributory entitlements which reward effort and give everyone a stake …. [3]

Readers of this *Newsletter* are likely to be well aware of the advantages that a universal Citizen's Income would offer to our society and to our economy. Not only would its universality generate widespread support for the policy, but (to quote from our introductory booklet) a Citizen's Income would also

- 'end the poverty and unemployment traps, hence boosting paid employment
- provide a safety net from which no citizen would be excluded
- create a platform on which all citizens are free to build

A Citizen's Income scheme would encourage individual freedom and responsibility and help to

- bring about social cohesion. Everybody is entitled to a Citizen's Income and everybody pays tax on all other income
- end perverse incentives that discourage work and savings.

A Citizen's Income would be simple and efficient and would be:

- affordable within current revenue and expenditure constraints
- easy to understand. It would be a universal entitlement based on citizenship that is non-contributory, non-means-tested and non-taxable
- cheap to administer and to automate.' [4]

The question that we have not been so good at answering so far is this: Is it possible to implement a Citizen's Income scheme that is at, or close to, revenue neutrality and that does not impose unacceptable losses on some households at the point of implementation? And, in particular: is it possible to implement a Citizen's Income scheme that is at or close to revenue neutrality and that does not impose unacceptable losses on some of the poorest households at the point of implementation? A previous standard answer to this question has been: even if a household were to suffer a loss of disposable income at the point of implementation, it would be easy for that household to make up the loss by earning additional income, because with a Citizen's Income the value of additional earned income would not be reduced by the withdrawal of means-tested benefits. However, this response would be little comfort to households at the point of implementation, and the existence of such losses would be likely to make the proposed scheme politically unacceptable.

The root of the problem is, of course, the way in which the current system provides both a Personal Income Tax Allowance and Working Tax Credits to low-earning households, and that a Citizen's Income would match the Personal Income Tax Allowance in value but not the Working Tax Credits. An article in this edition of the *Newsletter* offers a solution to this problem. If instead of abolishing in-work and out-of-work means-tested benefits we leave them all in place and take into account the value of the Citizen's Income when we calculate a household's entitlement to them, then we find that the number of households with low disposable incomes suffering losses at the point of implementation is negligible, and that the number of losses suffered by households in general is manageable and, with some schemes, negligible.

Because large numbers of households would find themselves no longer entitled to means-tested benefits, and because large numbers of households would be entitled to smaller amounts of them and could therefore decide to do without them and seek additional earned income, the means-tested system would become the safety net that Beveridge originally intended it to be. So whilst some might regret that this way of implementing a Citizen's Income would not immediately abolish means-tested benefits, for many households the result will be the same.

[3] Andrew Harrop, 'The Future of Government', *Fabian Review*, vol.126, no.3, p.10

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

In the current context, a Citizen's Income implemented in this way would offer everything that Universal Credit is attempting to achieve and more besides, and the Government that emerges following the General Election next year could well decide that such an easy reform would be a useful replacement for it. Because a Citizen's Income implemented in this way would be genuinely universal, we would have no objection to it being labelled 'Universal Credit Mark II'.

Given this possibility, we would be pleased to see further research on this option for implementing a Citizen's Income, widespread debate on its advantages and disadvantages, and serious political engagement with the possibility.

Benefits sanctions

Our last edition contained an editorial on benefits sanctions. We are pleased to see that the Joseph Rowntree Foundation has published a new report that reveals the depth of the problem. We are of course less pleased that the problem is so deep. We make no apology for repeating in full the report's summary of its findings:

- Sanctions are now used much more frequently within the welfare benefits system. The severity of sanctions has also increased and conditionality is now applied to previously exempt groups (e.g. lone parents, disabled people).
- Benefit sanctions are having a strongly disproportionate effect on young people under 25, and there is also evidence of severe impacts on homeless people and other vulnerable groups.
- International evidence indicates that benefit sanctions (especially severe sanctions) substantially raise exits from benefits, and may also increase short-term job entry; but the longer-term outcomes for earnings, job quality and employment retention appear unfavourable.
- Little evidence is available on the impact of welfare conditionality in other spheres, such as social housing.
- There is qualitative evidence to suggest that, with appropriate support, interventions including elements of conditionality or enforcement may deter some individuals from anti-social behaviour and street-based lifestyles.
- The 'theories of behaviour change' underpinning conditionality have been questioned by commentators from both the Right and the Left, particularly with respect to the assumed 'rationality' of welfare recipients' responses to financial sanctions and incentives.
- There are also concerns that welfare conditionality leads to a range of unintended effects, including: distancing people from support; causing hardship and even destitution; displacing rather than resolving issues such as street homelessness and anti-social behaviour; and negative impacts on 'third parties', particularly children. [5]

The authors offer a discussion of the 'reciprocity' argument for conditionality and sanctions, but do not offer a solution to the problem that, in the context of a benefits system that offers little incentive to increase earned income, conditionality and therefore sanctions are likely to be required to move people without employment into employment. In our view, only a benefits system that both offers no employment disincentives will solve the problem, because only such a system will dispense with conditionality and therefore with the need for sanctions.

Fair benefits

In a recent article in *Renewal*, Rachel Reeves, the Shadow Secretary of State for Work and Pensions, and Martin McIvor, an advisor to Rachel Reeves, reflect on the legacy of Clement Attlee and of the 1945 Labour Government, and suggest that the principles underlying Attlee's and his government's policies are still relevant today, including 'the need to ensure our social security system works with the grain of the values and ethos of British people, in particular their belief in fairness, solidarity and the dignity of work'. [6] The way in which our current Tax Credits system ensures that many workers receive only 15p more disposable income for every extra £1 they earn (and for some it's only 5p) does little to dignify work. The situation will be little better under Universal Credit (- those paying Income Tax at the same time as their Universal Credit is being withdrawn will retain only about a quarter of any additional earnings). The way in which low-paid or short-hours employment imposes on families complex and demeaning means-tested regulations exacerbates the effect. Employment and dignity are not concepts that sit easily together for low-paid employees in receipt of Tax Credits. And the fact that the higher paid are not subjected to such undignified deductions and regulations, whereas the low-paid are, is not fair and it

[5] *Welfare Sanctions and Conditionality in the UK*, www.jrf.org.uk/sites/files/jrf/Welfare-conditionality-UK-Summary.pdf

[6] Rachel Reeves and Martin McIvor, 'Clement Attlee and the foundations of the British welfare state', *Renewal*, vol.22, nos.3-4, 2014, p.57

doesn't generate solidarity. We hear it said that a 50% Income Tax rate would be too high; but we don't hear the higher paid saying the same thing about the marginal deduction rate suffered by people with low pay on Tax Credits.

If the Labour Party finds itself in government after the General Election then we look forward to the new Secretary of State for Work and Pensions establishing a fairer benefits system than we have now, and one that promotes both solidarity and the dignity of work. We would recommend a benefits system based on a Citizen's Income, which would be entirely fair (because the same for everyone), which would generate the kind of solidarity that we have never yet seen in our tax and benefits system, and which would enhance the dignity of work, both by valuing caring and voluntary work and by making it easier for workers to refuse lousy jobs. A welfare state based on a Citizen's Income would be a worthy successor to Attlee's welfare state, and to the fair and solidaristic NHS and Family Benefits that were at its heart.

Research note: A feasible way to implement a Citizen's Income [7] [8]

by Malcolm Torry

Introduction

A Citizen's Income is an unconditional, nonwithdrawable income for every individual as a right of citizenship. If a Citizen's Income were to be implemented in the UK, then there would be no problem with the effects of the Citizen's Income itself (- lower marginal deduction rates and so increased employment incentives; greater social cohesion; no stigma; almost zero error and fraud rates, etc), [9] or with how a Citizen's Income would be administered (- that would be simpler than the administration of Child Benefit): but there could be a problem with the transition between the current benefits system and a benefits system based on a Citizen's Income**.** It might be true that the problems would be caused by the tangled nature of the UK's current benefits system, but it could still be the case that transition to a Citizen's Income would be fraught with difficulty.

Firstly, it might be difficult for a government to legislate for a Citizen's Income in the face of some entrenched prejudices against universal benefits: 'the rich don't need them', 'people wouldn't work', and 'if resources are limited then we should give more to the poor'). But these objections to universal benefits are all answerable: [10] - the rich would pay more in Income Tax than they would receive by way of universal benefits; people are more likely to work if marginal deduction rates decline; and targeting means means-testing, with all of the problems that that involves. Recent increased press interest in a Citizen's Income suggests that understanding of the reasons for increasing the coverage of universal benefits is in fact becoming more widespread.

Secondly, and perhaps more importantly, the transition to a Citizen's Income would need to be seamless, and, following the Department for Work and Pensions' difficulties with the implementation of Universal Credit, it would need to be clear to everybody that similar problems would not be encountered if a Citizen's Income were to be implemented.

Thirdly, and most importantly, it would need to be clear that, at the point of implementation, the transition would not impose unacceptable losses on households, and particularly on households with the lowest disposable incomes.

This article tackles the third of these potential difficulties. It discusses two ways in which a Citizen's Income might be implemented, and uses the EUROMOD simulation programme to inform a decision as to which method might be the most feasible.

The Citizen's Income Trust's illustrative schemes

The 2012 simulation of a scheme similar to that in the Citizen's Income Trust's 2007 Select Committee submission

In 2007, the Citizen's Income Trust submitted evidence to the House of Commons Work and Pensions Select Committee's *Benefits Simplification* enquiry. This submission was received as evidence,

[7] A previous version of this article was published as an Institute for Social and Economic Research Working Paper, www.iser.essex.ac.uk/research/publications/working-papers/euromod/em17-14

[8] This paper uses EUROMOD versions F6.0+ and G2.0++. The contribution of all past and current members of the EUROMOD consortium is gratefully acknowledged. The process of extending and updating EUROMOD is financially supported by the Directorate General for Employment, Social Affairs and Inclusion of the European Commission [Progress grant no. VS/2011/0445.] The UK Family Resources Survey data was made available by the Department of Work and Pensions via the UK Data Archive. All remaining errors and interpretations are the author's responsibility. Opinions expressed in this paper are not necessarily those of the Citizen's Income Trust

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

[10] Malcolm Torry, *Money for Everyone: Why we need a Citizen's Income*, Bristol: Policy Press, 2013, pp 149-60, 277-8

was printed in the committee's report, [11] and was later published by the Citizen's Income Trust. [12] In 2013 the figures were updated and the publication was reissued. [13] In each case, the Government's accounts, along with population and other statistics, were employed to show that a Citizen's Income could be paid for by reducing tax allowances and means-tested and contributory benefits. The figures are robust, and they demonstrate that it would be financially feasible for a government to implement a Citizen's Income. However, what the method did not reveal was that gains and losses would be experienced by individuals and households at the point of transition from the current tax and benefits system to a system based on a Citizen's Income. Even if a scheme were to be revenue neutral, i.e., if the total cost of the Citizen's Income were to be found by making adjustments only to the current tax and benefits system, then major household losses, particularly amongst households with the lowest disposable incomes, would clearly make the scheme impossible to implement.

So in 2012 I used a previous version of EUROMOD [14] to calculate the gains and losses that would be experienced if a scheme like the Citizen's Income Trust's 2007 illustrative scheme were to be implemented. The results were published in the *Citizen's Income Newsletter*. [15] The Citizen's Income envisaged was of £40 per week for every individual under state retirement age (including children), and of £100 per week for every individual over state retirement age. [16] Income Tax was to be collected on all earned income above a Personal Tax Allowance of £4,000 p.a. as follows: from £4,001 to £20,000 p.a., 25%; from £20,001 to £40,000 p.a., 35%; above £40,000 p.a., 45%. The Lower Earnings Limit for National Insurance Contributions was retained, but the Upper Earnings Limit was abolished. Working Tax Credits, Child Tax Credits, Basic State Pension, means-tested Jobseeker's Allowance (but not the contributory variety), and Child Benefit were abolished. Other benefits were left in place. [17] The following pattern of gains and losses emerged:

	Results for individuals		**Results for households**	
Losses and gains	**No.**	**%**	**No.**	**%**
Loss > 15%	2,392	4.18	1,882	7.50
15%>loss>10%	2,302	4.02	679	2.71
10% > loss > 5%	6,160	10.75	1,914	7.63
5% > loss > 0	5,532	9.66	4,346	17.32
No loss or gain	19,747	34.48 [18]	1,067	4.25
0 > gain > 5%	7,350	12.83	6,736	26.85
5% > gain > 10%	3,647	6.37	3,582	14.28
10% > gain > 15%	2,358	4.11	1,935	7.71
Gain > 15%	7,788	13.60	2,947	11.75
Totals	57,276 [19]	100	25,088	100

Chris Stapenhurst's project

During the Summer of 2013, Chris Stapenhurst, a student from the University of Aberdeen, worked as a volunteer with the Citizen's Income Trust. Under my supervision he employed a previous version of EUROMOD [20] to study the gains and losses that would be experienced on the implementation of a variety of different Citizen's Income schemes. The full results were published last year in the *Citizen's Income Newsletter*. [21] While some schemes would have generated lower losses than others, the levels of losses at the point of transition suggest that none of the schemes would be politically feasible.

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[11] House of Commons Work and Pensions Committee (2007) *Benefit Simplification*, the Seventh Report of Session 2006–7, HC 463, London: The Stationery Office, pp Ev.84–90

[12] *Citizen's Income: A brief introduction*, London: Citizen's Income Trust, 2007

[13] *Citizen's Income: A brief introduction*, London: Citizen's Income Trust, 2013

[14] EUROMOD F6.0+ using 2008 Family Resources Survey data updated for use with 2009 tax and benefits regulations and levels

[15] Malcolm Torry, 'Research note: A Citizen's Income scheme's winners and losers', *Citizen's Income Newsletter*, 2012, issue 3, London: Citizen's Income Trust, pp 2-4. www.citizensincome.org

[16] Because EUROMOD F6.0+ employed 2008 Family Resources Survey data updated for use with 2009 tax and benefits regulations and levels, the state retirement age employed for this exercise was the state retirement age as it was in 2009: 60 for women and 65 for men.

[17] For individuals and households claiming means-tested benefits, Citizen's Incomes were counted as income received for the purpose of calculating the level of benefit. So, for instance, instead of Housing Benefit being withdrawn at 65% of the value of Working Tax Credits, in this scheme Housing Benefit was withdrawn at 65% of the value of Citizen's Incomes received by the household.

[18] Most of those individuals for whom no change occurs will be children. Their Child Benefit is ascribed to the main carer, and Children's Citizen's Incomes would be similarly ascribed.

[19] The survey covers approximately 0.1% of the total population of the UK

[20] EUROMOD F6.0+ using 2008 Family Resources Survey data updated for use with 2009 tax and benefits regulations and levels

[21] Chris Stapenhurst (with supervision by Malcolm Torry), 'Experiments in Euromod', *Citizen's Income Newsletter*, 2014, issue 3, London: Citizen's Income Trust

The Citizen's Income Trust's 2013 illustrative scheme

For the current research project I have undertaken a similar exercise, this time matching the Citizen's Income scheme to that published by the Citizen's Income Trust in 2013. The new version of EUROMOD was employed, with 2013 benefits regulations and Family Resource Survey data uprated to 2013 values. [22]

For the purposes of this exercise I have studied the gains and losses experienced by households, and not those experienced by individuals. There are good arguments for each approach. It is individuals who receive income, so gain or loss is an individual experience; and within households income is not necessarily equitably shared, so the amounts that individuals receive might be more relevant than the amount that the household receives. However, we can assume that in most cases income is pooled within households, at least to some extent, so if one member gains and another loses then the household might be better off, and that might be a more significant fact than that one member of the household has suffered a loss in disposable income. Another point to make about households is that they are of different sizes, so the absolute gain or loss is not particularly relevant. However, percentage gains and losses are relevant, so this is the measure that we shall use.

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

The Citizen's Income scheme studied allocates Citizen's Incomes of £142.70 to individuals over 65, £71 to individuals over 25 years of age, and £56.25 to every other individual (to match Income Support and Pension Credit rates). The Personal Tax Allowance is abolished (but not Old Age Personal Tax Allowance), and income thresholds are adjusted accordingly. National Insurance Contributions of 12% are charged on all earned income. Means-tested benefits (including Tax Credits, but not Housing Benefit or Council Tax Benefit) are abolished, as are the State Retirement Pension, Child Benefit, Incapacity Benefit, and contributory Unemployment Benefit. A funding gap of £20bn p.a. remains, to be filled by restricting pension contribution relief to the basic rate of Income Tax and through administrative savings. (These details are summarised in the table below.)

The important results, extracted by comparing columns in the output files for the current benefits system and the Citizen's Income scheme, [23] are that for the lowest disposable income decile, over one fifth of households suffer losses of over 10%, and that for the second lowest disposable income decile the same is true.

By interrogating the results sheets for individuals generated by the programme, it is possible to identify the source of most of these substantial losses among households with low disposable incomes: In the scheme, low earners have their Personal Tax Allowance replaced by a Citizen's Income, but not their Working Tax Credits. To increase the working age adult Citizen's Income so that it would compensate for the loss of Working Tax Credits as well as for the loss of the Personal Tax Allowance would be far too expensive, as the increase in Citizen's Income would apply to every working age adult and not just to Tax Credit recipients.

It is a pity that such a large number of households with low disposable incomes suffer such large losses on the implementation of what otherwise looks like a useful and revenue neutral scheme: but unfortunately with that number of large losses the scheme would be impossible for a government to implement, and we ought to look for an alternative. .

Just as Chris Stapenhurst tested a variety of schemes for the patterns of gains and losses that they generated, so I have tried amending the Citizen's Income Trust's 2013 illustrative scheme in a variety of ways by altering different variables through a number of values. This generated Citizen's Income schemes paying different amounts and funded by different configurations of the tax system. Each scheme generates different numbers and levels of gains and losses, but the pattern is generally similar to the one

[22] EUROMOD G2.0++ with Family Resources Survey data for 2009-10 uprated to 2013 values. The programme uses benefit regulations and amounts for 2013. 'The factors that are used to update monetary variables (parameter sheet *Uprate_uk*) from the mid-point of the data year (October 2009) to the mid-point of the policy years applying on June 30th (i.e. October 2010 to October 2013) are shown in Annex 1. No other updating adjustments are employed. Thus the distribution of characteristics (such as employment status and demographic variables) as well as the distribution of each income source that is not simulated remain as they were in 2009/10' (Paola De Agostini and Holly Sutherland, *Euromod Country Report: United Kingdom 2009-2013*, Colchester: Institute for Social and Economic Research, Essex University, 2014)

[23] For the purposes of all of these calculations, the few households with initial negative or zero disposable incomes are removed from the list.

discovered with the illustrative scheme, and the reasons are the same: the complexity of the current benefits system (and particularly its mixture of means-tested, contributory, and contingency elements); and the way in which a Citizen's Income cannot compensate for the withdrawal of both the Personal Tax Allowance and means-tested benefits without being too expensive.

Another option: 'alternative 1'

As we have seen, the major generators of large losses among households with low disposable incomes are the combined value of Working Tax Credits and the Personal Tax Allowance, and the difficulties encountered when a complex system of means-tested and contributory benefits is replaced by a simple Citizen's Income.

It might therefore be worth proposing a method of implementing a Citizen's Income that circumvents these problems. What is *not* an option is to tamper with the Citizen's Income itself. Its value can be reduced, but it must remain an unconditional and nonwithdrawable income for every individual. If it does not do so then it will not deliver the advantages of social cohesion, simplicity, transparency, zero marginal deduction rate, lower total marginal deduction rates, reduced error and fraud rates, loss of stigma, etc.

So my proposal is that a Citizen's Income should be paid, that the Personal Tax Allowance should be abolished (which means that thresholds for taxable income have to be adjusted as all earned income will have become taxable), and that the Citizen's Income should be taken into account in the calculation of all existing means-tested benefits (including Tax Credits). This suggests that the Basic State Pension will be retained, so the Citizen's Income rate for those over the state retirement age should be £30 per week. (The new Single Tier State Pension will make this payment unnecessary.). Child Benefit will be retained and Child Citizen's Income should be paid at £20 p.w.. The adult Citizen's Income rate should remain at £71: the 2012-13 Income Support rate. Again, National Insurance Contributions will be paid at 12% on all earned income. All existing benefits are left in place, and the Citizen's Incomes are added to the means taken into account when means-tested benefits are calculated.

Simulation of the current system and of this alternative Citizen's Income scheme reveals that only a handful of households would experience any loss at all. In that respect the scheme is entirely feasible politically. However, such a lack of losses comes at a cost: £84bn, which is clearly unsustainable.

One way to solve the cost problem is to increase the basic and higher Income Tax rates by 10% from 20% to 30% and from 40% to 50%, and to increase the highest rate by 5% from 45% to 50%. The results are still encouraging. In the lowest disposable income decile, only 1,000 households in the country would suffer losses of over 10%. Overall, only 5.3% of households would suffer losses of over 10%, and the vast majority of those households are amongst those with the highest disposable incomes. Only 0.2% of households would suffer losses of over 15%.

The cost of this scheme is £24bn per annum. Restricting pension contribution tax relief to the basic rate (as suggested in the Citizen's Income Trust's illustrative scheme) would provide about £10bn, and administrative savings would provide perhaps a further £2bn. The scheme as calculated leaves in place the current contributory benefits: Unemployment Benefit (contributory JSA), Incapacity Benefit, and contributory ESA. There would be a case for reducing these by the amount of the Citizen's Income in order to make savings. The extra economic growth that a) immediate increased disposable incomes amongst households with the lowest disposable income would generate, and b) that would be generated by decreasing marginal deduction rates and therefore increasing employment incentives, should easily provide the rest.

The number of Working Tax Credit claims would almost halve, and only 1% of households would still be receiving more than £200 per month in Working Tax Credits. Child Tax Credit claims would fall by about 20%. In both cases the value of claims would reduce, so we would see some households abandoning Tax Credit claims. The result would be administrative savings and increasing employment incentives.

A further option: 'alternative 2'

A further option would be to reduce the working age adult Citizen's Income to £50 p.w. (i.e., to more nearly match it to the current value of the Personal Tax Allowance rather than to the Income Support rate) and the young adult's Citizen's Income to £40 p.w.. Again the Citizen's Income amounts are added to other means taken into account when means-tested benefits are calculated. Income Tax rate rises could then be restricted to 5% throughout, thus raising Income Tax rates to 25%, 45% and 50%. The cost is again £24bn p.a.

The results are again encouraging. 0.08% of households in the lowest disposable income decile would face losses of over 10%, and only 0.2% would face losses of over 5%. Overall, 0.25% of households would face losses of over 15%, 1.1% of households losses of over 10%, and 20% of households losses of over 5%, again mostly amongst households with higher disposable incomes. This is the pattern that we would expect.

In this case the number of Working Tax Credit claims would reduce by 32%, and the number of households receiving Child Tax Credits would reduce by 16%. As we would expect, the reduction in the number of households receiving means-tested benefits does not reduce by as much as with a larger Citizen's Income, but the reductions are still substantial and would deliver administrative savings. Total marginal deduction rates would be reduced for either of the two schemes, thus encouraging additional employment or self-employment. With either alternative scheme we would therefore see a gradual reduction in the number of claims for Tax Credits.

A summary table

For all three schemes, National Insurance Contributions are collected at 12% on all earned income.

	Citizen's Income Trust 2013 illustrative scheme	**Alternative 1**	**Alternative 2**
Relationship of Citizen's Income to means-tested benefits	Citizen's Income replaces means-tested benefits except for Housing Benefit and Council Tax Benefit	Means-tested benefits are left in place and the Citizen's Income is taken into account when means-tested benefits are calculated	Means-tested benefits are left in place and the Citizen's Income is taken into account when means-tested benefits are calculated
Working age adult CI amount per week	£71	£71	£50
Young adult CI amount per week	£56.25	£56.25	£40
Income Tax, basic rate (on £0 – 42,010)	20%	30%	25%
Income Tax, higher rate (on £42,010 – 150,000)	40%	50%	45%
Income Tax, top rate (on £150,000 -)	45%	50%	50%
Proportion of households in the lowest disposable income decile experiencing losses of over 10% at the point of implementation	21.12%	0.04%	0.08%
Proportion of all households experiencing losses of over 10% at the point of implementation	9.28%	5.38%	1.09%
Cost of scheme [24]	£20bn	£24bn	£24bn

[24] Much of the additional cost would be met by restricting tax relief on pension contributions to the basic rate, and through administrative savings generated by the abolition of means-tested benefits (in the case of the 2013 illustrative scheme) or by many households leaving means-tested benefits as their Citizen's Incomes and additional earnings increased the means taken into account when their means-tested benefits were calculated (in the case of the two alternative schemes).

Conclusion

A Citizen's Income would deliver many advantages, for individuals, for households, and for society as a whole. It is therefore important to begin to move our benefits system towards a system based on a Citizen's Income. The Citizen's Income scheme submitted by the Citizen's Income Trust to the 2007 parliamentary enquiry would have been affordable, but its implementation would have been complicated by the level of losses that would have been experienced by many households at the point of implementation, making implementation politically impossible.

The alternatives offered in this paper deliver a genuine Citizen's Income while avoiding the transition problems. While it would be preferable to be able to abolish means-tested benefits at the point of implementation of a Citizen's Income, that is unlikely to be possible, and so perhaps it is not an option that we should pursue. What is possible is to establish a genuine Citizen's Income while leaving means-tested and other benefits in place. Because every household would see their Citizen's Incomes replace proportions of means-tested and other benefits, total marginal deduction rates would be reduced, and all of the other benefits of a Citizen's Income would be experienced. The amounts of means-tested benefits received would be reduced by the Citizen's Income being taken into account in those benefits' calculations, and for many households the reduction would offer the option of adding additional hours of employment and escaping from means-testing.

All that implementation of a Citizen's Income by this method would require would be to pay the Citizen's Income, to adjust tax codes, and to take Citizen's Incomes into account in the calculation of means-tested benefits (an easy process given the entirely predictable amounts of Citizen's Incomes received by each household). The current means-tested and contributory benefits are well understood, and to leave them in place would provide stability during transition to a Citizen's Income. Once the Citizen's Income was in place, and increasing numbers of households found themselves off means-tested benefits, or able to leave means-tested benefits behind, the Citizen's Income would become the basis for our society's income maintenance strategy - and as Citizen's Incomes increased in value, the means-tested system would become the minimal safety net that Beveridge intended it to be and for which it was designed.

If the Government decides that its difficulties with implementing Universal Credit mean that the scheme should be abandoned, then there is another far easier option waiting in the wings. A Citizen's Income, implemented as suggested here, would deliver all of the benefits of Universal Credit and more, and it would pose none of the computerisation and administrative problems that the implementation of Universal Credit has encountered.

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News

Guy Standing and his colleagues have published *Basic Income: A Transformative Policy for India* – the results of an extensive Citizen's Income pilot project in India. The book can be ordered here: www.bloomsbury.com/uk/basic-income-9781472583116/

The **Joseph Rowntree Foundation** has published *Reducing Poverty in the UK: A collection of evidence reviews*. The report discusses the balance between universal and means-tested benefits, and finds both to be necessary. The report approves of the Government's 'strategy of reducing means-testing by combining the basic and second state pensions into an adequate basic pension', suggests that 'dependence on [means-tested] benefits could be reduced by working to improve earnings among low-income families, and improving subsidised services used by families and thus reducing family costs'. It says that 'means-tested demandside subsidies, such as educational maintenance allowances and student grants, can bring clear benefits by encouraging students to take up education opportunities', that 'around 40 per cent of those in poverty miss out on benefits such as free prescriptions, while more than 40 per cent of people not in poverty receive them, and given the complication of detailed means testing, more universal access to such benefits may make sense', and that 'means-testing can be most effective where it is seen as an essential and legitimate part of income maintenance and where it has a simple delivery mechanism'. In relation to the current debate about whether the Winter Fuel Allowance should be means-tested, the report says that 'a generalised affluence testing policy could end up complex and, through downward pressure on the eligibility threshold, effectively amount to means-testing by another name'. (pp.61-2) www.jrf.org.uk/sites/files/jrf/Reducing-poverty-reviews-FULL_0.pdf. (The section of the report on whether means-testing or universalism is the best way to tackle poverty is on pages 59-62 and is by Dimitri Gugushvili and Donald Hirsch, from the Centre for Research in Social Policy, Loughborough University)

The **Resolution Foundation** has established a panel to review Universal Credit, and has published an initial report on the project: *Universal Credit: A policy under review*. 'The principles behind UC are welcome. The benefits system should be simpler and do more to help people into work and to increase their earnings once there. The status quo has significant shortcomings, but the design of the system of UC currently being rolled out also has limitations, quite aside from the IT problems and personal finance requirements that have attracted most attention. Public spending cuts have already weakened many of the functions that were originally intended or forced hasty redesigns. More can be done, even with limited resources, to boost household incomes by encouraging work. Arguably, it would be best to implement changes to UC before it is rolled out to a possible 10 million families, and while changes in entitlement are covered by transitional protection' (p.35). www.resolutionfoundation.org/wp-content/uploads/2014/09/Universal-Credit-A-policy-under-review1.pdf

The **Institute for Fiscal Studies** has published *From Me to You? How the UK State Pension System Redistributes*. 'We find that state pension benefits under the existing state pension system are unequally distributed across the 1930s cohort. … Lifetime state pension benefits are … higher on average for higher earners than for lower earners. … We estimate that 20% of state pension spending on the 1930s cohort represents a transfer between different individuals, while 80% of spending simply reflects a transfer from earlier in individuals' lives to later in their own lives. … The single-tier pension system would have a greater effect on reducing the inequality in the distribution of gross lifetime earnings than any of the other sets of state pension rules that we consider … We find that, for any given pension scheme, the extent of redistribution provided by the state pension system is lower once we allow for within-household pooling' (pp.47-9). www.ifs.org.uk/publications/7326

The **Joseph Rowntree Foundation** has published a report, *The UK Without Poverty*, which states that 'poverty is a cost we cannot afford. Reducing the costs associated with high levels of poverty in the UK would be positive for the economy' (p.3). Among the report's proposals is that we 'continue with Universal Credit to increase take-up of benefits and smooth transitions in and out of work, and consider what further benefits could be included. To improve work incentives, increase the work allowance so more can be earned before benefits start being withdrawn, and reduce the taper rate so they're withdrawn more slowly' (p.27). www.jrf.org.uk/sites/files/jrf/uk_without_poverty_summary.pdf

The **Institute for Fiscal Studies** has published research on tax policy changes in the UK: 'While this government has followed some consistent policies – notably, in some aspects of corporation tax and in increasing the income tax personal allowance – there are few signs of a wider coherent strategy. The same has been true of other recent governments. Many aspects of the system have become more complex. There have been numerous policy reversals. And few of those aspects of the system in most need of reform have been tackled. The need for reform, and a clear strategy for reform, remain as pressing as ever. … There are very substantial economic and social welfare costs associated with a poorly-designed tax system and, conversely, big benefits to be had from a well-designed one. … There is irrefutable evidence that poorly-designed taxes can result in lower employment, lower wages, lower investment, and lower welfare …' (Paul Johnson, 'Tax without Design: Recent Developments in UK Tax Policy', *Fiscal Studies*, vol.35, no.3, pp.243-73, pp.243, 270). The paper suggests that governments conspire 'to ensure that certain taxes are not well understood and can be manipulated accordingly. That seems to be the only way of rationalising much policy towards National Insurance contributions' (p.271).

New research from the **Child Poverty Action Group** discusses Universal Credit's 'steep withdrawal rate' that 'kicks in when earning a bit more than £51 a week for a couple family, and just over £60 a week for a lone parent. Critically, the value of these levels (or 'work allowances') has been frozen for three years and so is diminishing in real terms. As a result, families claiming universal credit will feel even less of the full benefit of working more as time goes on. Second, once families are earning beyond their allowance, the amount they actually earn from working is pretty small. When they lose 65p of their universal credit award for every extra pound they earn (and then pay tax and national insurance too), it's easy to see how working more doesn't necessarily translate into money in pockets for those on low incomes … A recent TUC-CPAG project has shown that we can tinker around with universal credit as much as we like, but that won't do much for poverty rates. … Unfreezing the work allowances and decreasing universal credit's withdrawal rate need to be the reforms at the top of the pile' (Lindsay Judge, Senior Policy and Research Officer, CPAG, 'Credit where it's due', *Fabian Review*, Autumn 2014, vol.126, no.3, p.5).

The **International Social Security Association** has published a report, *Megatrends and social security - Climate change and natural resource scarcity*: 'In the aftermath of climate disasters, households often face great hardships. Privations include scarce basic necessities and lack of access to jobs. As well as increased mortality due to disease and trauma, such conditions can also generate extremism, bitterness and social breakdown. Such scenarios could be avoided or mitigated after the immediate impact by providing basic income security, thereby strengthening social cohesion and reducing conflict. One approach is the payment of a nominal monthly income without conditions, acting as a time-bound "stability grant" or "reconstruction grant" in the form of basic income cash transfers that support affected communities and help to kick start recovery. The provision of basic income security can help people rebuild their lives and livelihoods, increase micro-economic activity (ILO, 2010), so that communities can reach a point of self-reliance again. Such transfers are often considered as being the least costly and most rapid way of helping people in times of crisis after natural catastrophes, war or man-made disasters. They are also the most transparent and easiest to administer in comparison to food-for-work programmes.' (p.23) www.issa.int/details?uuid=308847f4-3007-483d-b5d5-6311dcc7ef7c

Compass has published a new report, *New Times: How a politics of networks and relationship can deliver a good society*: '… if paid labour is becoming more precarious and we are more able to create and work outside of the labour market – then how are we to put bread on the table? You can't eat a TEDx talk! We can and must ensure that labour pays – through a decent and enforced minimum wage and wherever feasible a living wage. But that is unlikely to be enough. Nor is it likely to be sustainable to tie social security payments to taxes paid through labour - particularly if part time, zero-hours and precarious jobs are to become more prevalent. These are just some of the reasons why a Citizen's Income should be more fully examined and discussed. A social payment to all, as of right, would help provide an underpinning to life in which we all have sufficient security to ensure maximum freedom. If work cannot offer us material security then we have to find a way of ensuring it socially. But until we build the consensus for such a radical change, work and labour still have to be meaningful. … If labour cannot offer security, then society must. By consuming less, enjoying the fruits of an era of zero marginal cost and taxing wealth and environmental damage, every citizen will receive a non-conditional income to provide them with the space to live more creative, free and secure lives. And here we have to accept that we cannot be both turbo-consumers, and genuinely free citizens at the same time.' (pp. 20, 30) http://bit.ly/1EaK3Z6

The OECD has published a new report, *Does Income Inequality Hurt Economic Growth?* 'The gap between rich and poor is now at its highest level in 30 years in most OECD countries. This long-term trend increase in income inequality has curbed economic growth significantly. While the overall increase in income inequality is also driven by the very rich 1% pulling away, what matters most for growth are families with lower incomes slipping behind. This negative effect of inequality on growth is determined not just by the poorest income decile but actually by the bottom 40% of income earners. This is because inter alia people from disadvantaged social backgrounds underinvest in their education. Tackling inequality through tax and transfer policies does not harm growth, provided these policies are well designed and implemented. In particular, redistribution efforts should focus on families with children and youth, as this is where key decisions on human capital investment are made and should promote skills development and learning across people's lives.' www.oecd.org/social/inequality-and-poverty.htm

The **Confederation of British Industry** has published a report, *A Better off Britain:* 'Firstly, we need to take immediate action to reduce the burden on those on low incomes and working families. These are things that can be done now – on tax and childcare – that will help, without throwing the recovery off course. Then we need to put in place a plan to raise pay on a sustainable basis – this can only be done by improving the UK's productivity performance. … Ensuring people are equipped to progress in their careers through creating more and better ladders into higher-skilled work is also vital. This should include building a better understanding of the skills needs of the UK, better practice within companies on career paths and a focus on both retraining for adult workers and apprenticeships. A greater focus on making more of our talents by addressing the performance of our schools system to end the drag on living standards intergenerational inequality presents. … Finally, we need to develop ways for people to build financial resilience for when they fall on hard times. If people have the resources to cope with a rainy day, they will be less vulnerable to drifting into unsustainable debt, and the negative impact that has on people's living standards.' (p.22) http://news.cbi.org.uk/reports/better-off-britain/a-better-off-britain/

Book reviews

Marshall Brain, *Manna: Two Visions of Humanity's Future*, 2012, BYG Publishing, Kindle edition available on www.amazon.co.uk, £0.77. (Also see the author's website at http://marshallbrain.com/manna1.htm)

Marshall Brain is a science writer (both fiction and non-), futurist, founder of the website *How Stuff Works*, and a long-time advocate of basic income. His book, *Manna: Two Visions of Humanity's Future*, makes a case for Basic Income - and for a post-work society altogether - through the vehicle of science fiction.

The novel is essentially a thought experiment, working through two possible ways in which society might react when technology becomes so sophisticated that machines replace virtually all human labour. In the dystopian part of the story, America warehouses its excess human labour in humane, but highly restricted and regimented, residential community. In the later part of the story, the main character makes his way to Australia where the resources that make the machines run are jointly owned, and people do not have to work if they do not want to.

The story moves quickly beyond Basic Income to a society that has no more need of paid labour. In *Manna's* vision, there is such little need for human effort that people are free to pursue whatever projects they wish, some of which are things we would call 'work' but not 'paid labour'.

No doubt not all readers will find all aspects of Brain's utopian vision to be truly utopian. His characters willingly concede a great deal of power over their lives and their own bodies to a centralized, impersonal computer system. They do it for security, but the fear that it will be misused will hit some readers even if it is ignored in the book.

The most important part of the book for Basic Income supporters is the warning in the dystopian portion of the book. America deals with less need for labour by squeezing wages and then eventually warehousing workers. Brain's nonfiction work has argued that the rate of increase in computer and robotics technology makes the level of technology discussed in this book a realistic possibility - perhaps sooner than most of us think.

In any case, robotics technology is already here. It's replacing human effort on a daily basis. It's affecting our labour market, and those affects will increase every year from now on. Whether or not it will eventually replace all labour, we have to think about how to react to the labour it is now replacing on a daily basis. If we no longer need everyone to work, then Basic Income has to be part of the solution.

Karl Widerquist

Bob Deacon, *Global Social Policy in the Making: The foundations of the social protection floor*, Policy Press, 2013, xii + 218 pp, 1 4473 1233 8, hbk, £70, 1 4473 1234 5, pbk, £24.99

In a world in which so many bad things happen, and in which so much media and academic reporting is of bad news, it is a real pleasure to read a good news story well told: for that is what this book is – a well-written report of a piece of very good news: that in 2012 the International Labour Organization (ILO) and the G20 agreed a proposal for global social protection floors (adapted to the circumstances of each country).

So the book is in effect a single extended case study: and as the story is told we discover the internal dynamics of the ILO and of other international organisations, the relationships between the international institutional actors, and the other influences that led to the recommendation.

Of particular interest is a handful of individuals whose personal interests were particularly significant as the social protection floor policy evolved. Some of these individuals were in leadership positions in the ILO, but some were simply in significant positions in the organisation at the right time to reinforce existing trends. So, for instance, Deacon charts how an appreciation of the benefits of universal social provision had re-emerged as a neoliberal means-tested safety-net stance began to reveal its disbenefits, and how an influence on this process was Guy Standing's work as head of a relevant departmental subsection. But however significant individuals might have been, the logic of the changing context comes across as an even more significant factor. The ILO's focus was, and still is, on 'labour', so social insurance schemes have understandably received more attention than other social security provision. The increasing precarity of the labour market (another focus of Guy Standing's work) has revealed the inadequacy of social insurance as the only or main social security mechanism, and has also revealed the benefits that universal benefits and services might offer.

Much of the book is about which organisation did or said what, and if this kind of narrative does not interest you then by all means skim some of this material: but don't miss the way in which individuals, context and alliances can generate significant change within organisations such as the ILO; and don't miss the ways in which one changing organisation can, in the midst of a changing social and economic context, contribute to change in other organisations – including the World Bank, where a process of change was facilitated by a change of leadership at the same time as the context and the ILO were changing.

The case study is of course a particular one, but it offers more general lessons, and Deacon is right to suggest that the study provides evidence for an 'ASIP' understanding of social policy formation: 'agency, structure, institutions and discourses' (p.143). If all four factors are moving in the same direction then policy might well change.

Social policy both will and must become more global: it will, because organisations that relate closely to each other increasingly behave like each other; and it must, because labour market, economic and social change will continue to be influenced by globalisation and by global financial institutions. This book is an excellent preparation for further study of globalising social policy, not only of the specific principles represented by the social protection floor recommendation – 'universality of protection, based on social solidarity; entitlement to benefits prescribed by national law; non-discrimination …' etc. (p.98) – but also of the factors affecting a direction of travel.

The story related here suggests a trajectory in the direction of universal provision. It will be interesting to see whether the trajectory can be maintained; and also whether the lessons will be learnt in relation to social security benefits. Increasing labour market precarity means that social insurance schemes will be increasingly irrelevant; the disincentives and other disbenefits of means-tested systems will be increasingly obvious; and universal benefits will be increasingly relevant. If this discourse becomes more widespread, if sufficient numbers of people in significant positions understand it, and if institutions and structures find themselves moving in more universalist directions, then we could well see a Citizen's Income either nationally or regionally sooner than we might think.

Tony Fitzpatrick, *Climate Change and Poverty: A new agenda for developed nations*, Policy Press, 2014, x + 259 pp, hbk, 1 44730 087 8, £70, pbk, 1 44730 086 1, £24.99

Tony Fitzpatrick's claim in this book is that climate change turns the tackling of poverty into a new agenda, for developed countries as well as for developing ones, because in developed countries such as the UK climate change exacerbates poverty and poverty has an impact on climate change.

The author defines poverty as

> a form of injustice, denoting a relative lack of those resources needed to ensure a minimal standard of living, equal opportunities, mutual social respect and participative inclusion in a society's way of life, and without which it is difficult to flourish, to fulfil one's potential and to achieve or sustain a decent level of wellbeing. Poverty is characterised by socioeconomic conditions that empower those who monopolise key resources at the expense of those who do not, such that poor individuals are disrespected by, for instance, being held responsible for social circumstances they did not create and over which they have limited control. (pp.11-12)

Fitzpatrick therefore parts company with a 'capabilities' approach to poverty, which regards as context-specific the capabilities required by someone if they are to experience such basic 'functionings' as sufficient food, shelter and health. Fitzpatrick's argument is that both social and natural environments require a 'just distribution of material and economic resources' (pp.25, 34). It is adequate resources that make capabilities possible.

Fitzpatrick again links the natural with the social when he defines 'ecosocial poverty' as

> falling below some decent minimum access to, ownership of and control over key socionatural resources due to malfunctioning social institutions and systems. (p.53)

Socionatural resources, such as land, take up space, so

> ecosocial poverty implies an ecospatial deprivation, that is, an alienation and exclusion from (1) the socionatural resources dispersed across space, and (2) space as a distinct resource that shapes the life course of individuals and the value and distributions of those socionatural resources. (p.73)

Similarly, ecosocial poverty is time poverty: time overcontrolled by others, or time of poor quality, characterised by enforced inactivity or by lousy jobs. Fragmented space and time are at the heart of the ecosocial poverty that Fitzpatrick is discussing.

The second part of the book tackles particular ecosocial policies: energy and fuel poverty (both transitions to renewable energy sources and the protection of poor people's access to energy are essential); food and food poverty (health-promoting regulation of the food industry is required, not denigration of the poor for unhealthy eating habits); land, housing, urban density, transport, flooding, and waste (rent-seeking in the property market has created both urban sprawl and housing poverty, and land value tax could be part of the solution); air and water quality (- complex issues: any expansion of water-metering will require that poor people should be protected; and both air pollution and climate change can and should be tackled together).

Fitzpatrick's conclusion is that ecosocial poverty

> is something that can only be addressed through new forms of economic organisation and growth which are socially inclusive and egalitarian, deriving from renewable, low carbon sources of energy and dedicated to the restoration of natural environments that have been destroyed or eroded in the modern era. (p.214)

While Fitzpatrick's agenda in this book is the resources that take up space, our access to those resources is mediated through a financial system, the characteristics of which influence the different levels and types of access to those resources that different people enjoy or suffer.

Any readers who wish to pursue that related agenda might with profit refer to the same author's *Freedom and Security: An introduction to the Basic Income debate* (Macmillan, 1999), where he recommends 'a Green policy package' that would 'include not only [a Citizen's Income] but also land and energy taxes, working-time reductions and the expansion of informal exchanges in the third sector', with the Citizen's Income seen not as one of a number of ingredients, but as 'the instrument by which that package is constructed in the first place' (*Freedom and Security*, p.201).

Readers might also appreciate a recent essay by Richard Wilkinson and Kate Pickett: *A Convenient Truth: A better society for us and the planet* (Fabian Society, 2014) in which they connect environmental sustainability and greater economic equality. In their view the required sustained increases in equality could be generated by greater workplace democracy, but they also recommend both a Citizen's Income and a land value tax.

Both social justice and environmental sustainability are essential. Both deserve more discussion, and they deserve to be discussed together. Both Fitzpatrick's and Wilkinson's and Pickett's recent books will help us to do that.

Bruce Nixon, *A Better World is Possible: What needs to be done and how we can make it happen*, O Books, 2011, 1-84694-514-4, pbk, 396 pp, £14.99

This really is a book about everything: the financial crisis, climate change, peak oil, ecosystem destruction, poverty, and war: and it is about solutions to everything, with the solutions organised in layers: first, principles, then the required paradigm shifts, and then the detail. For instance, in relation to climate change: the solution is 'greening the world'; basic principles are, for instance, 'minimise use of non-renewable resources …'; one of the paradigm shifts required is 'from linear to cyclical production processes'; and that paradigm shift is then spelt out: 'Creating an economy founded on solar and nature's energy and the principle of recycling'. Perhaps the best way to describe the book is as an instruction manual for the planet.

In relation to the economy, Nixon calls for money to be created only by national reserve banks as agents of the state, and not by commercial banks; and he calls for a Citizen's Income to be paid for by a Land Value Tax. Nixon's two main reasons for calling for Citizen's Income are that it would 'reduce the need to chase economic growth for the purpose of income distribution' and that it would 'introduce the culture of sharing, recognising that everyone has a right to a minimum share in wealth created through the use of skills and technologies that are our common heritage' (p.142).

Chapters follow on community democracy, food sovereignty, sustainable cities, an end to war, and (again) climate change. A final chapter is titled 'What we need to do', by which Nixon means both 'What the whole of humanity needs to do' (for instance, 'fair taxation, land value tax and citizen's income' (p.205)) and 'What you can do' (for instance, 'organise … massive education and awareness raising' (p.206)).

This book is both exhaustive and exhausting, and properly so. Some massive interconnected problems face the human race, and to bring so many of them together in a single book makes clear the size of the task and the fact that change is required at every level: global, nation state, local community, and individual. The size of the task suggests that success might be out of reach, and that we should resign ourselves to runaway climate change, resources wars, and poverty; but that is not where the book ends up. Nixon is a fan of Mahatma Gandhi: 'Whatever you do may seem insignificant, but it is most important that you do it' (quoted on p.209).

As the book suggests, just one element of the diverse and complex changes required of us is a Citizen's Income. This is one element of Nixon's massive wish-list that is achievable in the medium term and that could be implemented without requiring additional public expenditure. It could be an early win in the long process of creating a 'better world'. Until it happens our task remains 'education and awareness raising' (p.206), and it is most important that we do it.

Fred Powell, *The Politics of Civil Society: Big society and small government*, 2nd edition, Policy Press, 2013, vi + 236 pp, 1 4473 0715 0, hbk, £70, 1 4473 0714 3, pbk, £24.99

It is always interesting to compare a new edition of a book with the previous one. The first edition of *The Politics of Civil Society*, published in 2007, was subtitled *Neoliberalism or social left?* The author was Frederick Powell. Informality is now ubiquitous, and the 'social left' as an option appears to have dropped off the agenda. The first edition argued that 'civil society is politically about humanity's desire to nurture a public sphere for the common good' (p.2). In the second edition, 'civil society – as a communicative space – finds itself located between [the] competing forces [of democracy and oligarchy], which in turn seek to bend it to their particular interest' (p.5).

The first edition followed the end of the Cold War, the reunification of Germany, the 'velvet' revolutions, and the election of centre-left governments in the UK and elsewhere. The second edition is still post- all of these, but it also follows the financial crisis and the strengthening of neo-liberalism and the associated austerity. The second edition sees the Occupy movement and the Arab Spring as characteristic of today's civil society. There is more of a sense that civil society is somehow on its own, facing both a capitalistic financial sector and governments co-opted by that sector. Now 'contestation defines civil society's role in the political order' (p.60).

Some of the book is completely newly written. The book starts out with a new introduction, and with a new first chapter that offers a critique of the Conservative Party's 'Big Society' project: 'For those who are excluded from the consumer society, civic or "compassionate conservatives" advocate civil society in the form of a rediscovery of charity as the solution to poverty. There are real problems of scale and metrics, apart from the politics. Charity accounts for little more than a small fraction of public expenditure' (p.29).

Much of the first edition remains much as it was. The book's middle chapters chart the history of civil society from the ancient Greek world to the 'postmodern' 'Neoliberalism and Big Society' experiment. It is particularly salutary to read the ways in which so many elements of German civil society, including the churches, buckled under Nazi oppression (pp.130ff). (There is a useful chart on p.38 to guide the reader through the history.)

Anyone interested in the detail of the 'velvet revolutions' will need to visit the first edition, as they appear in the second edition only in summary. What the reader will find in the second edition is an up-to-date discussion of 'the end of welfare' (p.186) and of the rise of faith-based charity in the United States. The final chapter, on 'global civil society: myth or reality?' is much as it was in the first edition. The first edition contained a concluding chapter that drew together some emerging themes. The second edition might have benefited from containing a similar chapter.

This is a closely argued and fascinating book, and we are in Fred Powell's debt for updating his treatise. Civil society is *both* a public sphere for the common good *and* a communicative space between the competing forces of democracy and capitalism, and it is our only refuge from both rampant individualism and domination by a state co-opted by global financial interests. It is constituted both by what Edmund Burke called the 'little platoons' of voluntary action, and by the protest movements around which Powell constructs much of his narrative. Both elements are essential.

If there is a third edition, then an additional chapter on how to foster a healthy civil society would be really helpful. What kind of education system do we need in order to encourage voluntary and political activity both locally and nationally? How might we strengthen the UK's already excellent voluntary sector infrastructure? And how might our tax and benefits system be adapted to enable a diverse and secure civil society to develop? A first step has got to be a benefits system that actively encourages voluntary work. It is difficult for someone on Jobseeker's Allowance to commit to sustained voluntary activity; and it is already clear that Universal Credit regulations will impose pressure to increase hours of employment at the expense of voluntary activity. Changes that validated voluntary work as a positive contribution to civil society would be welcome. Even more welcome would be a Citizen's Income, for such an unconditional and nonwithdrawable income would provide the best possible springboard for the kind of widespread and sustained voluntary and political activity that our civil society is going to need.

Julian Reiss, *Philosophy of Economics: A Contemporary Introduction*, Routledge, 2013, xvi + 331 pp, 0 415 88116 6, hbk, £75, 0 415 88117 3, pbk, £22.99

'Philosophy' means 'the love of wisdom', and although Reiss does not put it like this, throughout his book he seeks wisdom in relation to the social science that we call 'economics', and particularly in relation to economic theory, the methods of such practical branches as econometrics, and the ethics of welfare and behavioural economics, markets, and redistribution.

The philosophy of economics can be approached from two very different directions. It can start from the theory and practice of economics, ask questions, and explore possible answers; or it can start from a philosophical tradition (and since it is economics as practised in the West that is in view in this book, the Western philosophical tradition would probably be the most appropriate), and then ask how that tradition might be relevant to the study of economics. Reiss takes the former approach. It would be interesting to see a further volume that took the latter. This could perhaps begin with a discussion of how we might view the ontological status of money in the light of Plato's Theory of Forms (- is money better understood as a universal, like Justice or The Good, or as a complex phenomenon of the sensible world in which we live?); it could understand the laws of economics as regulative principles through which we understand the world around us, as Kant might have done; and it could ask, with Wittgenstein, whether every use of a word such as 'transaction' is different from every other use of it, with the different meanings bearing only family resemblances to each other. As it is, Reiss's book contains no discussion of the nature of money, or of what we might mean when we use such words as 'money', 'theory', or 'ethics'. This is a pity, as a study of the ways in which such words are used would have enabled him to ask some fundamental questions, the variety of possible answers to which would have laid a useful foundation for the rest of the book, and would have given to it a coherence that it sometimes lacks.

But having said that, the book does tackle many of the questions that might be asked in relation to the theory, methods and ethics of economics, and it offers thought-provoking commentary both on the questions and on possible responses to them. The first section on economic theory asks whether theory can explain economic phenomena, how we might understand the ways in which individuals make economic choices, how we might explain an individual's choices in the context of other people's choices (a study of game theory), whether and how we might be able to speak of causation, and how understandings of economic mechanisms and models might contribute to the debate on causation.

In the book's middle section on methodology, Reiss discusses the difficulty of measuring such variables as consumer price indexes, whether statistics can prove generalisations, what we can learn from practical experiments, and whether random controlled trials are relevant to the real world. The third part of the book is entitled 'ethics', but it could equally well have been 'political economy'. In it we find discussions of welfare, well-being, inequality, redistribution, and justice; of the morality of markets of various kinds; and of some of the ethical issues raised by practical applications of behavioural economics.

Readers of this *Newsletter* will find all three sections of the book useful. Much of the material in the first section would be relevant to a study of such relationships as that between marginal deduction rates and labour market behaviour; material in the second section would contribute to a discussion of the difficulty of costing tax and benefits reforms; and in the third section the material on the meaning of wellbeing and on the principles of distributive justice would be relevant to any discussion of the ethics of a Citizen's Income.

The book contains relevant case studies, clear and accessible discussion of theory and practice, and at the end of each chapter questions for study and suggestions for further reading. It will prove to be a most useful textbook, not only for courses called 'the philosophy of economics' but also for a wide variety of other courses on aspects of economics.

Now all we need is a companion volume starting from the other end.

Paul Spicker, *Reclaiming Individualism: Perspectives on public policy*, Policy Press, 2013, vii + 208 pp, 1 4473 0908 6, hbk, £70

> Moral individualism depends on the premise, not just that each person is an individual, but also that each individual is of value. One of the key roles of individualism has been to assert that every person matters. Doctrines that dismiss, disregard or diminish the individual – caste, racism or fascism – are mistaken, oppressive and morally wrong. (p.23)

But there are other kinds of individualism, too: 'Methodological individualism' characterises the individual as a 'rational, self-interested utility maximiser' (p.57), and it is from this type of individualism that stem the ideas that the exercise of choice leads to well-being, that markets are uniquely able to satisfy people's needs, and that any collective idea of welfare compromises individual welfare (p.2): but as Spicker points out, there are many things that markets cannot do, and one of those things is the protection of individuals' rights (p.99). Where a market does not and cannot exist (for instance, in relation the care of vulnerable groups in society), quasi-markets are now attempted: but quasi-markets are not genuine markets and they don't work like markets. 'Individual responses in social policy are not always preferable to generalised responses' (p.99).

As Spicker proves with this book, to tackle a particular theme in political economy, like the idea of 'the individual' and the associated 'individualisms', can be a very useful way to construct an education in economics, in social policy, and in the conceptual and practical fields that the two disciplines share. So in this volume we find accessible discussions of public choice theory (and of associated game theory), of indifference curves, of the price mechanism, and of Pareto optimality; and of personalised services, voluntary collective action, and inequality. It is in the discussion of inequality that we find a good example of the way in which individual welfare cannot be separated from collective welfare, and of the way in which social policy and economic theory can be usefully connected with each other. It is no surprise that Spicker references Wilkinson and Pickett's *The Spirit Level*'s discussion of the social problems that stem from greater inequality, and that he adds that 'if people think that inequality or unfairness is unacceptable, that implies that they will be on a lower indifference curve [level of utility] than they would be if there was a fair allocation' (p.95). Similar connections can be found amongst discussions of such particular policy areas as the personalisation of social care, in which collective individualised quasi-market transactions continue to require public sector involvement.

The book is a most thorough exploration of a wide variety of issues related to 'the individual' as an idea in social policy discussion. What it lacks is the kind of practical grounding that an extended case study would have offered. There are numerous short case studies (for instance, a discussion of mutual housing finance illustrating a connection between collective action and individual welfare: p.156). Even more helpful would have been a case study pursued across all of the chapters, showing how the various theoretical aspects of individualism impact differently and together on a single policy area. Spicker has expertise in the benefits field, and a discussion of how the different individualisms, the different aspects of economic theory, and the different ideological positions discussed might relate to the provision of benefits would have been educational. The book already contains a discussion of inequality, and also asks about the redistribution of income (on p.125: indexed under 'redistribution' but not under 'income'), but if a second edition is called for then a case study could evaluate contributory, universal and means-tested benefits in relation to the ways in which they relate to each theoretical discussion. A Citizen's Income might be precisely the kind of collective action that could serve individual welfare by reducing inequality and by providing greater choice in terms of income generation, employment pattern, voluntary activity, and relationship building. As Spicker puts it, 'paternalism can increase freedom, and the autonomy of the person who benefits from it' (p.173). We might prefer the term 'social provision' to 'paternalism', but on the basis on the evidence we find in the book we can agree with the sentiment. It would be particularly true of a Citizen's Income that social provision would increase freedom, and the autonomy of the person who received it.

Viewpoint

The prospects for a CI scheme in Scotland after the Referendum on Independence held on 18 September 2014

This report is a personal view, and as a 'Yes' campaigner, I admit that it is not impartial. The Edinburgh Agreement of 2012 agreed the wording on the ballot paper as "Should Scotland be an independent country?" with a binary option. The possibility of a third option for 'Devo Max' (all powers devolved except for foreign policy, defence and the currency) was rejected by Westminster. This may have been because they assumed that with a choice of three options, the 'Devo Max' would be the most popular, and Westminster would have to give away some powers, whereas, with a straight choice between 'Yes' and 'No', it was assumed that the Nos would have a comfortable win, and they would not have to give anything away.

The Referendum pre-occupied Scotland for the two years leading up the actual event. It has been an exciting, galvanising time, when Scots began to discuss what sort of society they would like to be part of and help to create for themselves and future generations. Brits have often been accused of apathy where politics is concerned, but this is not true. When people think that they can make a real difference, then they get involved. It has politicised large parts of the Scottish population, as evidenced in the 85% turn out for the vote, which is the highest on record for any election in the UK.

Almost immediately after the referendum, the membership of the SNP trebled, reaching over 100,000, making it the third largest political party in the UK. The memberships of the Scottish Green Party and the Scottish Socialists have more or less doubled. If the promises by the three main Westminster parties are not kept, there is likely to be further unrest in Scotland. Gordon Brown promised a swift timetable that is intended to bring about devolved powers for Scotland by, or soon after, the General Election in May 2015. Ultimately, devolution will depend on the votes of MPs in the UK Parliament. Some people have been recalling the unfulfilled promises made to 'No' voters at the time of the Referendum on Scottish devolution in March 1979. Others have noted David Cameron's intention to tie Scottish devolution to English devolution, but he has since assured Scots that theirs will not be delayed.

Immediately after the referendum, the Prime Minister set up the Smith Commission, under the Chairmanship of Lord Robert Smith of Kelvin, Chancellor of Strathclyde University, to negotiate the devolution of powers between the five parties that have seats in the Scottish Parliament and the main parties in Westminster. Each of these Scottish parties made a submission to the Smith commission and appointed two representatives to work with Lord Smith. Submissions were also invited from voluntary organisations and civic institutions, which amounted to 407, and an astonishing 18,381 from the general public.

In the end, the Great Divide is not between 'No' and 'Yes' in Scotland, nor even between Scots and the rest of the UK. The Great Divide is between the rich and poor in our wealthy society, caused by increasing inequality and the spreading incidence of poverty. Scotland still has a chance to create something genuinely better. Even if Alec Salmond and Nicola Sturgeon have agreed to accept the outcome of this referendum, 85% of the population have been politicised, and they will not just go away quietly and wait until Westminster tells them when they will be allowed to think about further autonomy, or even independence, again. It is not over yet. Scots of all hues want real change, and to help to create Scotland's society. Party politics will also have to change, if the political parties want to harness the same level of enthusiasm and interest across the UK.

I personally was disappointed at the outcome of the Referendum, because I considered independence as the most decisive way to bring about the fairer, healthier, greener, happier, more democratic and prosperous society that many people living in Scotland would like to create for themselves and future generations. I accept that independence is not on the agenda, but note that 45% of the population voted for it, and that many of the 55% who voted 'No' to independence still want significant change while remaining within the Union. This is part of the perception of a democratic deficit, in that the people of Scotland are prevented from solving their problems, by the imposition of rules that can make the problems worse, by remote Westminster governments. My own preference now is for full devolution of all powers, except for the reservation of foreign policy, defence and monetary policy re the Sterling currency.

My own area of competence is in educating policy-makers and the general public as to the advantages of the reform of the current Social Security system, by replacing it with a Citizen's Income (CI) or Basic Income (BI). Since a successful seminar and round table discussion on this topic was held in a committee room at the Scottish Parliament in January of this year, hosted by my MSP, Jim Eadie, interest in this topic has been growing in Scotland.

The current Social Security system is in disarray. It is complex, unwieldy, unjust, inefficient and not fit for purpose. It is a Gordian Knot that cannot be unravelled or reformed. It needs to be cut through and replaced by a radical alternative, designed for today's society. It was argued in my submission to the Smith Commission that the new radical alternative should be a CI. It represents a new relationship between citizens and social security, and indeed a new relationship between the state and its citizens.

It is estimated that 20% of the Scottish population lives in poverty, including 1 in 4 children, the majority of them living in homes where one or both parents are in work. Food banks are now a familiar feature of our cities. The level of inequality in Scotland has been growing since 1979, is the fourth highest in the western world and is reaching levels last experienced in the UK in the nineteenth century. Inequality is a symptom of a sick society. A CI, coupled with a restructured personal Income Tax system, could help to redistribute income from wealthier sections of society to the poorest, (thus preventing poverty, rather than attempting to 'cure' it after the event), from men to women, and geographically, regenerating depressed local and rural economies. It could help to restore incentives to work-for-pay, and labour market efficiency.

The Scottish mace has four, well-chosen values engraved on it: wisdom, justice, compassion and integrity. I would like Scotland to have powers devolved which would enable it to give full rein to those values. I think that the first objective of any government should be to provide the conditions that enable all of its citizens to meet their needs and to flourish. This should inform all of its other policy objectives.

The UK Social Security system comprises a National Insurance (NI) and a means-tested, safety-net, Social Assistance (SA) system, set up during the reforming administration of the Attlee Government just after World War II, designed for a society and an economy that was very different from today's. It is not just the low level of benefits (which are below the EU's official poverty benchmark of 0.6 of median equivalised household income), but there are structural faults in the NI and SA systems. National Insurance was designed for a full-employment economy, where men could expect to earn enough to keep a wife and at least one child at home, comfortably, divorce rates were much lower, and there were fewer lone parents and fewer people over pension retirement age. The labour market has suffered from globalisation, and automation, which is forecast to continue in the longer term. The majority of new jobs are insecure, part-time and low-waged, and too many are on zero-hours contracts. There is widespread poverty, and in addition to bank debt, and public debt, the misery of private debt is growing. As intimated above, there is much wrong with our society that is not inevitable.

A CI scheme can be defined as a program of tax-exempt, cash transfer payments that are universal, based on the individual, unconditional, non-selective, and are not means-tested, nor do they rely on prior contributions. It would provide an automatic, regular payment to every citizen, which could vary according to age. A Full CI would be high enough to meet the material needs for a dignified, if modest, standard of living, enabling participation in society. A Partial CI would need topping up from other income, usually earnings. The responsible parent for a dependent child, (the parent with care), would receive a Child CI for each dependent child, as now.

A CI's universality would remove the stigma and low take-up of targeted benefits, which has led to a divided society, and thus it will help to create a more united and inclusive society. With universality, the incidence of poverty will be reduced, since no-one will be excluded.

A CI is based on the individual, which means *each person* is valued for his/her own sake, rather than for their wealth, or contribution to society via paid work, caring responsibilities or voluntary service.

A CI's unconditionality means that entitlement does not depend on *any* preconditions, such as willingness-to-work tests, being involved in voluntary service, or behaving according to traditional gender roles.

A CI's non-selectivity refers to the fact that the levels of CI do not vary between individuals. However, many proposed CI schemes allow for age-related variations, but CIs would not vary by race, creed, gender, sexual orientation, marital status, cohabitation or other household living arrangements, past work record or current work status.

Each of the above two features contributes to simpler administration and compliance systems which would be cheaper to run, and would reduce administration and compliance errors and costs. Therefore it should be more transparent and accountable. In addition, it would reduce the current time-consuming personal effort required to apply for benefits. It gives choices to individuals, eg. to parents and other couples the choice of living together, or not.

A CI would not be means-tested, and would therefore restore incentives to work-for-pay, and labour market efficiency, by reducing the current high marginal deductions from potential earnings (income tax, National Insurance contributions and aggregated benefit withdrawals), facing unemployed and low-paid workers.

A CI of any size would

- help to reduce the incidence and depth of out-of-work financial poverty;
- contribute to financial security.
- provide a springboard for part-time work, reducing the incidence of in-work poverty.
- increase industrial democracy, giving employees a better platform from which to negotiate for reasonable pay and working conditions.

A CI can redistribute income to some extent, but by itself it will not markedly reduce the current high inequalities of income experienced in Scotland. For this objective to be achieved, the CI scheme would have to be financed by a restructured income tax system. This could reduce inequalities between rich and poor, men and women, and geographically, - regenerating deprived areas. Redistribution could give a boost to the national economy, making it less vulnerable to the vicissitudes of the global economy. It could have led to an increase in demand for goods and services and thence to an increased demand for labour and the creation of good quality, better-paid jobs.

Tax and benefit systems represent a microcosm of their society, revealing the values and attitudes of the powers that be towards its citizens. The tax and benefit systems in modern democracies provide the underpinning of both society and the economy in practical terms, as opposed to the rights and responsibilities enshrined in a constitution.

In order to enable Scots to determine their own society and to grow their economy, it is essential that full fiscal powers should be devolved to the Scottish Parliament, and this is even more imperative, if Scots wish to venture down the CI route. This means the devolution of all tax-raising powers, all NI and other benefit systems, public expenditure and some borrowing powers

If Westminster really respects the wishes of the people in Scotland, then it must not just enable them to create the type of society that they want for themselves, (even if, or especially if, it is not the one that Westminster thinks that they should have), but Westminster should let go of the reins and trust Scots to grow up and live their own lives. If that were to happen, and Scotland were to establish a CI, then the rest of the UK would see the advantages that Scots were experiencing and might follow suit. Everyone would then benefit from devo max.

Now we know the result of the negotiations within the Smith Commission, which published its report on 27 November. Inevitably, many of us had hopes for a recommendation that some serious powers would be devolved, but we should have learned from previous experience. While some marginal powers have been devolved, the most important powers remain reserved to Westminster. The state pension (para. 42) and Universal Credit (including its conditionality and sanctions) remain reserved, with devolved powers to vary details at the margins (paras. 43-48). The devolvement of benefits for carers and people with disabilities is welcome (para. 49). Although the devolution of income tax was much vaunted, in practice these are limited to 'the power to set the rates of Income Tax and the thresholds at which these are paid for the non-savings and non-dividend income of Scottish taxpayers, (para 76). All other aspects of Income tax will remain reserved to the UK Parliament, including '… the personal allowance, … the ability to introduce and amend tax reliefs …' (para 77). At first glance, it is apparent that the prospects for the introduction of a CI scheme in Scotland are remote. A more detailed examination would be necessary to examine whether a simple version could be introduced within the powers that have been devolved. It looks as though Westminster remains firmly in control of Scotland's immediate future. However, this is not the time to give up on our aspirations for a CI scheme, and we can continue to lay the ground for it. All is not lost. The General Election in May 2015 is extremely unpredictable, and likely to result in a hung parliament. The role of the smaller parties could be very interesting. Watch this space.

Anne Miller

Anne Miller is Chair of the Citizen's Income Trust and the only trustee residing in Scotland. Before retirement, she was a Lecturer in Economics at Heriot-Watt University. CIT does not take any stance as to the devolution of powers to Scotland, and therefore this Viewpoint is a personal submission.