

# BIRG BIRG BIRG **BULLETIN**

BASIC INCOME RESEARCH GROUP BULLETIN NO 8 £3.00 AUTUMN 1988

# BIRG

ADMINISTRATION OF  
INTEGRATED TAX/BENEFIT  
SYSTEMS

# BIRG

ANALYSIS OF A PARTIAL  
BASIC INCOME

# BIRG

'IF ANY WOULD NOT WORK  
NEITHER SHOULD HE EAT'

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

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

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

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## **APPEAL FOR SPONSORS**

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

THE BASIC INCOME RESEARCH GROUP was set up in 1984, under the auspices of the National Council for Voluntary Organisations, to research all aspects of reform along the lines of a basic income. In 1986 it affiliated to the BASIC INCOME EUROPEAN NETWORK (BIEN), which it helped to found. BIRG is at present seeking charitable status as an independent trust.

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

# BIRG BULLETIN

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## Editorial

A basic income (BI) would be credited automatically to every citizen regardless of whether or not they were or had been in paid work. Opponents of BI say this would encourage idleness and write it off without more ado. BI supporters say it would encourage new forms of working, strengthen the family and enhance the freedom of the individual. Those are powerful arguments in its favour and this expanded editorial is about the importance of emphasising all of them.

Within the existing tax and benefits systems it is becoming increasingly difficult (except when the economy is on the boil) for unskilled and semi-skilled workers to find jobs paying wages that are sufficient to lift them out of the unemployment and poverty traps, especially if they have children. Part-time work is the least difficult to find, but is rarely worthwhile except for second earners or as part of an *ownwork* portfolio. Irregular work could be worthwhile but the unemployed person who takes it is expected to sign off the unemployment register, otherwise s/he is pilloried for 'working and claiming'. The officials who operate the system know it would break down if large numbers of claimants kept signing on and off, but nobody is prepared to admit it.

With a BI system the crediting of the BIs is fully automated, there is no signing on or off, and the BIs are withdrawn from those who do not need them through the income tax. Because the BIs do not depend on work status, there is no need for earnings rules. The black economy of welfare is legitimised, the labour market becomes more flexible, administration is simplified and the safety net strengthened — all at the same time.

Such is the force of the labour market arguments for a BI that they tend to distract attention from its other potential advantages. Europe's new poor include people with disabilities and the casualties of broken marriages, unstable relationships and housing crisis as well as the unemployed. BI cannot solve the housing crisis, although it might ease it by slowing down the rate of household formation. What it can do, and for many people these are its biggest attractions, is to provide an automatic safety net for all people with disabilities (regardless of work record, origin or cause of disability), and to give increased autonomy to individual family members within stronger and more stable family groups.

The increased autonomy stems from an income guarantee vested in the individual citizen without any condition except that of legal residence. The increased family stability comes from an income guarantee that makes no distinction between married and single, converts automatically into cash for non-earners, and recognises the rights of children as independent human beings instead of optional extras that their parents have chosen to have.

The existing tax and benefit systems discriminate against families with children, especially married families, in various ways. Many mothers want to go out to work but for most there is no real choice, because the second wage of the mother is the only way to make ends meet. Child benefit represents only a tiny proportion of the costs of a child and the first £50 earned by the mother is tax-free. If she does not earn that £50 she forfeits the allowance. Her investment income (if she has any) is taxed as if it belonged to her husband, and there are other tax penalties as well.

Out-of-work heterosexual couples (married or unmarried) receive less income support per person than homosexual couples and people who live alone. A married couple gets £51.45 a week, compared with £33.40 for a single person and £66.80 for two men or two women in shared accommodation. An unemployed couple with a child get £68.35, compared with £54 for a lone parent with a child. But if the couple split up they get £87.40.

Those are the current figures, after Mr. Fowler's reform of social security, but before Mr. Lawson's tax reforms. After 1990 the new income tax system will go to the other extreme. It will replace the tax penalties for marriage by a tax subsidy. Husbands and wives will be taxed independently, each with their own personal allowance, but husbands will also get a *married couple's allowance*. Add all their allowances together and you find married couples getting allowances equal to 257% of the allowance for a single person and about 129% of the allowance for an unmarried couple. Those extra percentages (57% and 29%) are social engineering on the grand scale, and will be paid for by those who are not married.

With a BI system none of this could happen. A BI system is symmetrical because the BI is awarded to the individual citizen regardless of marital status.

No tax allowance is much help to people without the income to set against it, although it does at least keep them out of tax (unlike the community charge). By contrast a BI converts automatically into cash if the citizen has no income of his or her own, so a wife who gives up paid work to have a baby receives her BI in the form of a cash credit (as well as a BI for the baby). Husbands would pay more tax than at present, because they would lose the married man's tax allowance, but mothers would have a small income of their own. With role reversal the husband could stay at home and take his BI as a cash benefit while the wife returned to paid work. It makes no difference whether the parents are married or unmarried, or which parent stays at home, but it does open up the possibility of one or other parent spending more time with their children, and it does avoid subsidies for living apart.

For libertarians the greatest virtue of BI is the escape it offers from an intrusive bureaucracy, the responsibility it restores to individual men and women to make their own choices, the dependability and ease of access of the BIs, and the potential for automation without fear of abuse. A system that restricts benefit to people who are out of work, or whose families have split up, or whose incomes are below some predeter-

mined poverty line, is almost bound to end up with more people out of work, more broken families and more poor people generally. By contrast a system that treats everybody like rational human beings and turns benefit into a floor instead of a bureaucratic trap, encourages self-reliance and responsibility.

One result of over-emphasising the labour market advantages of BI is to weaken the case for it when unemployment goes down. Most people have short memories and limited foresight. During the last two years media interests in BI has gone down, almost certainly due to the fall in unemployment. The fact that it is still over 2 million despite an over-heated economy makes no difference. Thatcherism seems to be working.

What will happen when Mr. Lawson's increased interest rates work their way through? Will unemployment go up, and if so what will be the reaction of government? Will they blame the unemployed and rope them into workfare, using bureaucratic euphemisms to conceal what they are really about?

At a weekend conference in Manchester last July David Purdy gave a paper (see: *Towards a BI Democracy*) in which he suggested that BI could become the focal point for a broadly based, radical alliance capable of contesting the ground now occupied by the New Right. But to do that we must emphasise *all* its advantages, and we must win over those who want to strengthen the traditional family as well as those who want more opportunities for women. The differences between them could be narrower than they think.

Also in July Professor A.B. Atkinson and Holly Sutherland published the results of research that has been going on at the London School of Economics since October of last year (see: *Analysis of a Partial Basic Income*). Using a new computer model they show that it would be possible to convert the existing personal income tax allowances (for single people, married men, earning wives and lone parents) into partial BIs of £10 per week from age 16 and still keep the starting rate of income tax at 25 per cent.

The Atkinson and Sutherland scheme is one of several devised along similar lines. The aim at this stage is not to increase living standards at the bottom, but to change the basis of entitlement. The new BIs would be deducted from existing benefit entitlements but they would not be deducted from earnings. Unemployed people would be able to choose between topping up their BIs with residual income support (in which case they would be subject to all the usual red tape) or using their BIs as stepping stones to independence.

The germ of the idea came from the late Sir Brandon Rhys Williams. Sir Brandon was aiming for BIs that would come to half of existing Income Support (IS), so the Atkinson/Sutherland BIs are a bit low. In her forthcoming book *Instead of the Dole* Hermione Parker describes a more radical version. She proposes BIs of £10.50 a week for every man, woman and child, and pays for them by putting income tax back up to 27 per cent instead of 25 per cent. The net income gains at

the bottom of the income distribution are significant, especially for families with children.

Despite the sad death last May of Sir Brandon Rhys Williams (see Obituaries), BIRG has had a busy and successful summer, including two seminars, a weekend conference at Manchester in July and representation at the second international conference on basic income at Antwerp in September. BIRG now has its own bank account, its own auditor and, by courtesy of its new secretary the Rev. Malcolm Torry, its own office and answer-phone at 102 Pepys Road, London SE14 5SG (Telephone 01-639 9838). **Please make a note of this address and telephone number, please do not try to contact us through NCVO, and please remember when you send in your subscriptions to make them payable to BIRG, not NCVO.**

Thanks to the generosity of the Barrow and Geraldine S. Cadbury Trust we are also able to seek the appointment of a half-time development officer. This is a major opportunity and something we have needed for a long time.

Finally we would like to remind you that the members of BIRG's steering groups do not necessarily subscribe to the views put forward in the BIRG Bulletin. Nor do the Editor or Assistant Editor. Nor should readers expect to find articles that are mutually consistent. The BIRG Bulletin is published in order to encourage informed debate, not to push any particular line.

# What are basic incomes?

Tony Walter

Eagle-eyed readers who scrutinise the inside-front cover of the BIRG Bulletin may have noticed a new definition of basic income (BI) in Bulletin No. 7. This change followed extensive discussion during summer 1987, in preparation for BIRG's application for charitable status and a new round of funding. In this article I shall describe the thinking behind the change. First, I will sketch the reasons people give for advocating BI, and then I will explain how these affect the way we define BI.

## BI Philosophies

BI reflects various social philosophies and serves various purposes. Failure to appreciate this can cause misunderstandings about BI as a whole and between different advocates of BI. To clarify things, let us look first at the four main philosophies underlying BI proposals to date<sup>1</sup>. This is not to suggest that these four *should* be the most important, nor that new approaches should not develop, nor that approaches which currently find little favour within BIRG should not gain more prominence. The aim here is to clarify the debate, not to close it down.

### (1) Citizenship:

Perhaps the oldest philosophy underlying BI, arising out of utopian socialist thought of the nineteenth century, is that of the *social or national dividend*. The national income of any country is the product of joint effort to which all have contributed (or will contribute) and in which all have a stake. Although individual effort and skill should be rewarded, we are all shareholders in the nation and should all reap some kind of financial dividend. Each individual should be entitled to a share of the national cake, by virtue of citizenship alone. The level of the social dividend, like the dividend of a company, would depend on national prosperity and on how the shareholders voted to divide out that prosperity. Social dividend payments are a citizen right.

### (2) Work:

With the high levels of unemployment of the past decade, some have seen BI as a solution to the inequitable distribution of the fruits of labour<sup>2</sup>. If we cannot distribute paid work equitably, then we had better share out income instead. Some argue that automation will make this a permanent necessity.

Others want BI, not because they have given up hope of there being enough paid work for all who want it, but because they are concerned to remedy the unemployment trap (which discourages some of the unemployed from taking paid work, since they lose more benefit than they gain net in wages). BI should free the labour market from this cruel distortion and lead to the creation of new jobs. And it should help others who wish to shift their balance of paid and unpaid work in the direction of more unpaid work, which would in turn release paid work for those who seek it. Indeed, BI may be the only way for some nations to restore full employment without the coercions of workfare or compulsory exclusion of the young, the old, or mothers from the labour market<sup>3</sup>.

The key feature of BI in this context is its unconditionality. It is not conditional on willingness to take paid work, nor on being out of paid work. It therefore frees people to choose their own mix of paid and unpaid activity. This concept of BI is based on the right of each individual to lead a creative, active life, and to make her or his own choices about that life.

### (3) Autonomy:

Most advocates of BI put a high value on personal liberty. This is what unites BI fans of the far right (like Stephen Davies<sup>4</sup>) and the far left (like Bill Jordan<sup>5</sup>). For Jordan, a civilised society is one in which individuals can negotiate their relationships on the basis of equality of respect. When some people are dependent on others for basic material support (whether women on their menfolk, or claimants on taxpayers) then paternalism, patriarchy, stigma and exploitation are the likely results. Without an independent income people cannot enter relationships freely and are less likely to give such relationships their whole-hearted support.

However, the criterion of autonomy does not help us determine the level of the BI. How much income does a wife or a sick person require to be able to negotiate on reasonably equal terms with other household members? Who defines 'reasonable', and who defines 'equal'?

### (4) Need:

The past decade has seen considerable interest in BI in several European countries. This is not only due to concern about unemployment, but also a realisation that the (often highly developed) welfare systems of modern societies do not succeed in guaranteeing freedom from poverty for all their citizens. BI has been proposed as a way of preventing poverty at source, rather than piecemeal. To determine the level of BI we must therefore decide how much people need in order to live adequately within our societies, and here there are different viewpoints.

Some BI advocates think that the right to BI should not rest on a right to share in national prosperity, but on a right to be free from poverty and material need. For them the BI level is determined not by the political process, but by scientific (or quasi-scientific) measure-

ment of what people need for their basic living costs, and they would wish to dissociate themselves from what they consider the airy-fairy notion of a national dividend, which could in any case leave some people in poverty. They simply want to ensure that people's basic needs are met, they see themselves as more caring and hard-headed than the proponents of national dividend, and they argue that basic costs are easier to determine than the point at which individuals have autonomy or at which there are jobs for all who seek them.

This is all very well, but in practice the determination of basic needs and costs is extraordinarily difficult. People have social as well as physical needs, and it is not enough to meet just the latter<sup>6</sup>. In contemporary societies social participation requires money and resources over and above those required for physical needs. That is why other BI advocates reject absolute definitions of poverty, preferring one that is relative to the living standards in each society. For them the determination of needs is an intensely political business, which boils down to what people feel that they, or others, are entitled to<sup>7</sup>. 'Need' then rests on a concept of rights that is, and will be, as controversial as the concepts of rights that underlie citizenship, the right to work, or autonomy. That is why Vince and Parker both link their partial BIs to national prosperity, either by expressing them as a predetermined percentage of median incomes<sup>8</sup>, or by financing them through a hypothecated income tax, which would automatically reflect national prosperity<sup>3</sup>.

Even if needs entitlements could be determined, this would not necessarily lead to a universal BI pitched at the same level for all citizens. In the UK, housing costs vary dramatically. Everywhere people who go out to work have different costs to those who stay at home. In practice most costed BI schemes provide supplements for those with particularly high living costs, for instance those with disabilities or expensive housing. But the more you rely on a needs base for BI, the less it looks like a BI.

Although there are strong arguments for a total welfare system that guarantees basic needs for cash, education, health etc, it is not clear that the BI component of that system should, or even could, meet everyone's basic living costs. Arguably the BI should express citizenship and provide a measure of autonomy (as does child benefit), or be a measure to help people get into the labour market, with more targeted benefits being used to help those still left in financial need. This approach could be one way of selling Parker's BIG Schemes<sup>3</sup>, without continually having to apologise that the BI component is insufficient to meet everyone's basic living costs.

All these approaches to BI are inter-related, and many of us adopt several. Hermione Parker, for example, takes a need-based approach that includes social as well as physical needs, and is also passionately concerned to remedy the unemployment trap and give more autonomy to people seeking work (especially people with disabilities, married women and lone parents). Autonomy is related to citizenship, the right

to work or not to work, and having basic needs met. Some feminists argue for BI on all four grounds. However, as Walter van Trier points out, there is no reason why the four approaches should necessarily imply the same level of BI.<sup>9</sup>

## Defining Basic Income

BIRG's original constitution had the following definition:

A basic income scheme would aim to guarantee to each man, woman and child the unconditional right to an independent income sufficient to meet basic living costs. Its main purpose would be the prevention of poverty, as opposed to mere poverty relief.

This looks very much like a needs-based definition, and it has certain basic weaknesses:

### (1) It makes BI harder to 'sell'.

Neither now nor in the foreseeable future will it be possible to finance a universal BI that meets the basic living costs of every citizen. In practice we are therefore talking about a partial BI, not a full BI. For people without additional income, the partial BI would have to be supplemented by insurance, social assistance, negative income tax, or (with Parker's BIG schemes) BI supplements, but this creates major selling problems. If a car is defined as a vehicle with four wheels, would you buy one that had only two? Trying to sell partial BIs is like trying to sell a two-wheeled car. Having explained BI, you then spend the rest of your sales time apologising that what you have on offer is not the real thing. Moreover a lot of people have difficulty understanding how something can be both 'basic' and 'partial'. It stretches language badly and does not make sense at first hearing.

### (2) It is too narrow.

A needs-based definition minimises the other benefits of BI, such as loosening up the world of work, acknowledging the worth of every citizen, or promoting individual autonomy and responsibility. It reduces these benefits to the status of tacked-on spin-offs rather than proclaiming them as integral to the philosophy and purpose of BI. With a needs-based definition you are trying to sell a car with two wheels, while omitting to mention that your product does a lot of other useful things cars don't normally do.

### (3) It is imprecise

As originally formulated BIRG's definition aimed to guarantee... the unconditional right to an independent income. It is not clear what this means. It could easily be taken to mean a guarantee that no-one would fall below a certain minimum income, and this guarantee could take the form of a negative income tax, social assistance or some other provision paid only to those in poverty, not to everyone. This is indeed how this definition of BI is often interpreted in the USA, France, Greece, and other countries without the same welfare system as our own. "Ah, you mean

guaranteed minimum income," they say. No, we do not mean guaranteed minimum income, if that means a payment reserved for the poor.

## The new definition

The new definition states:

A Basic Income scheme would phase out as many reliefs and allowances against personal income tax, and as many existing state-finance cash benefits as practicable; and would replace them with a BI paid automatically to each and every man, woman and child. BI would enhance individual freedom, and would help to:

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

The new definition does not alter, but clarifies, what BIRG has been up to these past four years:

- It recognises that although poverty prevention is a major aim, BI has other objectives. Indeed, it is on the basis of this definition that we have recently received a substantial grant to explore BIs in relation to the world of paid employment.
- By abandoning a needs-based definition, it removes the nonsense of having to talk about 'partial' basic incomes.
- It is clear that BI is a payment (or credit) to everyone, not just a guarantee.
- While being clearer about what BI replaces, it leaves open the question of how BI should be paid for — whether by income or expenditure taxes, or any other means of raising revenue.

This new definition is by no means set in stone. We would be interested to hear what our readers think of it.

*Tony Walter is an independent writer and researcher. He was co-ordinator of BIRG from April 1987 until July 1988 and is now BIRG Chairman.*

## References

1. The reasons for BI are discussed in T. Walter: *Basic Income*, Marion Boyars, London & New York, 1988. I also stress there the desire for social harmony, which is closely related to the four approaches discussed here.
2. For instance Keith Roberts: *Automation, Unemployment and the Distribution of Income*, European Centre for Work and Society, Maastricht, 1982; J. Keane and J. Owens: *After Full Employment*, Hutchinson, London 1986.
3. Hermione Parker: *Instead of the Dole*, Routledge, London, forthcoming; Tony Walter: *Hope on the Dole*, SPCK, London 1985.
4. Stephen Davies, *Beveridge Revisited: New Foundations for Tomorrow's Welfare*, Centre for Policy Studies, London, 1986.
5. Bill Jordan. *Rethinking Welfare*, Blackwell, Oxford, 1987; David Purdy: *Social Power and the Labour Market*, Macmillan, London 1988.
6. Peter Townsend: *Poverty in the United Kingdom*, Penguin, 1979.
7. See Tony Walter: *All You Love is Need*, SPCK, London 1985, for a summary of the debate about needs-determination.
8. Philip Vince: ... To each according ... Tax Credit — Liberal Plan for Tax and Social Security, Women's Liberal Federation, London 1983.
9. *Political Feasibility of Basic Income*. (Paper presented to Manchester conference)

# Administration of Integrated Tax/Benefit Systems

In June 1988 BIRG held a seminar to draw attention to the administrative implications of integration. This is a much-neglected aspect of the integration debate. Yet a reform proposal that would be difficult to administer is a political non-starter, and the accuracy of findings on the more popular topics, like gainers and losers or incentive effects, depend crucially on the administrative detail. When using computer models to estimate the cost or redistributive effects of a given scheme, it is imperative that the administrative detail be included, otherwise the results will be misleading. Unfortunately this tends to happen, either because the scheme authors have not specified the administrative changes they have in mind, or because the re-programming necessary would be too complicated or time-consuming.

We invited Andrew Dilnot of the Institute for Fiscal Studies (and co-author with John Kay and Nick Morris of The Reform of Social Security IFS 1984) to give his general views. And we asked Hermione Parker to explain the administration of a Basic Income Guarantee (BIG). Her book Instead of the Dole will be published by Routledge early in 1989.

## Administration of BIG schemes

Hermione Parker

Administration of the existing dual systems of tax and social security is notorious for its complexity, and is a main reason for the problem of low take-up. Although some parts of the benefit system were rationalised as a result of Mr Fowler's Social Security Review, and despite Mr Lawson's tax reforms, both systems remain largely incomprehensible. Nor are they mutually consistent: assessment units are different, liability to maintain is different, the definition of income and accounting periods are different, and the tax-free safety net for earnings (tax allowances) is less than the benefit safety net for those who are not earning (income support). For example single people on income support have guaranteed spending power of £33.40 a week, plus rent and 80 percent of rates which together could easily come to another £30 a week; but single people in paid work have to pay NI contribution on *all* earnings once the wage exceeds

£41, and income tax at 25% on earnings above £50.

Both systems are arbitrary, each in its own way. Tax liability and benefit entitlement depend quite significantly on sex and marital status, but the rules vary and those for benefit purposes tend to be harsher than those for tax, for instance there is no cohabitation rule in the income tax.

Different castes of claimants are also treated differently, for instance the earnings rules and the signing-on rules are far more burdensome to some than others. Retirement pensioners can earn £75 a week without loss of pension, but an invalidity pensioner can only earn £27 and an unemployed person on income support only £5.

A few of these differences are utilitarian (benefit claimants need a shorter accounting period than taxpayers), but most are blatantly discriminatory, with taxpayers in the pedigree-sheep pound, national insurance beneficiaries in the strayed-sheep pound, and anyone claiming non-contributory benefits shovelled in with the goats.

## What do we mean by integration?

Much of the discussion about integration is confused by loose use of terminology. The word integration derives from the latin *integer*, meaning *whole* or *untouched*. But in the debate about tax and benefit reform, integration is often used to mean improved coordination, or quite simply unification of income tax and NI contribution. So nobody really understands the issues. I therefore prefer a very specific definition of integration, with two main criteria:

**First criterion:** Replacement of all existing cash benefits and all income tax reliefs by a single, unified structure of non-contributory, guaranteed minimum incomes, the levels of which would be related to family composition (age, number of children, disability, etc), entitlement to which would depend on legal residence, and the operation of which would be the responsibility of a single government agency.

**Second criterion:** Complete harmonisation of all administrative regulations below and above the income break-even levels at which people pay more in tax than they receive in benefit ie become net taxpayers (Parker 1989).

For today's discussion the second criterion is the key one, and it is revolutionary. For it says, in effect, and for the first time in history, that taxpayers and beneficiaries should be subject to the same ground-rules: the same assessment units, the same definition of income, the same accounting period, and so forth.

As soon as you define integration in this way you realise that a negative income tax (NIT) does not constitute integration at all, it is much more like an extension of the existing system. This is because the regulations are different for taxpayers and beneficiaries. If you claim negative tax the assessment unit may well be your whole family, but if you pay positive tax, it will probably be you as an individual. If you claim negative tax the definition of income will probably include gifts (including gifts from charities

and payments for damages), but not if you pay positive tax. Of course it may be that someone has invented a NIT which harmonises the administrative regulations, but I have not been able to find it.

Following my definition through, Andrew Dilnot's proposed changes, though perhaps very commendable, are best described as consolidation (of benefits) or unification (of income tax with NI contributions), not integration. Indeed the only system that meets my integration criteria is a full basic income.

## Administration of a fully integrated system

With a full BI system, benefit would be credited automatically and recouped through the tax system. The BI converts automatically from cash benefit to fixed-amount tax credit, or *vice versa*, without any bureaucratic involvement. Take-up is maximised and the whole process administered by a single government agency. The assessment unit is the individual throughout, the accounting period is the year and the definition of income is standardised. And it is precisely this harmonisation of tax and benefit regulations that makes BI revolutionary. Not only does it make the redistribution system more transparent and far simpler (a single set of rules applied to all). It also closes the distinction between taxpayers and beneficiaries, sheep and goats.

## Administration of a partially integrated system

What about partial BI? If we accept that a full BI is too expensive, we must then ask whether it is possible to devise an income support system with two components, one integrated and the other not. This is what I mean by partial integration:

**Partial integration** does not mean mixing together the characteristics of dual and integrated systems within a single component. A system that is partially integrated is one with two or more components, of which at least one (the main one) is fully integrated (Parker, 1989).

All BIG schemes fit this definition exactly. There are many BIG options, but in administrative terms they are all similar.

## Administration of BIG schemes

All BIG schemes have two main administrative components, first the *Transfer Income Account (TIA)*, operated by central government and responsible for the BIs and the new BI contribution (or income tax) that finances them, and second the *Cash and Care Departments (C&C)*, operated by local government (under central government regulation), financed by the TIA, and responsible for administration of the

disability BI supplements, housing benefit and emergency payments.

### (1) Transfer Income Account (TIA).

Ideally the TIA would be kept separate from the rest of the government's accounts, and revenue from the BI contribution would be fully hypothecated. Most of it would go on the BIs, but some would go to the Cash and Care Departments. The TIA is fully integrated and fully automated. The emphasis is on simplicity, benefit categories that are exogenous, and ease of access. The assessment unit is the individual and the accounting period is the year. All administrative regulations are harmonised.

The TIA would be responsible for assessing the age-related BIs of every resident, and (through the Inland Revenue) for collecting the tax necessary to finance them. The exception would be the disability and carers' supplements and the disability costs allowances (DCAs), for which the TIA would rely on information supplied by the C&C departments. The Department of Social Security would go. The BIs would be credited by the TIA through the main settlement banks. Tax on investment income would be collected at source, as at present. Schedule D income tax (self-employed) would also be collected as at present. PAYE would continue to be collected through the employers.

At birth each person would receive a BI number (rather like each person's national insurance number). This would be sent to the settlement bank account chosen by the child's parents, and the child BIs would be credited by the TIA each month. Adults (married or single) would be able to choose between separate or joint bank accounts, and parents would be able to choose whether their children had separate bank accounts.

Each month the TIA would send the banker's automated clearing services (BACS) the BI information for every legal resident. This would be done using the latest technologies. BACS would process the information and pass it on to the settlement banks, who would credit their customers accordingly. The main problem concerns the minority of people who do not have bank accounts, about 13% in 1985, of whom some were wives. It is hoped that GIRO would be able to fill this gap, nor should it be assumed that take-up is 100% at present.

One of the main criticisms of social dividend and early BIG schemes was the administrative impossibility of collecting tax from the first £ of earnings. All BIG schemes now allow the first tranche of earned (but not unearned) income to be tax-free. Employers would deduct PAYE at the same flat rate for all (making it much simpler for them) and the TIA would credit each wage-earner with his/her earned-income tax discount on receipt of the tax. For example, if the new unified tax rate were 35 per cent and the first £20 a week of earned income were tax-free, the tax discount would be £7. If the partial BI was £20 and earnings £100, then net income would be £100 - £35 + £20 + £7 = £82.

## (2) C&C Departments (C&C)

The C&C Departments would be responsible for assessment and payment of the new housing benefit and the emergency payments that are intended as the final safety net. But the scale of both would be much smaller than at present. The C&C Departments would also send to the TIA the authorisations necessary for crediting of PBI disability and carers' supplements, and for crediting of disability costs allowances DCAs (all under central government regulation).

Contrary to present trends, I would like to see more responsibility at local level, and real scope for local initiatives. Although the benefit amounts and the tapers would have to be prescribed by central government, the C&C departments should be encouraged to develop local initiatives and help people regain their economic independence.

The administration of disability benefits was discussed at length in Bulletin No. 7. The big question concerns the disability supplement, not the DCAs. Personally I like the idea of paying the supplement on production of a medical certificate, and withdrawing it if a suitable job or training offer is turned down. This puts the onus on government to provide suitable work or training. I also think the supplement should continue for a year at a time, even if the disabled person starts to work again, because intermittent work can be part of the rehabilitation process. Nor is this proposal as extravagant as it sounds, since benefit would be recouped through the tax system, and housing benefit entitlement would be reduced.

For housing benefit I am thinking in terms of an income-tested housing benefit, with the unit of assessment approximately as at present, although the laws of liability to maintain could be changed. There would be a unified taper (rent and rates), linked to net income. Personally I would welcome changes to the laws of liability to maintain. At present the DHSS frequently classifies men and women who live together as married couples, even if they do not think of themselves in that way, but counts legally married spouses as unmarried if one or other leaves the marital home. What is marriage supposed to be about?

Finally a few words about conditionality. It is the unconditionality of BI and NIT that upsets many people. A BI that was conditional would be a contradiction in terms and an administrative nightmare, but with BIG schemes there is nothing to prevent conditionality at local level, in conjunction with housing benefit, the disability supplements and the C&C emergency payments. These could all be linked to a work test, provided there was also a work or training guarantee.

That is fairly close to the income and work guarantee proposed by Peter Ashby in Bulletin No. 7, but on a much smaller scale. The problems are once again administrative. Would the C&C departments be able to guarantee work or training opportunities for all who wanted them? Would childcare be made available? We would welcome readers' views.

## Administrative issues in the integration of taxation and social security

Andrew Dilnot

Structural change will almost always require administrative reform before it can be implemented, but in the area of taxation and social security the line between structural and administrative reform is very hazy. Indeed, many of the problems we see in the UK social security system are as much the result of administrative incoherence as of structural problems. The overlap between administrative and structural reform is particularly great when we think of integrating tax and social security systems. My own view is that the integration of tax and social security is almost entirely an administrative issue; the debate on the appropriate balance between income-related and non income-related taxes and benefits seems secondary to the question of how benefits and taxes should be delivered and withdrawn.

We can identify three activities, at present carried out independently by several bodies, which could in principle be carried out only once, or at least less frequently. The first of these is the collection of information about incomes. At present this is done by the income tax authorities, for income tax and national insurance contributions (NIC) purposes; by the DHSS for benefits such as family credit (FC), income support (IS) and unemployment benefit (UB), all of which require separate forms; by the Department of Education for mandatory student grants; by the Training Commission for YTS and other training allowances; and by local authorities for housing benefit (HB) and non-mandatory student grants.

The second activity is the assessment of family circumstances. This is done separately for income tax, FC, HB, IS, child benefit (CB) and NI benefits such as UB and retirement pension.

The third activity is the transfer of money, from individuals to the state in the case of taxes, and from the state back to individuals in the case of benefits. Once more, we have the Inland Revenue, the various parts of the DHSS, and local authorities, all engaged separately in transfers of money to and from the individual.

Given this substantial overlap it seems obvious that some streamlining is desirable. Although complete integration of all direct taxes and social security benefits has much to commend it, substantial improvements could be achieved by a less dramatic set of reforms which brought together the elements of the tax system, and which did the same with the social security system.

The natural starting point would be the direct tax system, since the relationship between income tax and NI contributions is already very close. NICs are

withheld from pay at the same time as income tax, and are sent off to the Inland Revenue by the employer in the same way. The major differences which remain between the two taxes relate to the types of income which are covered, and the nature of the tax-free allowance. In principle all types of income are subject to income tax, while investment incomes, incomes in kind, earnings above the upper earnings level for NICs, and the incomes of pensioners are not subject to NICs. The difference in allowances is that the income tax system subjects to tax only the excess of income over the allowance, while NICs are charged on *all* earnings (below the upper earnings level) once they exceed the lower earnings level (or floor below which no NICs are due). In both cases the income tax treatment seems preferable; change here seems to require a little political willpower, but presents few substantial problems in implementation.

The questions surrounding further integration of the social security system are somewhat more difficult. The benefits which would most obviously gain from integration are those which need to assess both family circumstances and income: family credit, income support, and housing benefit. It is worth noting that the relationship between these various benefits makes far more sense after the April 1988 social security reforms than it did previously. Nonetheless, their integration into a single administrative and structural whole seems desirable. Not only would there be financial savings and greater understanding by the public, but much of the uncertainty involved in moving from unemployment (when IS is the relevant benefit) into work (when FC must currently replace IS), would be removed. The upheaval required to integrate benefits in this way would be far greater than that required to integrate income tax and NICs, since as yet there is very little contact between their administrations.

Were we to achieve a single unified direct tax system, and a single unified social security system, we would have made a deal of progress. Nonetheless, a great deal of waste and overlap would still exist. Income would still be measured twice, family circumstances assessed twice, and two different mechanisms would be used for withholding taxes and paying benefits. If the two systems could be brought together under a single head, the system would be simpler and cheaper for both individuals and government.

In the remainder of this note, I propose to consider briefly four potential problem areas which need to be confronted when proposing integration of taxation and social security systems.

## The unit of assessment

The question here is about the groups into which individuals should be gathered to assess both needs and income. The direct tax system in the UK will become almost entirely individual based from 1990, with tax payments largely unaffected by anything other than individual income and circumstances. This is not true of the benefit system, where both circumstances and

income of the family as a whole tend to be taken into account.

The problem here is that while there are obvious attractions in an individual basis for a social security system, it is financially impossible. Because individuals do live together in family groups with shared needs and incomes, there are many individuals with no cash incomes of their own, who have high or adequate standards of living and substantial expenditures. To pay to all individuals benefits based on their own income at a level sufficient to prevent poverty is impossibly costly, as is acknowledged by proponents of BIG schemes. Hence, one is inevitably left with some elements in one's integrated tax and benefit scheme based on the family unit, and some on the individual. Given the desirability of an individual basis, this is not ideal, but is inevitable, and must therefore be faced up to. It is better to develop a strategy to deal with an unavoidable problem than to pretend it does not exist.

## Period of payment/assessment

Over what period should entitlement to benefits and liability to tax be assessed? Over what period should payments be received/made?

The easiest responses are that payment of benefit should be based on current week income and circumstances, and that liability to tax should be based on annual income. But should tax payment vary from week to week if income fluctuates, and should entitlement to benefit be adjusted at the end of each year to account for annual income? Thus, if an individual has a low income for half the year and a very high income for the other half, it seems obvious that benefit should be paid during the period of low income, but should an end of year adjustment be made in the light of the high total year's income? While there may be an equity argument for doing so, the potential incentives problem faced by those in receipt of benefit but thinking of going back to work may rule out such an approach.

In the case of income tax, basing liability on annual income will reduce tax liability if income fluctuates, and is therefore popular; in the case of benefits on the other hand, entitlement will be reduced if income fluctuates and an annual basis is used. We may have the correct balance now but the possible combinations are many.

## Identifying income

If we were to move under an integrated system towards a BI regime, with tax allowances removed to be replaced by BIs, many small incomes which at present can be ignored by the authorities because they are below the tax allowance, would have to be brought into the tax net. If we were to move under an integrated system in the direction of more income relation, we would still need to measure low incomes, to assess entitlement to the income-tested benefits.

While this seems likely to cause some problems, it is worth noting that the tax system is far better set up for the purpose of assessing incomes than is the DHSS, as a good deal of income information is sent directly by employers to the Inland Revenue.

## Take-up

One of the worst problems of the current system is non-take-up of means-tested benefits. Regardless of the weight attached to this element of the benefits system, all feasible proposals, including BIG-type schemes, continue to rely to some extent on such benefits. This is another area where it is better to devise a response than ignore the problem, as the government has done in its 1988 social security reforms. Here, integration has much to offer. Non-take-up of income tax liability (or tax evasion) is rather rare, despite all the anecdotes to the contrary, and is certainly substantially less than non-take-up of social security benefits. Having a single administrative system for assessing income and circumstances and deducting tax and paying benefits would lead to substantial improvement in take-up.

## Conclusion

Administrative change is no panacea, but it could alleviate many problems in the UK tax and social security schemes. The administrative changes required for integrating tax and social security systems are essentially the same regardless of the particular form of redistribution advocated, be it an entirely flat rate BI, or an entirely income-related system. There is much to be gained, and rather little scope for disagreement over principle: as such this is an area which deserves a higher profile.

# Towards a BI democracy

David Purdy

If Basic Income (BI) is to become a political reality its proponents must offer more than a critique of the present social order and more than a prospectus for an alternative future. They must also show how to get from one to the other. Without political agencies and strategies capable of bringing about the transition to a BI society, proposals for BI lack credibility and will make little headway, even in the battle of ideas.

## Variation on the theme of BI

Up to a point the political feasibility of BI depends on the detail of particular proposals. There are several politically sensitive issues on which those who support BI *in principle* hold differing views. The cash value of BI allocations depends on the choice of criteria for assessing the 'fundamental needs' of individuals, on the balance between public goods and marketed commodities in providing these needs; and on the treatment of housing costs. Other important variables are the precise extent to which the BIs should be unconditional; the choice of tax base on which the BI system rests; and the design of the institutional framework for regulating the system.

A particularly crucial distinction, and one which affects the political tone of any proposal, is between BI as an instrumental policy and BI as the centrepiece of a strategy for transforming society. BI may be seen simply as a remedy for the evils of seemingly permanent, mass unemployment and a defective social security system. Alternatively it may be seen as inaugurating a new type of state. On this view the initial step from welfare state capitalism to BI capitalism is merely the prelude to an ulterior, longer-term journey towards a freer, more egalitarian and more cohesive social order.

For those whose aim is 'transformatory', the nature of the BI tax base and the system of BI regulation assume a special importance. Consider for example an integrated tax-transfer system which is functionally separated from other elements of public expenditure and taxation, and is financed exclusively out of taxes on personal income (earned and unearned). Once installed, the system has to be kept under continual review, and the review process is bound to extend to wider issues of economic and social policy. The wider the ambit of policy, the greater the need and scope for multilateral negotiation in the process of policy formation.

Even today the state frequently consults and negotiates with representatives of the most powerful interest groups. The kind of BI system envisaged here would help to regularise and democratise the mutual exchange of views, demands and concessions between the state and its 'social partners'. Any social group with a 'stakeholder' interest in policy outcomes could claim a seat at the negotiating table.

It is not difficult to see how this realignment of the agenda and framework of economic management could usher in further institutional innovation, with profound consequences both for the way society is governed and for the way people understand their society and the principles on which it is based.

## General problems of political feasibility

Whichever version of BI is proposed, there are certain general issues to be considered. To help fix ideas, assume that there is a plausible case for arguing that BI is ethically desirable, historically opportune and economically viable. Three strictly political questions then arise:

- ★ Is there potential majority support for BI?
- ★ If so, can this potential majority become a coherent and effective political force?
- ★ If so, and if political support for BI advances to the point at which a government plans and implements a BI system, would it be possible to overcome or neutralise (a) adverse economic reactions by those who see themselves as 'losers'; and (b) concerted resistance by political opponents?

The answer to the first of these questions is more complex than is commonly supposed. Fortunately, head-counting exercises which purport to demonstrate that BI will materially benefit a numerical majority of the population, are less critical to its political prospects than is commonly supposed.

Suppose we were sure whose gains and losses to count (individuals, households, families, classes), with respect to which issues, estimated over what timescale, and on what assumptions about the consequences of a BI for the economy. Even so, it would still not be possible to predict the probable distribution of political support. People's views about their own or society's best interests are not passively predetermined by their social circumstances, but are shaped and reshaped by the ongoing struggle between rival values and conceptions of the world.

As regards the second question, suppose, for the sake of argument, that a majority of the population stands to benefit materially from the introduction of BI. It by no means follows that BI as an organised political cause is best furthered by seeking to build a movement whose main support and impetus come from the ranks of this putative majority. In fact, any movement

founded on this basis would suffer from crippling political weaknesses.

In the first place, the enterprise would be sociologically implausible. Some of the groups which have most to gain are unstable in composition. Many unemployed or part-time workers, for example, neither wish nor expect to remain in their current position. Furthermore, the various groups of prospective 'gainers' are very diverse: it would be difficult to rally them together around a common cause. And even if the losers were a minority, they would nevertheless be a numerous and weighty minority. For they encompass not only the wealthiest social strata with the greatest influence over public policy, but also large numbers of well-paid, regular workers, including the majority of trade union members.

These structural difficulties are compounded by political and cultural change since the demise of the Keynesian social democratic state. The decline of the labour movement, the process of 'class dealignment', and the neo-liberal revolution have transformed the political map. There is already a nascent community of interest uniting the highest powerholders in economy and state with the workplace rank and file: whatever else divides them, they share a common commitment to upholding society's present arrangements for organising work and distributing income. Even if BI's allegedly natural constituency somehow managed to overcome the barriers to effective organisation, this very achievement could easily polarise political conflict and consolidate the emergent power bloc in opposition to its demands.

## An alternative strategy based on citizenship and solidarity

BI should not be seen simply as a redistributive device for gratifying the material interests of those who suffer the worst deprivation under the present system. A viable strategy for transition needs to be framed in a broader perspective. It must find its bearings within the new coordinates of politics, but *it must also steer a radical course which transcends any sectional or partisan purpose*. The ethic of social citizenship and solidarity proclaimed by the principle of BI serves as an indispensable chart for this alternative orientation.

BI could not be implemented without positive support, or at least benevolent neutrality, from all the main political parties and currents of opinion. It would have to be part of a new socio-political settlement, marking a decisive break with the past. This is how Keynesian social democracy was born. The robust popular alliance and cross-party consensus which made it possible to reconstruct the state during the 1940s provides a model, perhaps our only model, for the kind of political strategy needed to launch and sustain a BI democracy.

At the same time BI is eminently suitable as focal point

for a broadly based, radical alliance capable of contesting the ground now occupied by the New Right, and determined to bid for social leadership. This is precisely because BI is not tied to any corporate, class or sectional interests, but can be held out as the best way forward for everyone — both as individuals and as a community.

The principle that everyone holds certain imprescriptible economic rights, on top of the civic freedoms traditionally associated with the concept of citizenship, is usefully double-edged. From one side it challenges established definitions of interest and highlights the multitude of cross-cutting class divisions which run like fault lines through the social formation — between employed and unemployed, propertied and propertyless, high paid and low paid, men and women, white and black, mental labour and manual labour. From the other it offers a common language and purpose for the creative political task of forging an alliance drawn from all these classes, though doubtless not, in practice, in equal proportions.

The strategy I have outlined is unlikely to achieve any early or dramatic success. The most realistic prospect is a slow, patient, positional struggle. In this respect too we should capitalise on the ideas inspired by BI. Long haul politics requires a strong motivational drive. BI supplies it. Not the least of its virtues is the optimistic and expansive vision of the future which it brings to bear on the dismal and pressing problems of the present.

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## **Analysis of a Partial Basic Income**

**Tony Atkinson and Holly Sutherland**

Hermione Parker has suggested (BIRG Bulletin No. 7) that a partial BI scheme could provide a way forward that is both feasible and politically acceptable. This article examines the arithmetic of one such partial BI scheme to see what levels of BI could be afforded with existing tax rates and who would gain or lose. Would it, indeed, have much redistributive impact?

In our analysis, we have drawn heavily on the BIG Phase 1 described in Hermione's forthcoming book<sup>2</sup>, but we have simplified the scheme in certain respects, and the result given here should not be taken as applying to her proposals. It should also be stressed that we are not advocating a partial BI; our purpose is simply to help others evaluate the potential of this approach.

### **A partial basic income**

The scheme that we examine in effect 'cashes out' the personal income tax allowance, abolishing the single allowance, the married man's allowance, the wife's earned income allowance, and the allowance for single parents, but not the age allowance (which would be reduced to £1,040 with an income limit of £8,460). The existing tax rates of 25% (basic rate) and 40% (higher rate) would be retained, but there would be independent taxation of husbands and wives. Most BI schemes envisage that tax expenditures would eventually be phased out and as a step towards this the partial scheme restricts the reliefs for mortgage interest and employee superannuation contributions to the basic rate of tax.

The resulting extra revenue from these changes on the tax side is used to introduce BIs. The level of the BI is taken to be £10 per person aged 16 or over. This is less than the value of the present single person's allowance to a basic rate taxpayer (£12.52), but there is in addition a tax-free tranche of earnings for all workers which would be sufficient to offset this. The level of BI was in fact chosen to be approximately equal in value for a couple to that of the married

man's allowance (at present £19.69), so that with the tax-free tranche of earnings one-earner couples gain overall. It would not, on the other hand, be enough to compensate two-earner couples, who would receive less than at present since they would lose the wife's earned income relief. Other losers would be single-parent tax-payers, who would lose the additional personal allowance, and higher-rate taxpayers, who would lose since the present allowances are more valuable to them (the single allowance is worth £20 a week).

The partial BI is intended to replace in part existing social security benefits, so that these benefits are at the same time reduced by £10. They are also brought closer to a BI in being made tax-free for the basic element (up to £31.15), and with invalidity benefit being brought into line as far as tax treatment is concerned. Further, we assume that the wife's pension is treated as her own income.

Such a partial BI may be seen either as a compromise solution or as the first stage along the route to a larger BI. The latter takes account of the important consideration that, in terms of practical policy-making, what is relevant is not just the destination of reform but the process of transition by which such a fuller scheme could be approached.

## Cost of the partial basic income

The first question concerns the cost of the partial BI. The gross cost is readily calculated from the number of adults and comes to some £22,000 million. The net cost, however depends on the increased tax revenue that arises from the abolition of the personal allowances and other measures and on the saving on existing benefits. In order to estimate these, we have made use of the tax-benefit model TAXMOD developed at the LSE (see note 3 at the end of the article).

The final figure depends on the width of the tax-free tranche of earnings. Our procedure was to find by trial and error the level of this earnings disregard at which the scheme is revenue neutral, which turned out to

be £16.60 a week. (The speed with which TAXMOD operates, performing calculations for 5,824 families in under half an hour, means that one can iterate quickly and it would be quite possible to vary other parameters of the scheme).

The results we obtained are shown in Table 1. The greater part of the finance for the BIs comes from increased income tax revenue. Only a small part comes from people being floated off existing income-tested benefits (the BI would be treated as part of resources for the purpose of assessing Income Support and other means-tested benefits).

**Table 1: Cost of Partial Basic Income**  
(& billion in 1988-89)

	Current System £b	Partial BI System £b	Revenue Gain (+) or Extra Expenditure (-) £b
<i>Revenue</i>			
Income tax	43	58	+ 15
<i>Expenditure</i>			
Basic Incomes	0	22	- 22
NI benefits	24	18	+ 6
Means-tested benefits	9	8	+ 1
NET			0

## The impact on individual taxpayers

What is the impact on individual families? The main purpose of TAXMOD is to show the effects of reforms like the partial BI on a representative sample of the UK population, and some of the main results are summarised in Table 2. This shows the distribution of families by range of net income with the present tax-benefit system. The ranges are shown in the first column, and the percentage of families in these ranges are given in the second column. There are, for example, 11.5% of families with net incomes of less than £50 a week, who constitute the lowest income group in the table.

For a sizeable proportion of families, the introduction of the BI would be exactly offset by the reduction in

**Table 2: Effect of Partial BI on families in different income ranges, 1988-89**

Net Incomes £ week	% of families	Average gain £ week	PERCENTAGES WITH						
			LOSS OF			NO CHANGE	GAIN OF		
			More than £15	£5-15	Less than £5		Less than £5	£5-15	More than £15
0-50	11.5	2.32	0.1	2.9	2.6	65.9	6.2	19.4	2.9
50-75	14.2	0.70	0.0	1.0	8.1	65.4	19.9	5.2	0.4
75-100	12.4	0.81	0.0	2.1	10.1	40.3	43.9	3.1	0.5
100-125	10.3	0.40	0.0	5.3	16.8	18.8	57.8	1.3	0.0
125-150	9.2	0.43	0.5	8.4	15.5	10.0	63.9	1.6	0.1
150-175	7.3	0.50	2.0	9.6	14.5	4.3	68.5	0.9	0.2
175-200	7.3	0.75	0.9	8.9	19.6	1.3	66.4	2.9	0.0
200-225	5.8	0.20	1.0	7.9	27.5	1.0	59.5	3.1	0.0
225-250	4.8	0.06	1.2	2.6	43.0	0.0	49.4	3.7	0.3
Over 250	17.3	-3.81	8.6	15.5	49.9	0.6	22.9	2.1	0.4
Overall	100.0	0.00	1.9	6.7	20.6	25.3	40.4	4.6	0.5

existing social security benefits. This applies to a quarter of all families (see the bottom entry in the column 'No change' in the table). For the remainder, there would be a net gain or a net loss, with the overall zero net cost being the result of pluses and minuses cancelling out. This is quite consistent with there being more gainers than losers; there are in fact 45.5% who gain and only 29.2% who lose.

The third column in table 2 gives the average gain or loss by income ranges. This shows a sizeable average loss for the highest income group, reflecting the loss to higher-rate taxpayers, but on average a net gain for all other groups, with this being particularly marked for the lowest income group, who gain more than £2 a week on average.

Such averages are however misleading, as is shown by the rest of Table 2, which gives the distribution by range of gain or loss. Within all groups there are gainers and losers, depending on the precise situation of the different families concerned. In the bottom group there are less than 30% who are actual gainers; about two-thirds are unaffected by the reform (because of the offsetting of the BI against NI benefits); and about 5% are net losers. Nor do those at the top necessarily lose. In the top group there are a quarter who are net gainers, including some who gain more than £5 a week. It is not even true that most losers are at the top. A fifth of all losers are in the bottom half of the distribution.

This underlines the fact that it may be unhelpful to think about social security reforms in terms of a 'break-even' point below which people gain and above which people lose (or *vice-versa*). Gains and losses depend very much on individual circumstances. We have seen, for example, that one-earner couples tend to gain, and two-earner couples tend to lose, from the partial BI scheme. It is also the case that single-parent families tend to lose. There are however other factors, such as the extent of investment income, the receipt of particular NI benefits, and whether or not families are taking up the means-tested benefits.

As Table 2 suggests, although there are gainers and losers, the introduction of a partial BI would not in fact have very large effects on the distribution. Certainly the impact would be much less dramatic than that of a full BI: it can be calculated that about 4% lose more than £10 a week and about the same percentage gain more than £10 a week.

## Conclusions

There is not space to provide a full evaluation of the partial BI scheme, but there can be little doubt that it represents a definite and practicable scheme, and the results from TAXMOD indicate that it could be introduced without having major distributional consequences. There are relatively few families who would experience a large gain or loss, and for a quarter there would be no change.

The partial BI examined here would not be

particularly redistributive, but it provides a platform from which further redistribution could be carried out. The level of the BIs (and child benefit) would be the key tools, with increases being financed by increases in the tax rate. If the income tax rate became 40% for all, with NI contributions being abolished, the BI could be nearly doubled.

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## References

1. See also: A.B. Atkinson and Holly Sutherland *Integrating Income Taxation and Social Security: Analysis of a Partial Basic Income*, Discussion Paper No. TIDI/123, ST/ICERD, London School of Economics, 10 Portugal Street, London WC2A 2HD, July 1988.
2. Hermione Parker *Instead of the Dole: An Enquiry into Integration of the Tax and Benefit Systems*, Routledge forthcoming.
3. TAXMOD is a micro-computer tax-benefit model that calculates the taxes and benefits of individual families which are then grossed up to be representative of the total population. The calculations are based on the information contained in the Family Expenditure Survey about the income and circumstances of 5,824 families interviewed between April and November 1982. This survey provides a rich source of data, but it has to be remembered that it was not designed for this purpose and that in modelling taxes and benefits a number of assumptions have to be made.

The main aim of the model is to allow the user to examine the implications of policy changes, including income taxation, NI contributions, child benefit, family credit, pensions, unemployment benefit, housing benefit, income support and the introduction of a benefit of the user's own design. The model is designed to be accessible to non-specialist users. Its operation requires no knowledge of computing; and it is not necessary to have a detailed understanding of the tax and benefit systems. The program prompts the user at all stages by offering a menu of choices.

The model runs on IBM-compatible micro-computers and needs a hard disk. Copies are made available at cost price (£55) and can be obtained from: Holly Sutherland, ST/ICERD, 10 Portugal Street, London WC2A 2HD. Further details are contained in A.B. Atkinson and H. Sutherland, editors, *Tax-Benefit Models* (ST/ICERD Occasional Paper No. 10), obtainable from the same address, price £7.50.

# A European Guaranteed Basic Income System?

N. van Dijk

*This article is an edited, slightly abbreviated reprint of the English translation of a working document presented to the European Parliament Committee on Social Affairs and Employment by Nel van Dijk (EN(88)0579E — PE 119.450 dated 26.2.88). The editing concerns the translation only, and is published with the approval of the original authors. Where the text has been shortened we show dots (...) Mrs van Dijk represents the Dutch Green Progressive Accord Party in the European Parliament. At the time of writing the document was due for discussion by the Social Affairs Committee on the 17th October 1988. It is included as a guide to the debate now being conducted at European level, notwithstanding the controversial nature of some of the points made. As reported in BIRG Bulletin No. 7, in April 1987 the Greens were invited to make a report about basic income "subject to the proviso that their report must be acceptable to a majority of the Social Affairs Committee". Given that the West German Christian Democrats tend to favour negative income tax, it was thought necessary to emphasise the similarities between BI and NIT, not the differences.*

## Terminology

With existing systems of social assistance (as opposed to social insurance), citizens are entitled to a minimum income if they do not have a paid job and have no other source of income, but only where their partner, if any, is in the same position. In some Community countries, for example West Germany, the liability to maintain regulations are two- or even three-generational (parents are liable for their children, and children for their parents). In addition, those claiming benefit must be prepared to accept a job offer. Variations of this sort of assistance system exist in seven of the Community Member States.

With a BI system, every citizen is entitled to a share of the wealth of society, in the form of a guaranteed basic income. Payment of the BI does not depend on being or having been in paid work, or on sex, marital status, social status, wealth or age, although children under age 18 are paid a lower amount. There is no obligation to look for a job, but all income except BI is taxed.

## 1. The existing social security system

The present situation in the 12 Member States as regard unemployment benefit and supplementary benefit is as follows:

	DK	NL	Ger	Bel	Lux	UK	Irl	Fr	It	Sp	Gr	Port
Unemployment benefit	*	*	*	*	*	*	*	*	*	*	?	?
Supplementary benefits	*	*	*	*	*	*	*	*	†	-	-	-
Now being introduced												

The possibility of a BI system is being discussed mainly in countries which already have a social assistance system (DK, NL, Bel, Ger, Lux, UK, Irl). Elsewhere, mainly in France and Italy, the discussion has focused on whether a social assistance system should be introduced. It follows that the introduction of a European system can only be a medium- or long-term project.

## 2. Cracks in the existing social security systems

Rising and massive unemployment has hit the existing social security systems in two ways. Incomes (and the income tax base) go down as unemployment rises, but the demand for benefit goes up. Continuing mass unemployment has led to a dramatic rise in the number of long-term unemployed as a result of which more and more people are being reduced to poverty. This phenomenon is sometimes referred to as the 'new poor'. A growing section of society has been living for years on or below the poverty line. Their opportunities for escaping from this isolation by finding permanent paid employment are limited by the fact that many have little education, and above all by the shortage of unskilled work. Ralf Dahrendorf estimates that this new 'subclass' represents 10% of the population of Western Europe.

The cracks in the present social security systems are in danger of widening as a result of population trends. In 1975 there were three people in the age group 20 to 59 for everyone over 60 years of age; in the 1990s the ratio will be 2:1. If social security continues to be financed through existing systems, the ageing of the population will give rise to major problems.

## 3. Underlying causes of the cracks in the present system

The present social security system is based on the assumption that men will be in full-time paid employment more or less throughout their lives, whereas women will be married and looking after children. However this pattern is steadily being eroded:

(1) *Continuing mass unemployment.* It is of course hoped that the decline in job opportunities for young people will be reversed in the 1990s, as a result of demographic changes, and that full employment will again be a realistic prospect. However, this trend will be offset by the legitimate demands of increasing numbers of women for paid employment. Moreover, the present modest economic growth is virtually jobless growth.

(2) *More labour market flexibility.* The predominance of permanent full-time jobs is increasingly giving way to part-time work, temporary work, home working, contract work and flexible forms of work in general. This has been brought about not only by mass unemployment, but also by structural developments in the form of new technologies...and more international competition. The increased number of women on the labour market, often not in full-time jobs, is also helping to make the labour market more flexible.

(3) *Individual fulfilment and emancipation of women.* More and more women, and men too, no longer want to be treated as one half of a couple but as independent individuals. Social structures have changed. Shorter marriages are replacing lifelong unions. More and more people are opting to live together outside marriage and there are increasing numbers living alone. In addition there are fewer children per couple and children are leaving the parental home earlier. As a result of these changes, more and more women are seeking paid employment.

## 4. More detailed analysis of the present situation

Under the existing social security systems, the long-term unemployed find themselves caught in the 'unemployment trap'. They are compelled by law to do nothing, or in some countries to look for voluntary work, although the road back to paid employment depends on finding a full-time job. In some countries jobs with shorter hours (eg 20 hours or less) must be declared, and frequently result in 100% loss of social assistance. Sometimes, as in the Netherlands, only 75% is withdrawn.

Within the parameters of the existing social security system these extremely restrictive rules have to be applied, in order to prevent unfair competition between employers.

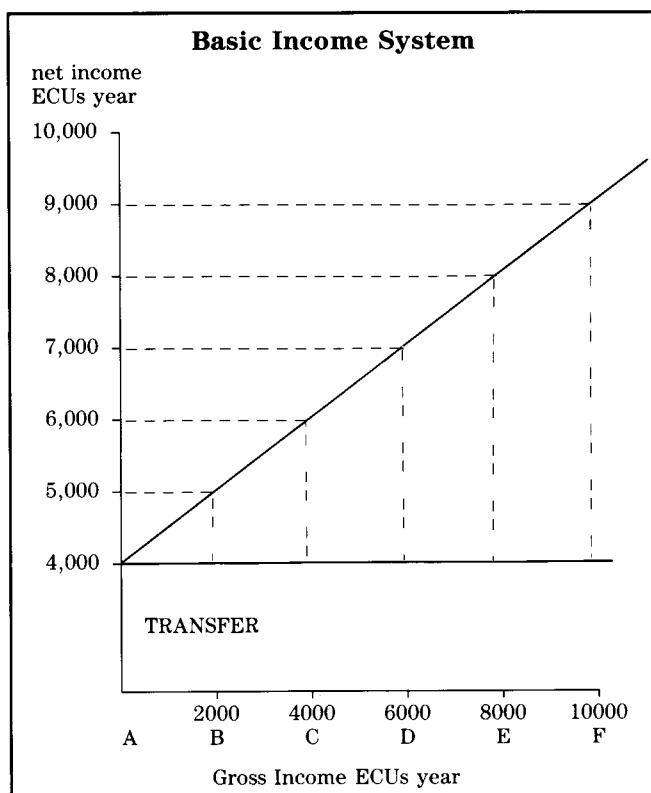
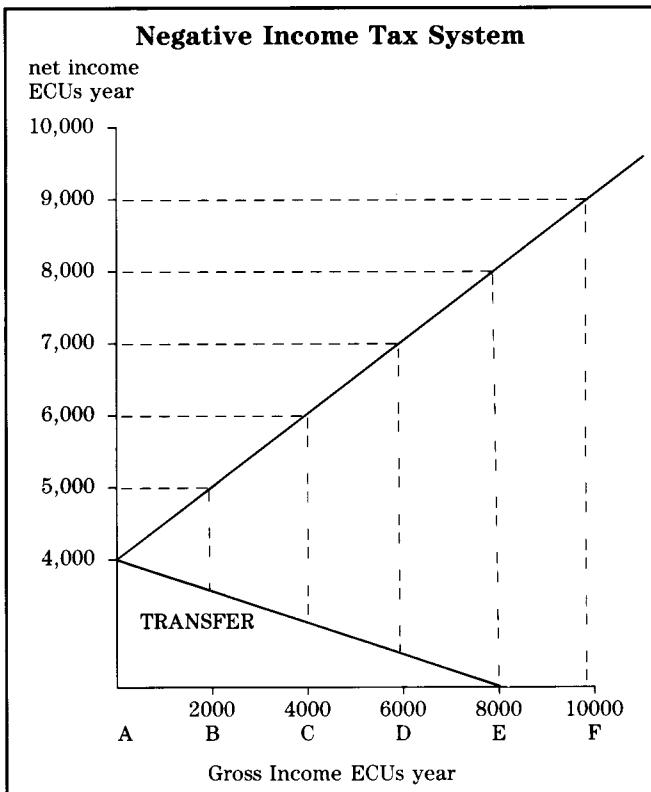
The structural problems in the present social security system cannot be solved by pumping in more money. It will require a new system. Moreover any new system will have to take into account the factors outlined above — namely continuing mass unemployment, more flexible labour markets and the emancipation of women. It would therefore have to meet the following criteria.

- The assessment unit of benefits should be the individual, regardless of the income or wealth of parents, children or spouse/partner.

- Benefit levels should be high enough to enable people to support themselves.
- The assessment unit for tax should also be individual.

## 5. A new social security system

The current debate focuses on two models: negative income tax (NIT) and basic income (BI).



In the graph one simple model using the same flat rate tax (50% in this case) has been taken to illustrate the two systems. With NIT anyone who falls below a certain level of income has their income topped up to a pre-determined ceiling at the end of the year (4000 ECUs in the example).

A thus receives 4000 ECU;  
 B earns 2000 gross and receives a further 3000 ECU;  
 C earns 4000 gross and receives a further 2000 ECU;  
 D earns 6000 gross and receives a further 1000 ECU;  
 E earns 8000 gross and gets nothing;  
 F earns 10000 ECU and has to pay 1000 ECU in tax.

With a BI system everyone receives for example 4000 ECU a year paid out in 12 monthly instalments. If s/he takes a paid job, the employer pays only 50% of the gross wage, the other 50% going to the government. This finances the BI to a large extent. As a result, B is left with 5000 ECU a year, C with 6000 ECU, D with 7000 ECU, E with 8000 ECU and F with 9000 ECU, which is exactly the same as under the NIT system.

## 6. Similarities and differences between the two systems.

- In practice a NIT would have to operate by a system of advances, since society cannot expect people without any income to wait a whole year before receiving their NIT payment ... In a NIT system the division of society would be glaringly obvious. The number of people needing to claim money from the authorities would be even higher than at present. With B1 everyone would have the same start.
- Since taxation is calculated in arrears, a NIT system would be more open to fraud than B1.
- A B1 system requires much greater redistribution of wealth on social grounds, consequently it looks as though higher taxes are required. In the case of a NIT system, F pays 10% tax on his gross income of 10000 ECU, whereas in the case of BI system he pays 50% tax, but in both cases F has the same net income, ie 9000 ECU. The amount of tax paid is the same in both systems. To conclude, a NIT system has more elements of uncertainty, both in terms of time and income, than a BI system.

## 7. Ten advantages of NIT/BI over the present system

- The assessment unit, for tax and benefit purposes, is the individual.
- Both systems give the poor opportunities again, particularly opportunities to return to paid employment; they also eliminate the unemployment and poverty traps and the need for government to control what benefit claimants do or do

not do. This applies particularly to a BI system. It is no longer necessary to check whether someone is looking for work or has capital ... or is living with someone who does have an income.

- People can make a deliberate choice between a full-time job with a relatively high income and little free time, and a part-time job with relatively low income and comparatively more free time, or they can make do with the BI/NIT payment and have a great deal of free time. It would also make it easier to introduce flexible retirement. Older people would be free to decide whether they wanted to give up full-time work completely or go on to part-time work, or continue in full-time employment for a while.
- BI/NIT payments would strengthen the position of both male and female workers on the labour market. The number of people prepared to do badly paid, unpleasant jobs would fall. This would have one of three results, or a combination of the three: (a) such jobs would become better paid, (b) the work would be made more attractive, (c) rationalisation would remove the need for such jobs altogether ...
- ... It would be easier for people to change over to flexible forms of work, such as part-time and temporary work ...
- It would be easier for people to interrupt their careers, for example to learn new skills, to look after young children, to take six months off to get things in perspective, or to go round the world.
- Women would become financially independent of their male partners. In the Netherlands approximately 80% of women do not have an adequate independent income. The negotiating position of women, who now often do the badly paid unpleasant jobs, would improve. The systems would also allow men to change over to part-time work and to take on more household chores and caring functions.
- A BI/NIT system would encourage people to become self-employed, particularly since the penalties for failure would be less severe. There would be a greater chance of opening a small business successfully, for example it would cost the owner less to keep a small shop open under the system, because he wouldn't have to pay such high wages.
- A BI would operate as a wage subsidy in labour-intensive sectors of industry, thus helping to reduce unemployment. Under the present system, higher labour costs are pricing ... labour-intensive services out of the market. In some cases these activities become part of the black economy, in others they disappear altogether. This means that people have to do these tasks themselves (for example the house-work that used to be done by maids) ...

A BI system would not solve all social problems, far from it. To give a few examples, the problem of poverty can be solved only by education and more paid employment. Some types of flexible working, particularly contracts in which the number of hours worked is not laid down, would have to be prohibited. Statutory minimum wages would have to be on an hourly basis. In Germany and the Netherlands the case for introduction of temporary quotas on paid employment, as a result of the emancipation of women, is now being discussed. Involuntary unemployment will not disappear unless the introduction of a BI is combined with drastic cuts in working hours. This is feasible since a BI fully offsets the loss of wages resulting from shorter working hours, particularly in the lowest wage brackets.

## 8. The three most frequent objections to the new system

\* *It is more expensive.* A BI/NIT system providing the same levels of benefit as at present would be more expensive than the existing system. The level of the individual BI must be at least equal to 50% of the present level of benefit for a couple. Single people without a paid job would have to receive additional benefit to bring their incomes up to the present level of benefit for a single person. That way both couples and single people would have the same net income as they do now.

NIT and BI systems cost approximately the same in macro-economic terms, the difference being that under the BI system there is more churning.

In Holland the extra cost compared with the present system is almost all accounted for by putting the system on an individual basis. But this is offset by the fact that individual assessment for social security and tax removes the need to give the Dutch breadwinners' allowances. Estimates in the Netherlands put the amount involved here at somewhere between FL 7,500-12,000 a year, for each dependent partner.<sup>1</sup> This is fairly close to a BI of 50% of the benefit level for a couple (FL 9,000 a year). Not all the amount of FL 7,500-12,000 per dependent partner can be cancelled out by a BI. However in the Netherlands a BI system need not be much more expensive than the present social security system, provided all the allowances enjoyed by breadwinners are abolished.

Under a BI system, the hotch potch of regulations providing subsidies for small and medium-sized firms can be abolished and the money used to finance the BI. Further study is necessary to find out whether the introduction of a BI means that net expenditure on social security would not need to rise in countries other than the Netherlands.

The question remains of how the large-scale redistribution of income that a BI would bring about should be financed. Apart from the savings in tax reliefs for breadwinners, social assistance benefits, unemployment benefits, old age pension provision and subsidies to small and medium-sized firms, a BI system

can be financed by additional taxation of income. The justification for such an approach is that everyone will begin with a BI. However, it would be worth studying whether capital could not make more of a contribution ... As automation increases this should become more feasible.

● *Disincentive to take paid employment.* The introduction of a BI system would undoubtedly bring about changes, but no one really knows what the quantitative effects of these changes would be. Sociological studies show that paid work is still a very desirable asset, particularly because of the social status and social contacts it provides. Given a BI at the present level of social security benefit, there would still be ample financial incentive to look for paid work. It is sometimes assumed that people from the lowest social group would no longer want to be part of the paid work system once they had escaped the unemployment trap. But it would be mainly women doing badly-paid work with little job security who would want to leave the labour market. However the extent to which either of these suppositions would happen is guesswork.

● *The level of a BI would not be fixed.* Existing benefit levels are not fixed either. If the BI were significantly below the present benefit level, the financial pressure to take up a paid job would increase. A system with a BI below the present benefit level is undesirable on social grounds, but if the BI were significantly above the present benefit level, there would be a real disincentive to work and the BI would soon be impossible to finance. Initially a BI system could operate only in relatively rich countries such as the USA, Japan and most of the countries of Western Europe. It is desirable that a BI be linked to a fixed percentage of the average wage in a given country.

## 9. Repercussions of a BI on agriculture

There are reasons to believe that a BI system might have a positive impact on agricultural policy in the Community. Far and away the majority of farmers have smallholdings and like all other small businessmen would profit from a BI system. Farmers would need to produce less in order to earn the same net income.

A BI would allow market forces to operate to a greater extent in the agricultural sector, without social disadvantages for small farmers. It could make a significant contribution to reducing surplus production.

## 10. Should a BI system be introduced in one country or throughout the EEC?

The question is whether the introduction of a BI is feasible in the Community. The phased introduction of a BI in one country, financed mainly by higher

taxation of wages would appear to be possible without any violation of the Treaties.<sup>2</sup> For countries like Portugal, Greece and Spain the BI is obviously a model for the distant future. Initially the richer Member States would have to contribute to the financing of a social assistance system in the poorer Member States, before moving on to BI. But it seems likely that a BI system is already feasible in the 7 countries listed in the table on page ... which already have systems of social assistance or supplementary benefits.

In conclusion, it is proposed that the Commission be asked to carry out a feasibility study on the introduction in the medium- or long-term of a BI system as described above.

#### References

1. See Wetenschappelijke Raad van de Regering (Netherlands Scientific Council for Government Policy) preliminary studies and background notes. V57, Dr R.M.A. Jansweijer, WRR, Staatsuitgeverij, Den Haag, 1987, pp 97 and 98.
2. See WRR (Netherlands Scientific Council for Government Policy) report on *Waarborgen voor Sociale Zekerheid* (Social Security guarantees), Staatsuitgeverij Den Haag, 1985. This report proposes a partial BI system at a level corresponding to approximately 33% of the current welfare benefits received by a couple ... A summary is available in English from WRR Plein 1813, No.2, PO Box 20003, 2500 EA The Hague, Tel: 31-70-614031. Editor's note: See also BIRG Bulletin No. 6, Autumn 1986, article by Joe Dekkers: *Safeguarding social security in the Netherlands*.

## At Home and Abroad

### BELGIUM

#### *Seminar at Louvain*

In May 1988 the law faculty of the Université Catholique de Louvain organised a one-day conference on the legal aspects of introducing a basic income ("L'allocation sociale universelle: vers un droit nouveau?"). Conference papers are available from the Centre du Droit de la Gestion et de l'Economie Publique, Collège Thomas More, 2 Place Montesquieu, 1348 Louvain-la-Neuve, Belgium).

#### **Extraordinary Claimant's Congress in the European Parliament building, Brussels, 29-30th August 1988**

The theme of a congress organised by the European Claimants Association (ECA) was *1992 and the Consequences for Social Security in Europe: What can Claimants do?* The introduction of the single European market in 1992 is expected to exercise a profound effect on Europe's 145 million claimants. The congress was the first opportunity for claimants to voice their opinions at a European level. For further information about the ECA (founded in December 1985, and registered under Dutch law), contact Geert VAN OIJEN at the following address: Postbox 458, NL — 6200 AL MAASTRICHT, Netherlands.

#### **Second International Conference on Basic Income, at Antwerp, Belgium, 22-24th September 1988**

The first international conference on Basic Income organised in the name of the Basic Income European Network (BIEN) was hosted by Vakgroep Arbeidseconomie/SESO-UFSIA (Research Unit on Labour Economics) of the University of Antwerp, and was attended by about 50 delegates from Austria, Belgium, Denmark, Finland, France, Ireland, Italy, Luxembourg, Netherlands, Switzerland and the UK. The conference opened with papers by Hermione Parker and Alexander de Roo on the political and technical complexities of introducing basic incomes in the UK and the Netherlands. National reports were presented on the second day, followed by further

papers covering various aspects of BI, including political feasibility, labour supply effects, funding and income distribution. At a business meeting the following officers were elected:

Co-chairmen: Edwin Morley-Fletcher (It)  
Guy Standing (UK/ILO)  
Secretary: Walter Van Trier (Bel)  
Treasurer: Alexander de Roo (NL)  
Newsletter: Philippe Van Parys (Bel)

## DENMARK

### ***Re-introduction of child benefit***

From 1977-1987 Danish family allowances were subject to a proof of need. As from July 1987 the needs test has been rescinded and all children under 18 years have the right to a general family allowance, regardless of the income or wealth of the parents. The 1988 rate is DKK 5,200 per year (roughly \$8.30 a week). The proof of need test formerly applied with Danish supplementary allowances for special cases (eg lone parents) has also been abolished, on the grounds that very few lone-parent families earned more than the limit, and for those who did it had a poverty trap effect. The 1988 annual rates of supplementary allowance for 'lone supporters' are DKK 3,740 per child under 18 years (roughly \$6 per week), plus DKK 2,860 per family (roughly \$4.50 per week).

## IRELAND

### ***Fine Gael goes for BI***

In May 1988 the Irish political party Fine Gael issued a document signed by its leader Alan Dukes, in which it adopted the idea of BI as a means of unifying the taxation and social welfare systems.

## NETHERLANDS

### ***Basic Income: Alternative Benefit or New Paradigm***

The Commission for Research into Social Security (COSZ), which is part of the Ministry for Social Affairs, is sponsoring a research project into BI. The first part of the project, which is being carried out by Joop Roebroek and Erik Hogenboom of the Department of Social Security Science at Tilburg University, will be ready in June 1989. It will include detailed overviews of the Dutch and international debate on BI, theoretical BI models, summaries of the historical background, motives, advantages, disadvantages etc of BI, and an overview of existing BI proposals. The second part of the project will concentrate on the economic effects of BI.

## ITALY

### ***Agathotopia: The Economics of Partnership***

At a conference in Rome in March 1988, organised by the Lega Nazionale delle Cooperative e Mutue, Professor James Meade advocated social dividend/basic income as a basis for risk-taking (see BOOKS RECEIVED).

## SPAIN

### ***Non-contributory pensions?***

An extraordinary colloquium of the European Institute of Social Security was held in May at Javea, Valencia, in collaboration with the Spanish Ministry of Labour and Social Security, on the subject of non-contributory pensions in Europe. The Spanish government is looking for ways to reduce poverty in old age among those without entitlement to contributory pension, but any new pensions will almost certainly be subject to a test of need.

## UK

### ***Weekend conference on BI in Manchester***

For two days last July, 24 people from the UK, Holland, Belgium and Germany met to discuss basic incomes. The meeting was instigated by the European Claimant's Association (ECA) and organised by Kevin Donnelly of BIRG's Manchester group, along with the University of Manchester Extra Mural Department. Several themes provoked lively discussion, for instance: the respective roles of experts and claimants in laying out criteria for BI schemes, the criteria for deciding the level of BI, BI in relation to employment choices and employment levels, whether a strategy for change towards a BI society should be gradualist or radical, and the role of the labour movement in this. An extract from David Purdy's paper is included in this number of the Bulletin. The meeting was particularly useful in bringing together claimants from Europe with people in the north of England who have been doing work on BI schemes. We hope this will inspire further meetings with a regional and/or international character.

# Obituaries

## Sir Brandon Rhys Williams Bt MP, 1927-1988

**Hermione Parker writes:** The death last May of Sir Brandon Rhys Williams leaves a gap in the ranks of BI supporters which will be hard to fill, and those of us who knew him well still shudder at the enormity of the challenge. Born into a political family and reared in South Wales during the 1930s, Sir Brandon never forgot the poverty he saw there as a child. His dream was an integrated tax and benefit system, with a floor below which no one would be allowed to fall and above which all would be free to rise as high as possible.

In Parliament he was a relentless supporter of the poor and the weak. On child benefit he was the Government's least popular back-bencher. On one occasion he remained all night in the House of Commons in order to make sure that his Child Benefit Uprating Bill would be included under the Ten Minute Rule procedures. He won. Less publicly, but with equal determination, he became the scourge of the Home Office in his defence of immigrants who brought their cases to his attention.

His first involvement with basic income was during the 1940s when he helped his mother Dame Juliet Rhys Williams with the figure-work for her New Social Contract. It was an interest that stayed with him all his life. In 1967 the Conservative Political Centre published his pamphlet *the New Social Contract*, and two further short pieces *Redistributing Income in a Free Society* and *From Status to Contract* were published privately at about that time.

Sir Brandon was a committed European and a Member of the European Parliament from 1973-1984. In 1975, as rapporteur to the Economic and Monetary Affairs Committee he submitted a working document on *Economic and Monetary Union: New Approaches* in which he argued the case for a *European Social Contract* as part of that "union". What he wrote then is still so pertinent that it is worth recording in full:

"44. For individual citizens in Member States of the European Community there is no sense of personal commitment to the ideal of unity. The Rome Treaty seems only to be a matter for government and institutions.

"In the second phase of integration of the Community the ideal of "union" must have a real personal significance. It should become a commitment and a privilege expressible in tangible form.

"Within each Member State there are now well-established systems of social insurance and welfare entitlement based on citizenship. These all have much in common but the actual rates of contribution and benefit vary so widely that they notably affect the level of individual spending power in different parts of the Community and act as a barrier to the free movement of workers and their families.

"It is clearly one of the steps that has to be taken on the way to economic and monetary union to bring all the basic welfare systems of the Community into line. It has been suggested that a start might be made by setting up a Community fund for the relief of unemployment. It is even more important to achieve a uniform level in the rates of family benefits. Naturally there is no reason why Member States should not operate systems of their own, going beyond the level of basic entitlement which would belong with European citizenship.

"The opportunity should not be lost of making the redistribution of income at personal level a comprehensible and translucent process. It should be quite clear to every citizen what proportion of his personal earnings is being taken for the Community's own resources in making up the new welfare budget, and where his allowances are drawn from in exchange. If contributions are raised on a scale proportionate to income and benefits paid at a single uniform rate throughout the Community, it would be possible to say that the Community has put into effect the principle, "From each according to his capacity, to each according to his need".

"45. A further step forward would include a full-scale tax-credit system incorporating a structure of positive personal allowances as a feature of the community tax system. The family allowances now paid in every Member State are already payable whatever the income of the breadwinner and whether or not he is in regular employment. The commitment to economic and monetary union is only a shadow if it does not include the amalgamation of personal taxation and social security into a single system embracing every citizen of the Community.

"The special advantage of a tax-credit system is that it can act as a subsidy to low wages without destroying the incentive to work. It helps to solve the problems of low wages and unequal living standards and provides an opportunity to carry through a regional policy at personal level, since it would not only effect a transfer of resources from rich to poor individuals but would carry purchasing power outwards from the centres of wealth to the districts and even into the houses where incomes are below the average.

"As a partial solution of the difficulties besetting the Common Agricultural Policy a tax-credit scheme for the Community could make a particular contribution. It would help to raise the

incomes of farmers with low earnings without interfering with the prices of their products. It would also provide special individual benefits to workers with large dependent families.

"The European Social Contract must combine the benefits of security and unity afforded to the citizens of communist societies with the personal freedom and self-respect which are the best characteristics of the property-owning democracies."

(European Parliament, Committee on Economic and Monetary Affairs, Working Document *Economic and Monetary Union: New Approaches*, Rapporteur: Sir Brandon Rhys Williams, PE 41.975, 1975)

By 1986 Sir Brandon was becoming increasingly aware of the political obstacles to BI, especially the difficulty of replacing the contributory principle by a right based on citizenship. So he began to emphasise the life-cycle nature of the contract and he planned a major pamphlet with the title *Stepping Stone to Independence: National Insurance after 1990*. He was working on this pamphlet until a few days before his death. An edited version, filling in the gaps, will be published in the near future.

Hermione Parker worked as Parliamentary Research Assistant to Sir Brandon Rhys Williams from 1979 until his death in May 1988.

## Father Joseph Wresinski, 1917-1988

**Stuart Williams writes:** Joseph Wresinski, priest and founder of the international movement ATD Fourth World, was born into a poor family in Angers, France in 1917. Ordained a priest at 29, he was assigned in 1956 to the parish of Noisy-le-Grand near Paris, as chaplain to 252 families placed in an emergency housing camp of nissen huts erected on a muddy field.

Here he rediscovered what he had learnt as a child, the shame and exclusion the very poorest families face daily in fighting to give security to their children and hope to their young people, and their immense courage just to keep going. In this camp, it was from the children particularly that he learned that hands, hearts and minds are all needed to put an end to human misery.

Gathering around him volunteers of all nationalities who were willing to overcome the anguish, solitude and mistrust faced by the families, Father Joseph laid the foundations of a movement that is now present in 22 countries, and consulted in many more on matters of extreme and persistent poverty. His originality and that of the movement he created lay in his constant insistence on the right of the poor themselves to lead the fight against poverty and injustice.

As a priest committed to this fight, he made it very clear what "casting the net wide" meant. Ignoring geographical, social, cultural and political differences,

he brought all kinds of people together around the poor.

Accompanying them to meet heads of Church and State throughout the world, he said that their poverty was not just his affair, nor just his church's affair, but everyone's. Their suffering, he said, could unite us all.

In 1962 he met families in very disadvantaged areas of London and Liverpool and several permanent volunteers came to live amongst them and learn from them. In Scotland, England and Wales, ATD Fourth World now runs family centres, pilot training programmes and children's street projects that give expression to the very poorest families' ideals as citizens, parents and workers. Work is also underway to develop support in the UK and throughout Europe for the global legislation now being adopted in France to combat the most persistent forms of poverty and dependency.

This national programme is the result of Father Joseph's 30 years of life amongst poor families and communities. Wanting us all to know how indivisible are the rights and protection everyone is due, several months before he died he saw these words engraved into the human rights plaza at Trocadero in Paris:

Wherever men and women are condemned to live in poverty, human rights are violated. It is our sacred duty to come together to ensure that these rights are respected. Father Joseph Wresinski.

The British headquarters of ATD Fourth World is at 48 Addington Square, London SE5 7LB. Stuart Williams is its director.

## 'If any would not work, neither should he eat'

### Economic Rights and Obligations in a Post-Dependency Culture

James Robertson.

In his second letter to the Thessalonians,<sup>1</sup> St Paul was not telling them to get on their bikes and find employers to give them jobs. Paul lived long before bikes and — more important — long before getting a job from an employer (or otherwise participating in the 'labour market') had become unthinkingly accepted as the normal and only valid way for human beings to work. Much of the work done in St Paul's time was unpaid work. People organised and controlled it for themselves, and carried it out directly to meet their own needs and those of their families, neighbours and friends.

As the full biblical text shows clearly, Paul was not saying that the poor should be compelled to work. He was urging those members of the Thessalonian community 'which walk among you disorderly, work not at all, but are busybodies, ... that with quietness they work and eat their own bread'.<sup>2</sup> He was repeating what he had said in his earlier letter to them: 'We beseech ye, brethren, ... that ye study to be quiet, and to do your own business, and to work with your own hands'.<sup>3</sup> In other words, he was recommending *Mind your own business* as a good precept for interpersonal relations within the community; and he was suggesting that all members of the community do their share of basic subsistence work — rather as Mao insisted that intellectuals and professionals share the work of food production with rural peasants, or as people now urge that men share more equally with women the unpaid work of the household and family.

Mrs Thatcher is not the first to interpret Paul's words as she did in her address to the Church of Scotland earlier this year. The 17th-century Puritans quoted him in support of the view that the poor should be compelled to work. Emphasising the spirit of the 1649 Act, which offered vagrants a choice between work or whipping and prescribed compulsory labour for all other poor persons who had no means of maintenance (including children), Milton's friend Hartlib remarked:

The law of God saith, 'He that will not work, let him not eat.' This would be a sore scourge and smart whip for idle persons if none should be suffered to eat till they had wrought for it.<sup>4</sup>

But the genuine Protestant work-ethic went further than Thatcherism in an important respect: what was sauce for the poor goose was sauce for the rich gander too. As the Puritan preacher taught in 1643:

The nobility and gentry should work for their own maintenance; and, if they will not work, they ought not to eat.<sup>5</sup>

No tax breaks there to augment the unearned incomes of the idle rich.

But that is all past history. What Paul's words suggest to us today is the need to redefine what we mean by work, as an aspect of our economic rights and obligations as members of society, including our right to a livelihood and our obligation to contribute to our own and other people's needs.

#### Employment as a feature of a dependency culture

In approaching the task of redefinition, we have to remember that paid employment — both as a way of organising most people's work and as a means of gaining a livelihood — has been specific to the industrial age. We need to recognise that the age of employment has been a stage in a historical progression. In ancient society most people worked as slaves; in medieval society most people worked as serfs; and in industrial society most people have worked as employees, for wages.

What will come next? There seem to be two choices: either a super-industrial leisure society in which the economic and social divide between masters and slaves, lords and serfs, employers and employees, is succeeded by a comparable divide between hi-tech expert workers on the one hand and irresponsible menials and drones on the other; or a truly post-industrial society in which people share equal economic and social rights and obligations and it becomes the norm to organise and control one's own work for oneself — in other words, an own-work society in place of an employment society.

I shall say more about ownwork later. The first thing to recognise is that the unthinking equation of work with paid employment is a central feature of the dependency culture to which Mrs Thatcher and her colleagues are so strongly opposed. After all, the employment age only began when the common people were pushed off the land, excluded from their former subsistence way of life, and made dependent on paid labour. I am not suggesting a return to a pre-industrial, rural, subsistence economy, nor am I saying that everyone necessarily experienced the 18th- and 19th-century move from the countryside to urban employment as a transition from self-reliance to dependency. The point is that the pattern was then set for an essentially dependent way of economic life — which has now made people dependent, not only as employees on employers for their work, but also as consumers and clients on commercial, financial and welfare organisations for the necessities of life.

## **Ownwork as a Feature of an Enterprise Culture**

By ownwork I mean activity which is purposeful and important, and which people organise and control for themselves. Ownwork may be either paid or unpaid. It may be done by people as individuals and household members, or by groups of people working together, or by people living in a particular locality deciding to work together to meet local needs. For individuals and households ownwork may mean self-employment, essential household and family activities, productive leisure activities (such as do-it-yourself or growing some of one's own food), or participation in voluntary work. For groups of people, ownwork may mean working together as partners, perhaps in a community enterprise or a co-operative or a voluntary organisation, or in some other activity with social, economic, environmental, scientific or other purposes in which they have a personal interest and to which they attach personal value.

Ownwork is more self-reliant and less impersonal than most employment, and more directly related than most employment to the locality in which the worker lives. Unpaid work of the kind traditionally regarded as women's work will be more highly valued in the own-work economy than much of the (less socially useful) paid work traditionally done by men. In the own-work economy, the main areas for further economic growth and social progress will include the voluntary sector, the local socio-economy and the informal economy, and it is in those areas that much of the most important work will be done and many of the most exciting economic and social innovations will be made.

Ownwork will thus be a central aspect of a truly post-industrial economy in which a culture of economic and social dependency has been replaced by a culture of economic enterprise and social responsibility. The latter will be a culture in which enterprise signifies more than individualistic money-making. The work of social entrepreneurs, who find ways of enabling the community to create social wealth and well-being, will be valued as highly as that of commercial entrepreneurs.

It is in this context that a switch to basic income has so much to commend it.

### **Basic income and the liberation of work**

'The key to winning public support for Basic Income lies in the debate about the future of work'.<sup>6</sup> I agree with Peter Ashby on that, but I don't agree with his equation of work with paid work. Nor do I agree with his proposal that the government should guarantee people enough money from paid employment to bring a partial BI up to the level of a living wage.

No, the key to winning public support for BI lies in making it clear that by reducing our dependence on paid employment (rather than reinforcing that dependence through a work guarantee), BI can enable us to work in many other ways that will be both more useful for what they achieve and less costly to organise than much conventional employment.

BI is one of the changes that can lead to a liberation of work and the spread of ownwork, helping to remove existing divisions between people who are 'employed' and people who are 'unemployed', between people of 'working age' and people who are 'retired', and between 'men's work' and 'women's work'. In place of these divisions, BI can help open up a wide range of equally valid work options for all, including:

- ★ no paid work but plenty of informal, voluntary work and productive leisure;
- ★ irregular paid work;
- ★ a regular part-time job;
- ★ a full-time job;
- ★ and even, for some eager spirits, more than one full-time job.

Basic income would help regenerate both the informal and formal sectors of the economy. It would make it easier for many more people than today to spend time on local activities of a voluntary or semi-voluntary nature, thus contributing directly to the welfare of themselves, their families and their fellow citizens, and reducing the scale of dependence on the welfare state. In the formal economy BI would make it possible to establish a freer labour market, not one that is distorted by restrictive practices on the part of employers and trades unions, and by government interventions and guarantees. Once employees no longer depended solely on their jobs for their basic livelihood, employers and employees could freely decide how much the work was worth. The result would be a more keenly competitive economy, in which workers had more say in what work they were prepared to do, and on what terms.

### **Basic income as part of an enabling package**

My own view that it makes little sense to settle for a partial BI, which would have to be supplemented either by some kind of job guarantee as Ashby suggests, or by the continuation of existing social benefits on a very substantial scale. As a short-term transitional step it may be necessary. But for the longer term we need to look at the possibility of a full BI in a rather wider context than we have done so far.

First, the role of incomes in the economy is bound up with the role of capital. As a new mechanism for distributing basic incomes (in place of employment), the BI scheme should be accompanied by a new approach to the distribution of capital. This will involve not only a wider distribution of financial capital, for example through schemes for wider share ownership and employee stock ownership. It will also involve a wider distribution of physical capital. A start has been made with home ownership under the Thatcher government in Britain. But it will be no less important that people, who in the employment age have been dependent on employers to provide the land and equipment needed for their work, should in the ownwork age control their 'means of production' themselves.

All these forms of capital have a direct bearing on people's incomes and income needs. Financial capital

brings in an unearned income; home ownership brings a saving of expenditure on rent; and ownership of the means of production enables ownworkers to earn income from their work, to reduce their expenditure by providing themselves with some of the necessities of life, or a bit of both. In all these ways, wider capital ownership can help to reduce the level of income a BI scheme will have to provide.

Second, we should take another look at the taxation and public expenditure aspects of a BI scheme. A site value tax, broadly on the lines originally proposed by Henry George in the last century, is an obvious possibility as an additional source of funding — and the abolition of domestic rates may open the way for its introduction in a few years' time. So far as competing claims on public expenditure are concerned, the continued reduction of the National Debt, following from the continued sale of government-owned assets such as the electricity and water industries, will help. But, perhaps more important, as the spread of various forms of local ownwork in the household and voluntary sectors takes some of the strain off conventional health and social services (and other government services), further reductions will be possible in public expenditure, at least in comparison with what it would otherwise have been. Both as regards possible sources of funding and as regards competing claims on public expenditure, therefore, the funding of a full BI out of taxation may not seem quite so formidable a challenge in the 1990s as hitherto.

### The right to be responsible

Industrial-age economic thinking has been based on certain assumptions: that human beings are amoral maximisers of their own self-interest; that economics can be an objective and value-free science; and that economic activity is a production/consumption process in which consumers have to depend on producers other than themselves for the products and services they need. Consequently people have not been expected to exercise moral choice in respect of their work as employees, their spending as consumers, or their investing as savers; economists have been uninterested in questions about economic rights and obligations; and economic theory and policy have ignored the informal economy in which people provide goods and services for direct use by themselves and one another.

The shift from a dependency culture to an enterprise culture and then to a responsibility culture may be expected to change all that. We cannot yet define precisely the *economic rights of citizens in the post-industrial economy*. Adequate incomes? Homes which they own? A share in the ownership of national and local assets? Access to their own means of production?

Nor can we yet precisely define their *economic obligations*, nor the sanctions to enforce those obligations. But we can say that in the post-industrial economy citizens should have the right, as economic agents, to act responsibly; that ownwork, rather than employment, will be the key feature of the responsible economy; that BI will be a vital element in a wider package of enabling policies that will encourage

replacement of employment by ownwork; and that in an economic order based on enterprise and responsibility, moral and social sanctions will play a relatively more important part, by comparison with legal and administrative sanctions, than in an economic order which has treated people as dependents motivated essentially by their own narrow self-interest.

In short, the meaning of St Paul's words for us today is not that economically disadvantaged people should be compelled to seek employment from people or organisations that are better off than themselves. St Paul challenges us to redefine work, as an aspect of the economic rights and obligations of all citizens, in the 21st-century, post-industrial economy that is now beginning to take shape.

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**Grundeinkommen ohne Arbeit: Auf dem Weg zu einer kommunikativen Gesellschaft.** Herwig Buchele and Lieselotte Wohlgemant (Katholischen Sozialakademie Österreichs), Europaverlag, Wien/München/Zurich, 1985.

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**Basic Income: Freedom from Poverty, Freedom to Work.** Tony Walter, Marion Boyars, London & New York, November 1988.

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