

Citizen's Income: Rights and Wrongs

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CASE/200
November 2016

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Editorial note

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Abstract

A Citizen's Income, or a Basic Income, is not a new idea but it has been receiving increasing attention. There is confusion about the idea and an attempt is made to distinguish different concepts. Then a full Citizen's Income is examined in relation to four key criteria: the justice of an unconditional benefit; the possibility and fairness of a simple individual benefit; economic efficiency; and political feasibility. On all four criteria, Citizen's Income fails. It is concluded that Citizen's Income is a wasteful distraction from more practical methods of tackling poverty and inequality and ensuring all have a right to an adequate income.

Key words: Citizen's Income, Basic Income, Conditionality, Social Justice

JEL number: H53, H55, I30, I380

Introduction

Citizen's Income in essence could hardly be simpler: every individual citizen should receive an income from the state which goes to all without any conditions, is not related to contributions, not withdrawn as earnings change, not means-tested.

Why is it attractive? The UN Declaration of Human Rights of 1948 stated that:

“Everyone has a right to a standard of living adequate for the health and well-being of himself and his family.” (Article 25)

A Citizen's Income could ensure that right was achieved.

The argument for a Citizen's Income (CI for short) has been set out clearly and passionately by Torry (2013 and 2015). Basically it is argued that a CI is socially just, it would boost the economy, tackle poverty, integrate society and that it is feasible politically and practically.

There is now active, enthusiastic and committed lobbying for a CI. At a global level there is a Basic Income Earth Network. In Britain there is a CI Trust - and similar organisations exist in many countries. The Royal Society of Arts, Compass and Progress have been supportive of the concept. Writers such as Paul Mason and Guy Standing have been enthusiastic supporters. The Shadow Chancellor is reported to be considering the idea. The Guardian newspaper has headlined letters about CI 'Economic ideas which are good and true' (14.12.15) and 'Citizen's income is an idea whose time has come' (11.1.16). The idea is undoubtedly gaining prominence.

This paper examines the case for a CI. It proceeds as follows.

First, it attempts to clear some confusion that exists, distinguishing four distinct meanings attached to CI. Then it examines the key ideas or structural elements underlying the case for a CI:

The justice of unconditionality
Individualized simplicity
Economic efficiency
Political feasibility

Finally, some conclusions are drawn.

Ground Clearing

Citizen's Income or CI is referred to in most countries as Basic Income (terms used here interchangeably). Other terms for essentially the same thing (which will not be used here) are Universal Basic Income, Basic Income Guarantee or BIG, Demogrant, and Social Dividend, and doubtless there are others.

CI is generally distinguished from existing social security systems in that it is not related to particular categories of people or particular conditions, it is not dependent on contributions and it is not withdrawn, taxed or means-tested. Its principal attractions, in contrast to the complexity of the current benefit and tax system, are its unconditionality and its simplicity.

There is not, however, one common definition of CI. Despite CI being a simple idea, the term is used to describe several very different concepts. As a first step it may be useful to separate four concepts.

A. Bonus CI

In BC 483 a massive new seam of silver was found in the Athenian silver mine at Laurium. A statesman Aristides proposed that this be distributed among all citizens as a Citizen's Dividend (which certainly would not have included slaves); but in that instance, as so often, the arms lobby prevailed and the financial bonus was used to expand the Athenian navy. More recently, Alaska, not noted for its social progressivism, distributed royalties from oil extraction on state owned land as an equal annual payment of around US\$1,000 to every citizen of Alaska who had been resident for at least a year. A few other examples of this type exist but in none of them is the Bonus CI sufficient to meet anyone's needs. Such exogenous income is, however, rarely available and alternative uses have been found. In Norway, oil revenues have been invested in a sovereign wealth fund. In the UK, North Sea Oil taxation has been assimilated into general government revenue. This points to the fact that even where there is an exogenous source, there is still an issue on how it should be distributed. Some might argue that the least advantaged should be prioritised or that the funds be invested in education and health which might help the poorest far more than a uniform Bonus CI.

Most nations do not enjoy exogenous sources of revenue so no bonuses are possible. Instead any CI has to be based on it being a redistributive mechanism paid for out of taxation, and that is what this paper focusses on.

B. Partial CI

Some have advocated a partial CI, namely a CI that goes only to some groups in society. In important respects that is what has existed for a long time in many countries.

The Child Benefit in Britain was for nearly 40 years in effect a CI for children. When access was reduced in 2013 to families with an income over £50,000 it became means-tested although the means test, unlike most, applied to those better off. In South Africa cash grants both to children and to older persons were introduced in the post-Apartheid era; again universality was restricted by a means test to exclude the better off.

Such benefits redistribute incomes to groups with extra needs or which are generally poor. They operate without the stigmatisation, non-take-up and administrative cost of means-tested benefits.

While these universal benefits have much to commend them, to treat them as a form of CI or a step on the way to a full CI is very questionable. By being focused on particular groups they fail to meet the basic criterion for a genuine CI that it should be paid to every citizen. Further if a universal benefit, maybe labelled as a partial CI, is already paid to those groups in greatest need, there are diminishing returns in terms of reducing poverty from extending coverage to other groups in order to achieve a full CI.

Universal, non-means-tested benefits have a distinguished history and in many societies can form an integral part of social security systems but it is more confusing than helpful to think of them as a partial CI or as a step towards a full CI.

C. Supplemental CI

One possible form of a full CI scheme is to introduce a modest CI alongside the existing social security system.

Such a scheme has been put forward and simulated by Torry (2016). Essentially, personal tax allowances are ended and converted into tax credits, to be called a CI, which are enhanced out of a 3% increase in income tax rates and higher national insurance contributions on the higher paid. This proposal is not therefore financed by a simple proportional tax but it is substantially redistributive. The CIs affordable on this basis are not the same for all but are age-related:

Young Adult	£50 per week
Working age adult	£60 per week
Citizen's Pension	£30 per week

Most significantly, the social security system is maintained. What it would achieve, according to Torry, is a reduction in means-tested benefits and a reduction in inequality and child poverty. Such a scheme would be akin to the proposals for a Tax Credit scheme put forward but never implemented by the Conservative Government in 1973 plus more redistributive taxes on the better off. The tax credit proposals would have replaced personal tax allowances worth more the higher the marginal tax rate with a fixed value tax credit worth the same to all in the tax system (but not those outside the tax system). Torry wrote:

“The impact of this quite conservative and easy to achieve Citizen Income scheme on both employment incentives and poverty would have been both positive and considerable.” (Torry, 2016 p 11).

But since the social security system is maintained, it would not achieve any of the simplification that is often claimed for a CI. Indeed, by adding a new unconditional

benefit for all on top of the manifest complexities of the current social security system it seems certain to add to complexity.

What are lacking in Torry's modelling of a modest supplemental CI scheme are any serious alternatives. If the tax rates on the better off are substantially increased (by 15% combining the tax and NI increases) then this would pay for improvements to social security and tax credits which could undoubtedly have far more impact on poverty than spending the extra revenue on a CI going to all citizens.

As with a partial CI scheme, a supplemental CI scheme which leaves social security in place fails to achieve the central and crucial claim for a full CI scheme – namely that it can replace the social security system with a fairer, more effective system that is economically and politically feasible. An incremental CI is not a real CI – it would be another tier in an already very complex system of redistribution.

D. A Full CI

A full CI scheme would provide an unconditional income adequate to live on to all citizens that would not be means-tested or withdrawn. (It might, to make its status clear, be called a Full Member of Nation Trust Income or the Full MONTI, but this might be thought irreverent by some.

A full CI is the ultimate objective of the Basic Income Earth Network and many advocates of CI. It is therefore appropriate to assess the full version. For if the Full CI is desirable then steps that would help get there are worthwhile. But if the objective is not desirable then there is no point in taking steps in that direction.

The focus of the rest of this paper is, therefore, on a full CI financed out of taxation. The paper will consider four key criteria by which to judge a full CI:

- The justice of unconditionality
- Individualised simplicity
- Economic efficiency
- Political feasibility

The justice of unconditionality

Perhaps the strongest argument for an unconditional basic income, certainly the most widely cited, is that of Phillippe van Parijs, a Belgian philosopher, in his paper 'Why Surfers Should Be Fed: The Liberal Case for an Unconditional Basic Income' (1991).

Van Parijs puts forward a case on Rawlsian lines. In brief, Rawls's *Theory of Justice* (1971) argued that all social primary goods – liberty and opportunity, income and wealth, and the social bases of self-respect – should be distributed equally unless an unequal distribution of any, or all, of these goods is to the advantage of the least favoured. If we do not know what position we would have in society – the “veil of

ignorance” – social and economic inequalities are only acceptable if they benefit the least advantaged - the difference principle.

Using Rawls’s approach, Van Parijs reaches a powerful conclusion:

“what I here take to be Rawls’s version of the real-libertarian position and in particular his Difference Principle appear to recommend – subject to the respect of fundamental liberties and of fair equality of opportunity – that one should introduce a wealth-distributing, power-conferring, self-respect-preserving unconditional basic income. Indeed, that one should introduce such an income at the highest sustainable level.” (Van Parijs, 1991, p105).

The key question is whether Van Parijs’s conclusion that an unconditional CI is just, and that surfers should be fed unconditionally, stands up to scrutiny. Certainly Rawls himself disputed this conclusion in terms:

“those who surf all day off Malibu must find a way to support themselves and would not be entitled to public funds.” (Rawls, 1988 p257).

It is therefore fundamental to examine Van Parijs’s case and his difference with Rawls.

The root of the difference between Van Parijs and Rawls is the addition of leisure to the list of socioeconomic advantages governed by the Difference Principle that Rawls proposes. Van Parijs regards this as:

“fundamentally flawed, because a liberally indefensible bias has crept into the interpretation of real freedom provided by the Difference Principle. (Van Parijs op.cit. p105).

To explain why he thinks this, Van Parijs introduces two important characters:

“To understand the nature of this bias, consider Crazy and Lazy, two identically talented but rather differently disposed characters. Crazy is keen to earn a high income and works a lot for that purpose. Lazy is far less excited by the prospect of a high income and has decided to take it easy. With the basic income at the highest feasible level... Crazy is rather miserable, because her net income falls far short of the income she would like to have. Lazy, however, is blissful.” (Van Parijs op.cit. p105).

Van Parijs argues that Crazy’s preference for a high income is purely a personal preference which should be given no more significance than Lazy’s preference for leisure. Rawls, however, has suggested:

“adding leisure to the list of socioeconomic advantages [primary goods] governed by the Difference Principle. More specifically, “twenty-four

hours less a standard working day might be included in the index of leisure. Those who are unwilling to work would have a standard working day of extra leisure, and this extra leisure would be stipulated as equivalent to the index of primary goods of the least advantaged.”” (Van Parijs op.cit. p108, citing Rawls ‘The Priority of Rights’, p257).

Van Parijs argues that this line of argument has a “fatal defect”.

“assume some exogenous change” comes about (say, the random discovery of another reserve of natural resources) which makes it possible to redistribute more to the least advantaged. What form should this redistribution take? Leaving incentive issues aside for the moment, the consistent implementation of Rawls’s proposal requires that the funds thus becoming available be used as a subsidy that is proportional to the number of hours worked.” (Van Parijs op.cit. p109-110).

This would mean that Lazy, working zero hours, would get none of the subsidy, or Bonus CI in my terminology.

Van Parijs continues:

“For simplicity’s sake, just consider the extreme case. The primary goods index of those who do not work at all and have no income is set equal, as we have seen, to that of the least advantaged full-time workers. If we were to put Rawls’s proposal into practice, this index would go up as a result of the exogenous change. But, clearly, this improvement in the measured condition of this fraction of the least advantaged [meaning people like Lazy] is purely fictional. It hides a stagnation of their situation in absolute terms and a worsening of their relative position, and simply reflects the fact that their leisure is postulated to be equivalent, at any particular time, to the income enjoyed at the same time by the least advantaged full-time workers. Why should this sub-category of the least advantaged not claim a real share of the exogenously generated benefit, instead of being treated to a sheer semantic trick?...No such proposal could possibly be justified by a non-discriminatory concern with the real freedom of the least advantaged. (Van Parijs op.cit. p111).

This is, according to Van Parijs:

“an objection which is, in my view, decisive and challenges the very consistency of Rawls’s proposal with a liberal perspective. His proposal involves a liberally unjustifiable bias against some of those who are, using Rawls’s own standards, among the least advantaged.” (Van Parijs op.cit. p111).

On this basis, Van Parijs argues that discrimination against Lazy is unjustified and therefore conditionality is unjustified.

Before considering the rest of Van Parijs's argument, let us examine this crucial contention. Rawls never replied to Van Parijs's paper but there seems absolutely no doubt that Rawls would have thought that the least advantaged should benefit from an exogenous bonus – that is precisely what the difference principle requires.

Rawls wished to put a value on leisure and it seems evident that if someone voluntarily chooses to forgo wages of \$x (most surfers in Malibu are American) then this implies that the leisure is worth to him or her at least \$x – something that is relevant in assessing their index of primary goods. Van Parijs interpreted Rawls' statement about the value of leisure literally, but not sensibly, to imply that any allocation of a social benefit should be made proportionally to the hours worked. He justified this on the ground that this would ensure the primary goods index grew at the same pace for all (which presumed to know more about the index of primary goods than even Rawls himself appeared to know). Van Parijs's assertion and what follows from it is an argument built on sand - sand, one could say, from Malibu beach.

Van Parijs rightly pointed to the diversity of "work". What he did not point to is the diversity of "leisure". Not being at work can be many things – most crucially one can distinguish desired from undesired leisure. The former has value, the latter often does not. When Richard II, imprisoned and unaware that he was shortly to be murdered said, according to Shakespeare, "I wasted time and now doth time waste me"; this was, to put it more prosaically, unwanted leisure. A more common example is involuntary unemployment. The "leisure" of involuntary unemployment cannot be valued at the level of the earnings forgone, if only because no earnings are forgone. Because there undoubtedly is involuntary unemployment there is a strong justification for unemployment benefits, subject to fair and reasonable conditions. By contrast, those who choose to give up well paid jobs, whether temporarily or permanently, for the delights of the Malibu surf clearly value their leisure more highly than their forgone earnings. Rawls clearly assumed that leisure on Malibu beach was voluntary leisure and it follows that it has a value of at least the earnings forgone.

The fatal error in Van Parijs's argument was, then, his failure to distinguish between the reasons why people were not working and his lumping all leisure together as one homogeneous state. Unwanted leisure, due to unemployment, sickness or disability, or unwanted and enforced retirement, is not leisure in the same sense as leisure enjoyed by the Malibu surfer. Van Parijs's whole justification for unconditionality collapses if one makes the distinction between voluntary and involuntary leisure.

To return to Van Parijs's paper, he discussed a basic income resulting from an exogenous change, the new natural resources, in effect the bonus CI discussed in the previous section. Van Parijs then goes on to consider three other possible sources of basic income: external resources, inherited technology and the nature of the labour market.

First, he considers external resources, such as land which the self-driven Crazy needs to work on to generate income, and how they should be distributed and traded. Van

Parijs endorses Dworkin's argument that there should be equality of external resources (Van Parijs op.cit pp112-117), although he does not follow up what this implies. Van Parijs is right to emphasise the importance of the distribution of land and other assets in determining the fortunes of Lazy and Crazy; yet he does not give further consideration to policy towards the inheritance of land or other assets, important though this is for long-term inequality. Van Parijs is also right to follow Dworkin (1981) in emphasising the importance of inequalities of external resources, including education, but again he does not pursue the implications of this for social policies.

Second, he argues that inherited technology determines income levels:

“From rudimentary cooking recipes to sophisticated industrial software, it is obvious enough that much of our material standard of living, much of our wealth, can be ascribed to our technology. If we could add the value of all inherited technology to the value of all inherited capital, would the amount available for financing the basic income not be greatly increased?” (Van Parijs op.cit. pp118-119).

However, he argues that, because of the non-exclusive nature of technology, its opportunity cost is zero. Therefore:

“the liberally justifiable level of the basic income gains nothing whatsoever from the inclusion of inherited technology in the common pool.” (Van Parijs op.cit. pp120-121).

The third issue Van Parijs considers is the nature of the labour market. Much discussion of the labour market makes:

“the “Walrasian” assumption that the labor market, like any other market, tends to clear, that in the absence of institutional constraints (such as a minimum wage), anyone who wants a job and is qualified for it will get one at the standard rate for a given type of skill.” (Van Parijs op.cit. p122).

By contrast:

“suppose now that we are in a *non-Walrasian economy*, that is, that for some reason, the labor market does not tend to clear. This may be because of obstacles to perfect competition, such as minimum wage legislation or union monopolies. But it may also be due to mechanisms that are consistent with perfect competition, such as those highlighted by the so-called insider-outsider and efficiency-wage theories of involuntary unemployment.” (Van Parijs op.cit. p123).

If involuntary unemployment is high:

“room is made for a sizable increase in the level of basic income that is warranted on real-libertarian grounds. For it amounts to sharing among all the *employment rents* otherwise monopolized by those in employment. These rents are given by the difference between the income (and other advantages) the employed derive from their jobs, and the (lower) income they would need to get if the market were to clear.” (Van Parijs op.cit. p124).

There are good grounds for sharing employment rents but there is no justice in sharing them among all those who have leisure. Those who should, in fairness, share them are those who are involuntarily unemployed, who have involuntary leisure. This is achieved by having unemployment benefits that are conditional on being unemployed and seeking employment. It may be noted that if all unemployment were voluntary then the labour market would indeed have cleared and fit Walras’s model, and Van Parijs’s non-Walrasian employment tax to pay for a basic income could not exist.

In concluding, Van Parijs returned to the welfare hippies and Malibu surfers with which he started and wrote:

“Thus it *is* just, contra John Rawls...that Malibu surfers be fed...feeding them does not go against the widely held view that it is “unfair for able-bodied people to live off the labor of others.” For this is a serious misdescription of what Malibu surfers are doing if all they live off is their share, or less than their share, of rents which would otherwise be monopolized by those who hold a rich society’s productive jobs” (Van Parijs op.cit. pp130-131).

Yet it is an argument that is fundamentally flawed. Van Parijs fails to establish a convincing case for an unconditional basic income.

A rather different but equally convincing critique of Van Parijs’s argument has been put forward by Torisky (1993) who addresses ‘The Challenge of Crazy and Lazy’. He argues:

“The crucial question posed...is whether the Malibu surfer may be counted as supporting the liberal political conception of justice...one might count as central a willingness to contribute in *some* significant social, political, or cultural way to the continued existence of just institutions in society – that is to live as a member and not as a stranger or parasite...Since membership has its benefits, why should society not require of those who benefit that they contribute in some significant way? It is one thing when a person, in circumstances beyond his or her control, is unable to contribute, either temporarily or permanently, to the society of which he or she is a member. But members of even a liberal society – rightfully, it seems - resent a fellow member not acting as a member ought to act, but instead as a free rider. (Torisky, 1993 pp294-5).

Torisky's argument is based on a belief that membership of society involves mutual obligations and that conditionality is therefore justified. His conclusion is that:

“Van Parijs's substantial unconditional basic income cannot rest on a Rawlsian conception of liberal neutrality, and Rawls's political liberalism is not forced to accept an unconditional basic income as van Parijs argues.” (Torisky, 1993 p297).

In terms of need and desert, a simple distinction was made by Arneson (1996) in his paper, 'Should Surfers Be Fed?'

“Whether people are truly needy or not depends on their potential income (the income they could earn if they chose to seek it) not their actual income, but the basic income grant proposal varies its treatment of individuals according to their actual income.” (Arneson, 1996, p38).

If Lazy on the Malibu beach had chosen to forgo earnings that were at least adequate and probably affluent, since surfing is not cheap, then he has potential income and is not “truly needy”. The reason such a Malibu surfer does not warrant an unconditional benefit is, then, simply because he or she does not deserve it or need it.

Whether for Arneson's, Torisky's or my reasons, there is nothing convincing nor just about Van Parijs's argument for unconditionality. It is unfortunate that it has been accepted so uncritically by so many for so long.

Individualised simplicity

A full CI is intended to ensure that needs are met and do this in a simple manner with all enjoying an unconditional CI. But not everyone has the same needs.

Sen criticised the primary goods approach of Rawls on the grounds that it

“seems to take little note of the diversity of human beings...If people were basically very similar, then an index of primary goods might be quite a good way of judging advantage. But, in fact, people seem to have very different needs varying with health, longevity, climatic conditions, location, work conditions, temperament, and even body size” (Sen, 1980, pp215-6)

Some of the most important differences in needs relate to:

A Disability

In addition to basic needs for food, clothing and housing, many people with disabilities incur extra costs for heating or food. Many are unable to do paid work. Some require constant attendance night and day to look after them and many more

require attendance by day. All these impose extra costs. It is recognised, and is not in dispute, that these extra costs require special disability additions or benefits.

B Housing

Housing benefit now recognises that housing costs are not uniform and that in order to enable people on low incomes to live in high rent areas there needs to be a targeted, means-tested subsidy to assist with housing costs.

C Living arrangements

There are economies of scale in cohabitation. Two people together can share housing costs, heating, furniture, much household equipment and meals, the preparation of which increases, but not proportionally, with the number to be fed. Thus there is a strong case for benefits to reflect the reality of household economics and not treat all individuals as discrete units. Further, the value of home production whether cooking, cleaning, raising children, bees or turnips is related to household composition and the time not spent in paid work.

Basing CI on individuals and assuming they have identical needs is, for all these reasons, less than just. By contrast, the social security and in some ways the tax system attempt to take these factors into account, however inadequately.

Many advocates of CI do recognise that people with disabilities and also perhaps with high housing costs require special treatment with some form of supplemental CI. Yet to do this involves complicating the simplicity of CI, undermining one of CI's greatest superficial attractions. Introducing complexity may seem unfortunate, unless one is in one of the conditions for whom complexity is fairer than simplicity. A masonic straight-edge is scarcely appropriate in dealing with the crooked timber of humanity.

Economic Efficiency

There are many economic issues raised by a CI. Here the emphasis is on how a full CI would affect the efficiency and equity of the economy. It is assumed that a CI would have to be financed by taxation and it is assumed for simplicity that this taxation would be a proportional tax on income.

The impact of a CI can be represented in a simple and familiar diagram showing the relationship between original and final income, as shown in Figure 1. A negative income tax can be similarly represented, as shown in Figure 2. It will be seen that the result is identical to a CI, although the mechanisms differ. The key thing with both CI and NIT is that final income is determined by original income, not by any other personal characteristics or circumstances.

Figure 1: Citizen's Income

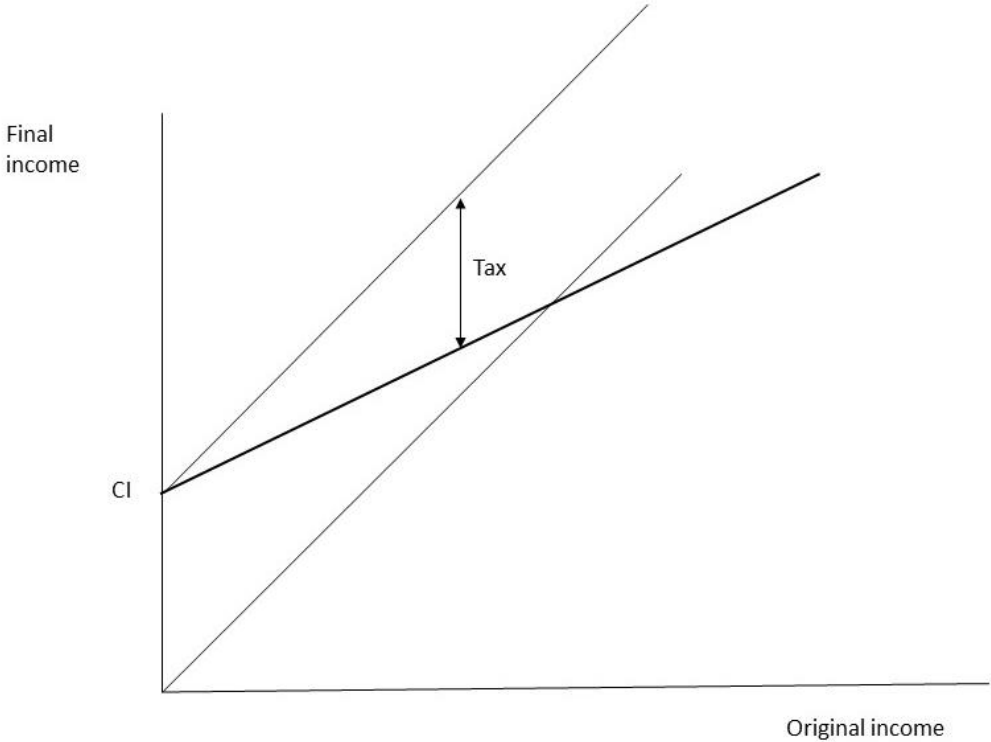


Figure 2: Negative Income Tax

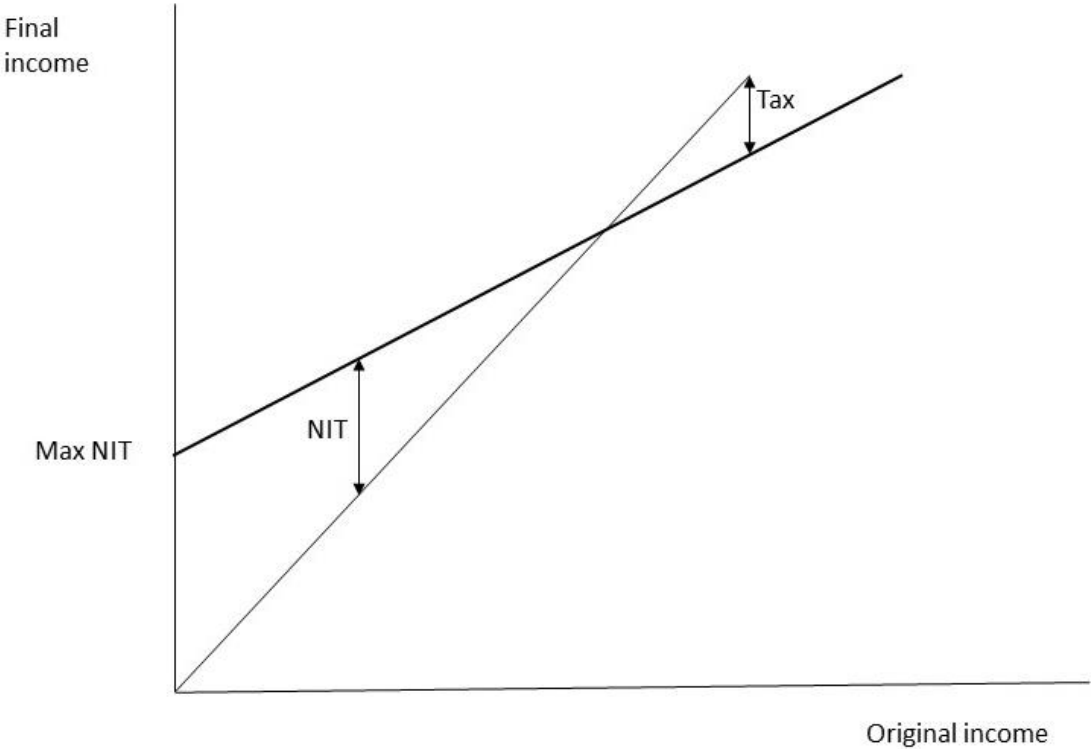
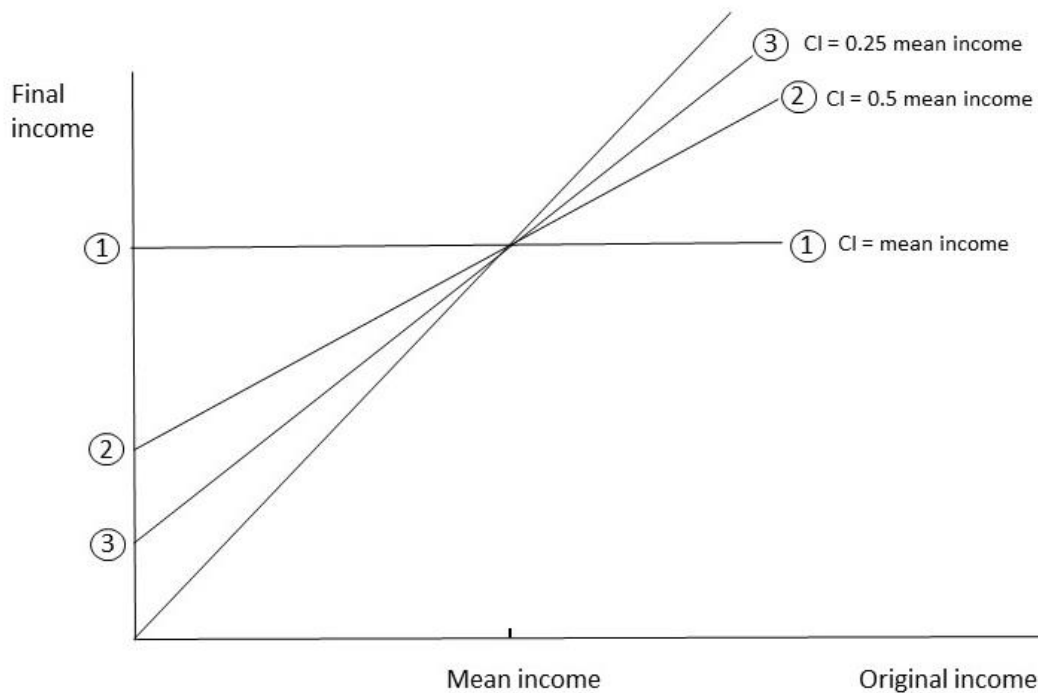


Figure 3: Citizen's Incomes



Within such a system there can be a range of redistributions, as shown in Figure 3. With no redistribution, then as was just seen final income is the same as original income. With total redistribution, there is a 100% tax taking all of original income, and everyone's final income is the CI. The latter is akin to post-revolutionary, pre-reform China when the system described as the 'Iron Rice Bowl' prevailed in which virtually all consumption was collectively distributed. Of course, as China found, a 100% tax may promote equality but it removes all financial incentives and may result in a much lower level of output, and therefore may not be to the benefit of the least advantaged. This is a reminder that income, or command over resources, depends on output and that consumption depends on the resources available from production. There is little benefit from finding a seam of silver, or even gold, if one is alone on a desert island.

The goal of an unconditional CI, as put forward by Van Parijs, was to provide for the needs of all. What level of income is required to achieve this is a matter of limitless debate, but the official poverty level in Britain is approximately half average income level. To pay for a CI that on average provided half the mean income per head would require a proportional tax on all income of about 50%. At present social security is about one-third of existing public expenditure, so if other government services were maintained the overall level of tax would be:

Two-thirds of current taxation plus 50%.

This would be a huge increase of taxation and total government expenditure.

Why would a full CI which maintained existing levels of income for those now dependent on social security be so very expensive?

It is important to remember that the social security system was conceived primarily as a means of tackling poverty or want. As the Beveridge Report stated:

The Plan for Social Security...starts from the diagnosis of want...Of all the want shown by the surveys [pre-war social surveys], from three-quarters to five-sixths...was due to interruption or loss of earning power. Practically the whole of the remaining one-quarter to one-sixth was due...to the size of the family. (Beveridge, 1942, Para 11).

By targeting these causes of want or poverty directly through social insurance and family allowance (later child benefit), poverty was tackled directly and efficiently.

Of course in the 70 years since the Beveridge Report the causes of poverty have changed; far more poverty is associated with lone-parents and working families. But it remains true that to tackle poverty it is far more efficient to direct resources at the causes of poverty than to distribute them to everyone.

This was put clearly by Akerlof (1978) when he identified the trade-offs in the design of institutions to redistribute incomes:

“Some types of programs, either by their eligibility requirements or by the self-selection of the beneficiaries, identify (tag) people who are in special need. With tagging, taxpayers (as opposed to beneficiaries) are denied the benefit of the transfer, so that in effect a *lump sum* transfer is made to tagged people.

In contrast, with a negative income tax, a grant is made to all taxpayers and this grant must be recovered to achieve the same net revenue. This recovery results in high marginal tax rates, whose disincentive effects are a major disadvantage of a negative income tax. This disadvantage, however, must be weighed against the disadvantages of tagging, which are the perverse incentives to people to be identified as needy (to be tagged), the inequity of such a system, and its cost of administration.” (Akerlof, 1988, p 17).

To illustrate this, imagine a world in which:

All poor people were left-handed
All right-handed people were not poor
Most people were right handed

It would be possible to eliminate poverty in one of two ways:

- A Provide everyone with a CI and raise the tax to pay for it
- B Provide a benefit conditional on being left-handed and raise much less tax.

Apart from the problem of testing left-/right-handedness and possible abuse, it is immediately evident that alternative B is more efficient. This may seem a very obvious point but it is fundamental to understanding why CI is so inefficient, wasteful and costly. Of course, poverty is not now so precisely associated with certain categories or conditions as in the example. But it is still predominantly related to certain conditions, which are, broadly, those which are targeted by the social security and tax credit systems.

A full CI goes to everyone unconditionally, whereas social security is targeted at certain groups who in the absence of social security would be most likely to be poor. In consequence, a full CI that replaces social security is far more costly than social security, and this has to be paid for from higher taxes on all incomes with far-reaching economic consequences. The inevitable conclusion is, therefore, that a targeted social security system was, is, and will be more efficient and equitable than a full CI.

If, as some favour, a full CI were introduced at a much lower level without raising tax rates, then the level of CI would be far below current social security levels and the result would be much more poverty. A simulation carried out over 30 years ago showed this very clearly - the proportion below the then Supplementary Benefit level would have tripled and inequality would have greatly increased (Piachaud, 1982).

Thus far the focus has been on the distributional impact of a CI assuming people's behaviour was not changed. But this assumption is clearly wrong.

Labour market behaviour is affected by income and substitution effects, both likely to change as a result of a full CI. People who have interesting, attractive jobs may continue to work much as now. But most paid work is, to a greater or lesser extent, unattractive and people only do it because they are compensated by their wage. It is not clear, as some seem to imagine, that a CI would change the nature of most paid work, although the hours people decide to work could well change substantially. But estimating the possible labour market effects is beyond the scope of this paper.

It is not only hours worked and labour force participation decisions such as when to retire that could be affected by a full CI. Life decisions relating to training and education, child bearing and child care and much more could also be affected. Research may shed some light on what the behavioural effects might be, but a full CI involves such fundamental changes that any predictions of their effects will remain highly speculative.

Political Feasibility

Is a full CI politically attractive and feasible?

As described, the idea of a basic or CI is not remotely new, nor is the equivalent idea of a negative income tax. In the past, the main proponent of a negative income tax,

equivalent to a full CI, albeit at a low level, was Milton Friedman (1962), who also wanted to scrap social security and most social services. A more recent Right wing advocate is Charles Murray who saw a guaranteed income, equivalent to CI, as fundamental to “A Plan to Replace the Welfare State” (2006). He was clear about his perspective, which was broadly similar to that of Milton Friedman. Murray wrote:

“The welfare state drains too much of the life from life. Specifically, it does so by stripping the institutions of family and community of many of their functions and responsibilities...The Guaranteed Income returns these functions and responsibilities to family and community. In this sense, the importance of the Guaranteed Income on human relationships and the vitality of communities is not that each adult has US \$10,000 a year, but that government has withdrawn all the ways in which the apparatus of the welfare state tries to take the trouble out of people’s lives.” (Murray, 2006, p7).

That social policies promote recognition and redistribution, opportunities and social justice are, for Murray, taking “life from life” – and are wrong. Not all share this view.

Now many advocates of a CI are on the political Left. One notable and passionate advocate of a CI is Guy Standing. He has described a “precariat” trapped in insecure, badly paid, short-term jobs; he argues that work must be rescued from jobs and labour and condemns “pushing everybody into jobs” (Standing, 2011, p 145). He sees universality as:

“the only principle that can arrest the spread of means testing, conditionality and paternalistic nudging. It is the only principle that can be used to retain political stability as the world adjusts to the globalisation crisis.” (Standing, 2011, p155).

In the face of the increasing commodification of labour that he sees as inevitable, Standing wishes to ensure security through a CI:

“The need for multi-layered ex-ante security...is thus a reason for wishing the good society of the future to include an unconditional basic income.” (Standing, 2011, p175).

He sees the present global prospects as a “politics of the inferno” and argues that an unconditional basic income could turn this into a “politics of paradise”.

Standing is not alone in having dark forebodings about the future of work, the spread of robots and the prospect of the loss of a large proportion of current jobs. But there is a real possibility that if more security is provided by the state for everyone, including all those in the labour market, then employers will provide even less security in work, leading as a result to more, not less, precariousness.

A world in which half of all jobs disappear, as some forecast, and those without jobs live on CI and depends on the taxation of those still in work and those who own the robots, is a world in which the workless seem doomed to be second-class citizens.

The future distribution of employment is as important an economic and social issue as any on the horizon but an unequal distribution of work will not be prevented or satisfactorily alleviated by a CI. The distribution of employment has always mattered, and this will not change. As Beveridge recognised, full employment is fundamental to tackling poverty, and this is still true and will remain true. CI is a distraction from this goal and could quite possibly make it less attainable.

If many on the political Left and Right favour a CI, why has it not been introduced long ago? Donald Hirsch, reviewing for the Joseph Rowntree Foundation whether a CI could work, argued that there were not just practical issues but fundamental issues which:

“concern the kind of income redistribution system that the British public wishes to buy into. In particular, it would require us to consent to be taxed much more, to change the prevailing social attitude about the conditionality of support for working-age people outside work and to accept a much greater form of ‘rough justice’ in meeting certain basic needs such as housing. (Hirsch, 2015 p 25).

A large part of the political problem with a CI is that would involve a huge increase in “churning” – money being given and received by the same people. Most of those receiving a CI would gain nothing from it since they would pay out as much or more in extra tax. It may be economically irrational that many people view tax allowances as fundamentally different from benefit expenditures, but it is a political reality. Even the modest proposal to turn tax allowances into tax credits proposed by the Conservative government in 1973 foundered; in part this was because they seemed more akin to government expenditure.

Some would blame lack of imagination, lack of political courage, conservatism and inertia for the failure to promote such a bold advance. The more obvious explanation that has been indicated here is that:

Unconditional benefits are not perceived by most people to be fair.
Providing benefits based on individuals rather than social needs is unfair.
The cost of a full CI in terms of increased taxes is seen as unacceptable or a very poor way of spending extra taxes.
Priority should be given to social policies that improve education, health and housing which are capital investments in people’s opportunities.

There seems no reason why the politics of a CI will change substantially in the future. Thus, it seems extremely unlikely that any political party likely to gain majority

support will adopt an unconditional CI as a policy proposal either in the full or supplemental forms discussed here.

Conclusion

The idea of a CI has been examined here in relation to four key aspects: the justice of unconditionality, individualised simplicity, economic efficiency and political feasibility. These are pillars on which the idea of a CI has rested. It has been concluded that with respect to each of these pillars CI fails. With defects in all four pillars the whole edifice of a full CI cannot stand up. While a ‘bonus CI’ may be politically attractive in certain circumstances, a full CI paid for out of taxation as a replacement for an improved social security system does not stand up to scrutiny.

Does this, then, mean that there should not be or will not be a right to an adequate standard of living? This does not follow, nor should it. This paper started by citing the UN Declaration of Human Rights on the right to an adequate standard of living. The UN Declaration also set out the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment (Article 23) and that everyone, as a member of society, has the right to social security (Article 22). Put together these rights can provide a framework for an adequate standard of living for all, and do so in a way that is fairer than a CI, which is economically far more efficient and which is capable of building sustainable political support.

In Britain, there are serious inadequacies in social security benefit rates and the conditions imposed on receipt of certain benefits are unjust and inhumane, as anyone who has seen the film “I, Daniel Blake” will agree - though it does not follow that all conditionality is therefore unjust. There is also a failure to achieve full employment, indeed its abandonment as a political target. Tony Atkinson last year proposed that:

“The government should adopt an explicit target for preventing and reducing unemployment and underpin this ambition by offering guaranteed public employment at the minimum wage to those who seek it.” (Atkinson, 2015, Proposal 3, p237).

Some would go further and propose that, just as the Bank of England is lender of last resort, the government could become employer of last resort with a corresponding obligation on those seeking employment to take work, at the minimum wage, from the government. To make the possibility of employment a genuine one for those who do not have reasons of health or old age not to work, also poses challenges to other social policies which the government must meet for employment to be feasible: it requires accessible and affordable housing and adequate child care made available through nurseries and schools. Another neglected area is unpaid care work: many of those engaged in essential social care cannot seek employment yet often enjoy virtually no leisure and have little state support.

A combination of improved and extended social security and genuine full employment is by no means an easy option but it is essential to tackling poverty and promoting social justice.

What is perhaps most frustrating for those who see no likelihood or desirability about pursuing a full CI is that it represents a diversion from the task of promoting more feasible and sensible reforms. There is a desperate need for more investment in human capital for the least advantaged and promoting more equal opportunities for all, there continue to be pressing issues of inheritance and social inequality and there continue to be employment and child care problems for those who are neither lazy nor crazy. Van Parijs touched on all of these but then, unfortunately, focussed on promoting CI.

The simple fact is that CI is, like any component of social security, merely a mechanism for income redistribution – a possible means, not an end in itself. Starting from or believing in a mechanism is misguided. It is surely more productive to start from the goals of policy and then consider the best means of achieving them. If the goal is to reduce, or still better eliminate, poverty then the conclusion of this paper is that pursuing the mechanism of CI is heading in the wrong direction.

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