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## 9 GUARANTEED INCOME – A RESPONSE TO POVERTY

### Introduction

Guaranteed income schemes are a hybrid of the principles of laissez-faire and collective responsibility. Their genesis and design represent the attempt to secure a compromise devised to satisfy economic and humanitarian considerations and have evoked suspicion and support throughout the political spectrum. Radical criticisms of their generally non-redistributory and incremental nature have been less important in preventing implementation than has been a threatening economic climate, the apparent lack of political gain to be achieved, and unappeased concern for the work ethic.

The idea of a guaranteed income gained importance in many western countries as an offshoot of their various wars on poverty. The failure of existing social security programmes to provide or maintain an adequate standard of living for society's most vulnerable members was publicised, inefficiency comparing badly with growing costs, Guaranteed income schemes were presented as rational and effective alternatives to the existing selective, piecemeal programmes of social assistance. They also provided a solution for economists like Milton Friedman who distrust the entire welfare apparatus, its paternalism, its interference in the 'natural' sources of supply and demand, its costs and demonstrated failures. Seen from this point of view the automatic guarantee of income not only reduced the insecurity of the poor but also, in classic liberal terms, extended individual choice and freed the government from direct provision of public services.

In this chapter proposals advanced by the Poverty Commission\* and Priorities Review Staff<sup>3</sup> for a Guaranteed Minimum Income scheme (GMI), and an experimental programme undertaken by the Brotherhood of St Laurence,<sup>4</sup> are considered. The recommendations of the Poverty Commission, advanced in most detail and providing a potential basis for national change, provide the main source for discussion. The characteristics of guaranteed income schemes, their variants, advantages, and disadvantages are reviewed. The extent of redistribution involved under the Poverty Commission's recommendations are examined, and finally the philosophy of the Commission, neither radical nor reactionary, is described.

### Characteristics of Guaranteed Income Schemes

Guaranteed income schemes depart from existing social security programmes in two ways. They provide, or can in theory provide, a universal and automatic guarantee of a minimum income. They also involve the absorption of social security into the general taxation system. Because of these factors, the proposals are often thought to imply radical change and the extent to which current practices and values are retained is overlooked,

In their purest form guaranteed income schemes entitle every individual or family an income on a basis of need, regardless of their participation in the workforce, their contribution to social security programmes or other distinguishing characteristics. The level of income to be guaranteed, however, is related, as it is under social security payments, to an absolute notion of poverty. Continuity with existing practices can also occur with the shortfall between the level assured and the poverty line. It will be shown that the Commission's proposals were for guarantees substantially below the poverty line for 'non categorical' units. A discrimination between different groups of people, which could not entirely be justified on the basis of need, was thus retained, while freedom from poverty—even in a restricted sense—was not assured for all.

In the place of existing social security payments, guaranteed income schemes propose either a series of tax credits or minimum income payments. The ultimate effect is the same in both cases. Under the first alternative, income units without any form of private income receive a cash payment which is the guaranteed income for that unit. For other income units, however, the payment takes the form of a tax credit to be deducted from tax liability. With the second alternative, direct cash payments are made to all citizens, irrespective of their level of income. The scheme is then financed, in its simplest forms, by levying a proportional tax on all other income. A rationalisation of the taxation and social security functions of government is thereby procured, while it is emphasised, in the words of the Commission, that 'the right to a minimum income and the obligation to pay tax are but two sides of the same coin'.<sup>5</sup>

Guaranteed income schemes possess, therefore, three basic variables. These are:

- (a) The level of the minimum income payment or tax credit. (While adjustments are made for families or households of different size, the *relationship* of the payment to the poverty line remains constant.)
- (b) The 'break even' level of income. That is the level at which **tax**

paid is equivalent to the minimum guarantee.

(c) The income retention rate, determined by the proportional tax rate.

An example may help to make the logistics of the scheme clear. Let us suppose a proportional tax rate of 40 per cent, and that the minimum guarantee for a family of four is \$120. The payment is made directly to a family with no other form of income, and can be made either as a tax credit or as a direct payment to families with private income. The 'break even' level occurs when private income (excluding the **minimum** payment) reaches \$300—that is, when \$120 is paid in tax. As private income exceeds \$300 the total paid in tax starts to exceed the minimum income or tax credit, and positive tax is paid. The disposable income of a family thus consists of its minimum income payment or tax credit, plus the proportion of its private income retained after taxation. That is:

$$\text{Disposable Income} = \text{guaranteed minimum} + (\text{private income} \times \text{income retention rate}).^6$$

The extent and ways in which a guaranteed income scheme redistributes income is largely determined by the interaction of the level of the minimum guarantee, the break-even point, and the tax rate. Generous levels of minimum payment are financed by higher taxation rates on other income. Thus while increasing the level of **minimum** payment helps the poorest groups, the higher tax rate may counteract the advantages for people **with** small amounts of private income. Decisions about the relative levels of minimum income payment and proportional tax rate involve a complex juggling **of** the relative trade-offs as well as considerations of political feasibility and cost. It will be shown later that one of the consequences of streamlining social security and tax is that the flexibility of the tax system for redistributive purposes is reduced.

Basically, **then**, as Martin points out, the factors which distinguish guaranteed income proposals from one another are 'the magnitude of the net redistribution **and** its effects on each of the income categories', determined by 'the break even point **and** the tax rate. . . contained in every guaranteed income plan as in every income tax system'.<sup>7</sup> The Australian variants are now described.

#### Guaranteed **Minimum** Income—Australian Style

Theoretically, the simplest way of ensuring that nobody falls below the

poverty line would be to provide a guaranteed minimum payment at the level of the poverty line. The Commission considered and rejected this alternative on the grounds that providing this level of income support for all would have resulted in a proportional tax rate of 50 per cent. It was argued that this would be unacceptable.<sup>8</sup> The question illustrates some of the difficulties involved in operating with a simplified proportional tax rate. While a 50 per cent proportional tax may not appear excessive as far as the higher income groups are concerned, its effect on the private income of those primarily dependent on the minimum income payment is immediately obvious,

The Commission therefore recommended that a distinction be made between 'categorical' and 'non-categorical' units, with payments being made at two levels. A higher rate was proposed for existing pensioners who formed the categorical unit and 'a lower, but still substantial level for all other income units'<sup>9</sup> (the non-categorical section). The distinction was justified on the grounds of feasibility and by the argument that 'concessions should be made to the disability approach, giving priority in income support for those who are hindered in providing for themselves on the labour market'.<sup>10</sup> The decision, although introducing flexibility and making possible a higher break-even point for categorical units, had a number of disadvantages. The treatment of pensioners as a favoured group ignored the multiple causes of poverty, The insecurity of the 'non-categorical' poor—for example large low-income families<sup>11</sup>—would not be substantially reduced since the proposed lower levels of payment, as will be shown, fell significantly below the poverty line. While provision was made for the sick and unemployed to receive a full poverty line guarantee during the period of disability, the speed at which the system could adjust remained problematic.

The arguments illustrate the intractability of poverty to piecemeal reform. The Commission had shown how the existing complex system of social security and taxation produced divided administration, lack of take-up, poverty traps, and continuing deprivation. But a simplified system appeared unable to provide a uniform guarantee of income even at the austere level of the poverty line; distinctions not fully justified on a needs basis were introduced; and some of the (theoretical) flexibility of social security payments was lost. An analysis of the details of the GMI scheme proposed by the Commission has therefore to be made initially in relation to its possible improvements over the present system. Its shortfalls as far as the elimination of poverty is concerned demands a more radical critique which is provided at the end of this chapter.

Two versions of a GMI scheme were described by the Commission,

called the ‘minimum’ and the ‘preferred’ proposals. The ‘preferred’ level, requiring a 40 per cent proportional tax rate, would guarantee non-categorical units an income at 62 per cent of the poverty line, while categorical units would receive payments at 106 per cent of the poverty line. The ‘minimum’ proposal was for a 35 per cent tax rate, with categorical units at the poverty line, and non-categorical units at half the poverty line. The advantages of the preferred proposal were seen to lie in the higher payments to pensioners and low wage earners—particularly those with large families—and in the smaller gap between the income support available to categorical versus non-categorical units. The disadvantages of the preferred proposal were said to be the low income retention rate, with the Commission providing the explicit warning that ‘a redistributive proposal more generous to those with low private incomes must eat more heavily into the disposable incomes of the well to do’.<sup>12</sup>

Considering the moderate levels of income support proposed under the preferred scheme the presentation of an even less generous alternative appears unnecessary. The Commission was playing the odds of political feasibility and anticipating the unacceptability of the proportional tax rate of 40 per cent. While the extent of redistribution produced by the 40 per cent tax rate in conjunction with a proposed surtax on the top 5 per cent of incomes was not insignificant, the Commission’s failure to argue more forcibly for this alternative alone can be criticised. If the Commission were to abide by its belief that ‘every person has the right to a basic level of security and well-being’<sup>13</sup> and by its aim to ‘provide minimum income levels such that Australians do not find themselves in poverty’,<sup>14</sup> it should have taken up the case for the poor more directly, argued that their rights and needs were paramount. The consideration given to those with high incomes, the provision of an alternative scheme and the failure to take a stronger line on redistribution presage the inevitability of established inequalities in Australia reinforcing themselves.

The recommendations of Priorities Review Staff (PRS) were very similar to those of the Commission. The two-tiered proposal was followed, with lower amounts recommended for income units not eligible for pensions or benefits. A proportional tax rate (43 per cent) was also proposed. Both the Commission and PRS effectively adopted the nuclear family as the tax unit, and both made proposals to reduce the disadvantages which two-income families might subsequently face. The Commission recommended that 20 per cent of the earnings of the lower income earner should not be taxed; while PRS suggested a tax rate of 33 per cent—that is, 10 per cent lower than the general rate on the lower income. Both

reports recommended a surtax on high incomes, and in both cases the combined effect of the surtax, the proportional tax, and the minimum guarantee effectively retained the existing progressive nature of the tax system.

The main differences between the proposals of PRS and of the Commission lay in the method of allocation and the level of benefits proposed. The PRS report recommended tax credits rather than universal minimum payments. It has already been indicated that this reflects an administrative difference which has no effect on the redistributive capacity of the scheme. The recommended levels of benefit were closer to the minimum than the preferred proposals of the Commission. For non-categorical units a tax credit equivalent to 44 per cent of the current poverty line was recommended, while guarantees at 100 per cent of the poverty line were proposed for present pensioners and beneficiaries.

The Income Supplement Scheme undertaken by the Brotherhood of St Laurence (1973-6), although departing in some important respects from the recommendations described above, illustrates in microcosm some of the principles of GMI. The scheme, undertaken as part of the Brotherhood's Family Centre Project, was not an income maintenance experiment in the classical sense. Thus there was no attempt to find control groups, measure work incentive, or test the adequacy of a range of income levels or taxation rates.<sup>15</sup> Rather, the project was part of a broader programme designed to increase the power of the poor over resources, information, relationships, and decision-making.<sup>16</sup> A guaranteed minimum income was seen as one of the most essential elements of the project. It was felt that 'for the Centre to ignore the basic element of poverty, namely inadequate income, would prevent the overall success of the programme'.<sup>17</sup>

The income supplement had two features: a minimum need subsidy and a rental subsidy. The idea of relating the minimum need subsidy to the poverty line was rejected. It was said that the poverty line was a 'theoretical concept' whose adequacy was untested, that it was not appropriate to 'endorse the assumption implicit in the poverty line that families with an income over the line are therefore not in poverty', and that 'the income supplement needed to be demystified'.<sup>18</sup>

Instead of the poverty line, the basic standard of the minimum wage plus the child endowment to which the family was entitled was used. (The levels thereby obtained were generally lower, particularly in the case of large families, than those proposed by the Commission.) Families whose income fell below the minimum need level received a supplement sufficient to close the gap. When the family's income exceeded the min-

imum need level, no minimum subsidy was paid. The income supplement scheme, in other words, incorporated a 100 per cent tax rate.<sup>19</sup> The other part of the scheme, the rental subsidy, was based on the assumption that no family should pay more than a quarter of its total subsidised income on rent. Families paying more than this amount thus received a subsidy to reduce the proportion spent.

The income supplement scheme was designed to run for three years. Its impact on the families concerned was discussed in the Centre's reports, and by Salmon<sup>20</sup> and Liffman.<sup>21</sup> Although the scheme was not designed as a mini-national experiment, many of the findings do possess a wide significance. They are therefore incorporated, as far as possible, in the following discussion.

### **Pros and Cons of Guaranteed Income Schemes**

The more immediate and practical consequences of guaranteed income schemes are considered in the first place. The implications for redistribution, and for more radical ideas of reform, are then discussed.

A guaranteed income with its inbuilt assurance of regularity allows for a greater command of resources over time. Salmon writes that 'regularity of income is as important as the level of income',<sup>22</sup> and the increased ability to plan as insecurity was diminished was recognised as an important aspect of the income supplement.

The other advantages of guaranteed income schemes can be broadly identified as (i) improved administration, resulting in (ii) improvements in services to the poor. Administratively, with the merging of the Taxation and Social Security Departments, people would have one account with the government from which they would receive payments or else make payments into. A person's total situation could then be assessed, thus helping to safeguard against 'poverty traps'. A poverty trap occurs when an individual faces a loss of benefits or a sharp increase in taxation as a consequence of a small increase in income. The assessment of the total income of a family, theoretically possible under a guaranteed income scheme, could help to avoid this kind of situation.

At the same time accessibility would be greatly increased and stigmatisation reduced. Everyone becomes eligible for payment under a guaranteed income scheme, and take-up is automatic in most cases. Tierney suggests that the 'automatic and impersonal guarantee of an income' does not 'consign beneficiaries to second class citizenship',<sup>23</sup> and Pinker argues similarly that the personalised social services carry an inherent risk of stigmatisation.<sup>24</sup> Support for this view can be found in the report on the income supplement scheme. It was argued that

any financial assistance paid only to a particular category of people and subject to regular attendance at department offices, filling out of forms and waiting periods, will continue this stigmatising process. The adoption of a universal scheme where all families are entitled to payments. . . may overcome this problem.<sup>25</sup>

The scheme thus carries benefits for both existing beneficiaries and for the working poor. Were the recommendations of the Commission adopted pensioners would generally be better off financially and would no longer be identified as a separate group. The working poor, although not receiving a full guarantee against poverty, would obtain some additional security. The minimum payment would provide a floor under incomes which would be particularly significant for those with fluctuating incomes.

Against these benefits, there are a number of disadvantages. With the loss of their identity as ‘pensioners’, the small amount of political power available to some of the poor might be lost and the possibilities for structural reform grow more remote. Bryson argues that ‘there is a danger that some welfare proposals may worsen the position of the poor and reinforce their powerlessness by reinforcing the existing arrangements, so that power becomes located even more firmly in the hands of those now holding it’.<sup>26</sup> With GMI ‘welfare rights’ organisations and pressure groups could lack specific targets. Further, changes in the relative level of minimum payment would be politically unpopular (and therefore unlikely) since they would involve an overall adjustment in the tax rate, It is unlikely, therefore, that the level of minimum payments would come to exceed the poverty line.

The probable inadequacy of the minimum guarantee is compounded by the possibility that the implementation of a guaranteed income scheme may mean the loss of additional services. Lennie suggests that while ‘the Poverty Commission had no intention of offering GMI as a substitute for more specialised services, –in a period when government expenditure is undergoing attacks, this could form the basis of its **political attractiveness**’.<sup>27</sup> The possibility of this occurring under a government which adheres to the principle of *laissez-faire* is quite likely. Guaranteed income schemes can be used against the poor who can be allowed to enter a competitive market ‘and fight for their own survival without state back up’.<sup>28</sup> The preference for a market-model of resource allocation and for, in the Commission’s words, ‘measures which will increase incomes so that the poor can afford to choose what they want’,<sup>29</sup> may, despite its plausibility, overestimate ‘the potentiality of the poor. . . to understand and manipulate an increasingly ad hoc society’.<sup>30</sup> More

seriously, if direct provision of public services is reduced, the poor are faced by a forced choice on an increasingly unequal market.

The integration of the taxation and social security system possesses a number of drawbacks. Saunders argues that the simplicity of the scheme causes inflexibility, which has ‘disturbing implications for possible income redistributive policies in the future’.<sup>31</sup> It is shown that if resources are to be redistributed towards the bottom of the scale, it is necessary to raise the guaranteed income level and the tax rate simultaneously. A change of this kind, though, ‘could result in many who were previously only just above the poverty line being worse off as a result of the higher tax rate’.<sup>32</sup> Saunders also suggests that the integration would place many restrictions on the use of the income tax system as an instrument of fiscal policy for the control of aggregate demand. This means that

the government can no longer pursue independent social welfare policies or independent fiscal policies using the integrated system. . . . The introduction of the GMI scheme would introduce a ‘locking in effect’ which would impose undesirable restrictions on both future demand management and future redistributive policies.<sup>33</sup>

Despite the tax concessions offered to the lower income earner, the proposal of the Commission and of PRS to take the nuclear family as the tax unit would carry a number of disadvantages for women. Edwards argues that ‘the tax unit is discriminatory, the concessions for working wives are quite inadequate and the economic independence of women is ignored’.<sup>34</sup> Further, wives without independent income are not entitled to a minimum income payment in their own right. While the family may appear a logical income unit since its members spend and consume together thus achieving economies of scale denied to independent individuals, the position of women within families who are poor because of ‘insufficient pooling of family resources’<sup>35</sup> is ignored. (The same, however, is true of the wives of social security beneficiaries.)

Finally, work incentive. Despite the evidence of overseas, and particularly American, studies,<sup>36</sup> the fear that a guaranteed income scheme would weaken the will to work is reiterated in much of the literature surrounding this subject. While guaranteed income schemes reinforce market principles with the emphasis on the financial causes of poverty, the retention of inequality, and preference for the open market, the loosening of the bond between work and income provides a single and uneasy exception. The automatic guarantee of an income floor for the working poor, without fuss and stigmatisation, was seen to undermine the ancient

principle of less eligibility. Proponents of guaranteed income schemes took pains to show the work ethic would not be harmed; conservatives, unconvinced, saw the possibility as a major stumbling block. Thus the Taxation Review Committee argued that ‘such schemes seem likely to have consequences for incentives to work and save which make it impossible to consider them seriously’.<sup>37</sup>

The income supplement scheme, with its 100 per cent taxation rate, theoretically provided a great disincentive to work – particularly since few of the breadwinners were in occupations providing more than the minimum wage. It was shown, though, that ‘despite the low wages and poor working conditions, the men prefer [ed] to work’.<sup>38</sup> The income supplement caused ‘no significant change in the men’s employment pattern’ – It is likely, however, that unquietened concern for the work ethic – paradoxical as it may be during periods of high unemployment – will continue to provide one of the main political detractions of guaranteed income schemes.

Such are the probable and relatively immediate benefits and disadvantages of guaranteed income schemes. The ways in which the total social structure might be affected is more difficult to gauge. The question can be approached in two ways. First, the extent of redistribution under any particular guaranteed income scheme can be assessed. And second, the philosophy of social reform and the idea of social justice inherent in the proposed plan may be examined. Both these questions are now discussed in relation to the recommendation of the Poverty Commission.

### Redistribution and GMI

It has already been shown that in order to provide a universal guarantee at the level of the poverty line a 50 per cent proportional tax rate would have been necessary. The implications of this would have been severe for many of the poor with small private incomes. The Commission’s recommendation for different levels of payment for categorical and non-categorical units was therefore at least partly justifiable. But it can still be asked why the Commission hung so tenaciously to a simplified proportional tax scale with the consequent inflexibility involved. While a surtax was proposed for the top 5 per cent of incomes, lowered tax rates for the poor were not considered.

The reason, of course, is clear. The combined effects of the proportional tax rate, the minimum income payments, and the surtax were sufficient to retain the progressive nature of the existing tax scale. In addition, under the preferred scheme a ‘redistribution of about \$900 million a year from people with high incomes to those with lower incomes’<sup>40</sup> would

be achieved. The Commission was (correctly) convinced that a more radical proposal would finally jeopardise the possibilities of implementation. The fact that ‘the majority of the Australian people who are not poor resent reductions in their income to effect transfers to poor people’<sup>41</sup> was accepted as a political fact. The Commission argued that ‘to be realistic in planning a major effort to lift the incomes of poor people, we must look to the growth of national income and try to suggest how a larger part of the additional income may be diverted to income maintenance and welfare’.<sup>42</sup> Thereby ensuring, it was concluded hopefully, that ‘very few people need experience a fall in disposable income’.<sup>43</sup> The Commission tended to apologise for redistribution and to be searching for solutions which would simultaneously protect the poor and the privileged.

Some critics felt that the scheme’s capacity for redistribution was nil. Lennie argues that ‘it must be realised that such a scheme in no way attempts to alter the relative distribution of income that exists at the moment’.<sup>44</sup> The claim is not entirely substantiated by the facts. Tables presented in the second volume of the First Main Report of the Poverty Commission show the extent to which both the minimum and the preferred proposal would redistribute income from those with high private incomes to those with low. They also indicate that income would be redistributed from single people to childless couples (particularly when husband and wife were both working). The percentage loss of income would, in some cases, be quite considerable. Under the preferred proposal, working married couples with no children and in the highest income bracket would face a 20 per cent drop in disposable income.<sup>45</sup> At the same level of income (\$500 per week in August 1973), a family with two children where one parent worked would receive a 9 per cent reduction. At the other end of the scale, a family with four children and an income two-thirds of the minimum wage would obtain a 40 per cent increase in disposable income.<sup>47</sup> Pensioners with no additional income would also receive significant gains.

While many of the very poor would be substantially better off under GMI, the comparatively low levels of income at which the benefits would cut off are disconcerting. A married couple (both working and with no children) with a combined income of significantly less than twice the minimum wage could face a drop in income.<sup>48</sup> More significantly, the income of a single adult earning the minimum wage would be reduced by 2 per cent, the amount thereafter increasing steadily until a single adult earning the average wage would lose 10 per cent of his disposable income.<sup>49</sup> The Commission forestalled suggestions that the wealthy shc

be taxed more heavily in relation to middle- and low-income earners by arguing ‘there simply are not enough rich people for even total expropriation of their incomes to go very far when spread round those whose incomes are below *average*’.<sup>50</sup>

If this argument is true the need for redistribution through the provision and control of basic social resources – education, health, housing, transport and legal services, for example – becomes clear. If poverty cannot be eradicated by taxing the wealthy, then at least the opportunities of the rich to monopolise national resources at the expense of the poor should be restricted. One of the characteristics of guaranteed income schemes is, however, precisely that such intervention supposedly becomes unnecessary. The provision of an income floor can be seen to reduce the need for government intervention – the poor, with slightly more money in their pockets being better equipped to face the open market. We turn, finally, to look at the extent to which such views were a part of the Commission’s armoury.

### **The Philosophy of the Poverty Commission**

The Commission’s attitude to the following three issues: (i) state intervention in welfare, (ii) the relationship of inequality and poverty, and (iii) social justice, is now discussed.

A number of related questions fall under the rubric of the first issue. It has been argued previously that while liberals may agree that state intervention in welfare is necessary, there is disagreement about the extent considered desirable. The Commission took a moderate stand on this issue. The first responsibility in traditional residualist terms was placed squarely on the shoulders of family and friends. ‘It is when the informal structure cannot cope, or does not reach an individual, that the formal structure is most needed. . . to attempt to substitute formal services for informal ones is a waste of scarce resources.’<sup>51</sup> At the same time, however, the Commission recognised the importance of rationalisation and accessibility of welfare services, arguing that government intervention is needed in order to ‘ensure a fair distribution of services and of power to make decisions’.<sup>52</sup>

The same kind of moderation, or ambivalence, is shown over the form in which allocations should be made, that is whether directly in income or indirectly through service provision. The preference for ‘cash’ over ‘services’ largely derives from the classical liberal concern with individual liberties and from trust in the open market as the arbiter of life’s chances. It can also find a rather more radical base with the rejection of traditional case work methods, particularly therapy, in the face of economic inequality.

The Canadian Committee of Poverty argues from this perspective: 'case work in a context of poverty starts with an almost insurmountable disadvantage. There is growing evidence that services without a basic level of income waste the efforts of helpers'.<sup>53</sup> While the Commission appeared to sympathise with both viewpoints, favouring 'money [rather] . . . than a complex range of means-tested services',<sup>54</sup> it also recognised a necessity for services 'available to all on the basis of their need for that service, whether it is a legal, medical, educational or transport service'.<sup>55</sup>

It has already been said that the Commission adopted an 'absolute' rather than a 'relative' view of poverty. The austerity of the poverty line was justified by the contention that 'it cannot seriously be argued that those below this austere line, whom we describe as "very poor" are not so'.<sup>56</sup> (The definition of poverty was not then 'arbitrary' as is often supposed, but was related rather closely to prevailing standards and attitudes.) Having established an essentially political definition, the Commission (and many of its readers) proceeded to argue as though the 'real' extent of poverty had been demonstrated. The constraints of expediency became self-fulfilling and self-justifying, and poverty, narrowly defined and divorced from considerations of inequality, could be abolished within an unequal and competitive society. The Commission, therefore, saw no incongruity in arguing that poverty could be eliminated 'without markedly worsening the position of any person compared with the present system'.<sup>57</sup>

The separation of poverty and inequality allows 'the causes of poverty . . . to be located in the characteristics of the specified group'.<sup>58</sup> As Bryson argues, we see 'a pathological model applied with its associated structural-functional type of analysis. The central social structure is taken to be functional, or at least inevitable, and general similarity of interests and value consensus are assumed'.<sup>59</sup> A sustained examination of the total structure, and of the ways in which poverty is created and sustained, subsequently becomes unnecessary. Adjustment rather than radical change is the name of the game. While the Commission's preference for incremental change can be seen in political terms, there are indications that the solutions proposed may have reflected conviction as much as political feasibility.

Although the Commission did not formulate, in any explicit way, a blueprint for social justice, the outline of its view is not difficult to find. Basically, the classical liberal acceptance of a hierarchical structure of wealth and privilege legitimated by equality of opportunity characterised the report. An obligation to prevent deprivation was accepted, while egalitarian values were not entertained. An individual's 'right' to accum-

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ulate for himself and his family was accepted and encouraged, with GMI payments arranged so that 'Australians will not in future fall so easily into poverty, and yet preserve the incentive to earn a private income in that all who do so are better off.'<sup>60</sup>

### Conclusion

To continue further would be to labour the point that the Commission expressed moderate views of reform which were, in the main, compatible with current structures and values. Guaranteed income schemes represent a pragmatic solution to poverty. Perhaps any change which decreases the insecurity and the stigmatisation of the poor—and GMI could do both of these things—should be welcomed. Doubts arise, however, about the long-term effects of guaranteed income schemes; in particular, that the political power of the poor could be further weakened, and that GMI could be used as a rationale for government withdrawal from direct service provision.

At a different level of analysis, the implications, or lack of implications, for the entire social structure can be invoked. The sociological critique is perhaps less relevant to the immediate circumstances of the poor than it is significant in pointing to the intractability of poverty to piecemeal reform, and to an alternative, and fairer, distribution of resources. The Commission produced a document of restraint, embodying an uneasy acceptance of the redistribution proposed. The nature and constraints of the capitalist structure were implicitly endorsed, and there was no suggestion that the level of the poverty line, in relation to average standards, should be raised through time. The recommendations of the Commission were inadequate, not so much because they were tempered to match the political odds but because they did not, at some point, hold out long-term goals, and hope, for a different and juster social order.

### Notes

1. See, for example, M. Friedman, *Capitalism and Freedom* (University of Chicago Press, Chicago, 1962).
2. *Poverty in Australia, First Main Report*, vols. I and II.
3. *Possibilities for Social Welfare in Australia*, Priorities Review Staff (Australian Government Publishing Service, Canberra, 1975).
4. *Resources for Poor Families: An Experimental Income Supplement Scheme*, Commission of Inquiry into Poverty (Australian Government Publishing Service, Canberra, 1974). The scheme is also discussed by M. Liffman, in *Power for the Poor* (Allen and Unwin Australia, NSW, 1978).
5. *Poverty in Australia*, p. 70.

6. Ibid., p. 71.
7. N.V. Martin, 'Objectives and Economic Repercussions of the Guaranteed Annual Income', in *Guaranteed Annual Income: An Integrated Approach* (Canadian Council of Social Development, Canada, 1973), p. 154.
8. *Poverty in Australia*, p. 74.
9. Ibid., p. 74.
10. Ibid., p. 74.
11. Under the preferred proposal, the guarantee would rise to 65 per cent for a four-child family, thence by degrees to 71 per cent of the at-home poverty line for a seven-child family. This proposal was made independently of the adjustments made to the poverty line in relation to family size. That is, a family of seven would receive a higher percentage guarantee of its adjusted poverty line than would a family with two children. The recommendation was made to reduce the vulnerability of large low-income families.
12. *Poverty in Australia*, p. 84.
13. Ibid., p. 2.
14. Ibid., p. 70.
15. *Resources for Poor Families*, p. 19.
16. Ibid., pp. 5-8.
17. Ibid., p. 13.
18. Ibid., p. 15.
19. Ibid., p. 16.
20. *Resources for Poor Families*.
21. M. Liffman, *Power for the Poor*.
22. *Resources for Poor Families*, p. 79.
23. Tierney, 'Social Policy'.
24. Pinker, *Social Theory and Social Policy*, p. 208.
25. *Resources for Poor Families*, p. 82.
26. Bryson, 'Poverty Research in Australia'.
27. I. Lennie, *Equal Opportunity in Australia* (Australian Council of Social Service, Sydney, 1976), p. 15.
28. D. Bull and P. Townsend, *Family Poverty* (Duckworth, London, 1971), p. 5.
29. *Poverty in Australia*, pp. 34.
30. R.M. Titmuss, *Commitment to Welfare* (Allen and Unwin, London, 1962), p. 136.
31. P. Saunders, 'A Guaranteed Minimum Income Scheme for Australia? Some Problems', in Graycar, *Australian Social Policy*, p. 191.
32. Ibid., p. 191.
33. Ibid., p. 194.
34. M. Edwards, 'A Guaranteed Income Scheme: Implications for Women', in Graycar, *Australian Social Policy*, p. 200.
35. Ibid., p. 201.
36. Thus the New Jersey Experiment sponsored by the Office of Economic Opportunity; the Seattle-Denver Income Maintenance Experiment and the Gary-Indiana Project, both sponsored by the United States Department of Health, Education and Welfare.
37. *Taxation Review Committee: Preliminary Report* (Australian Government Publishing Service, Canberra, 1974), para. 7.85.
38. *Resources for Poor Families*, p. 77.
39. Ibid., p. 74.
40. *Poverty in Australia*, p. 323.
41. Ibid., p. 7.
42. Ibid., p. 7.

43. Ibid., p. 78.
44. Equal *Opportunity in Australia*, p. 13.
45. *Poverty in Australia*, vol. 2, table 6.17, p. 73.
46. Ibid., table 6.15, p. 72.
47. Ibid., table 6.16, p. 72.
48. Ibid., table 6.17, p. 73.
49. Ibid., table 6.13, p. 71.
50. *Poverty in Australia*, p. 78.
51. Ibid., p. 5.
52. Ibid., pp. 126-7.
53. Report of the Special Senate Committee on Poverty, *Poverty in Canada* (Ottawa, 1971), p. 81. Quoted in *Resources for Poor Families*, p. 13.
54. *Poverty in Australia*, p. 6.
55. Ibid., p. 6.
56. Ibid., p. 13.
57. Ibid., p. 70.
58. Bryson, 'Poverty Research in Australia', p. 200.
59. Ibid., p. 200.
60. *Poverty in Australia*, p. 86.