10 Basic Income
Let's get Basic

Income insecurity is a constant preoccupation of citizens surviving on low incomes. Categorical, selective, targeted welfare payments which exist in Britain, Canada, Australia, New Zealand and the United States have not succeeded in abolishing Beveridge's five giants of 'squalor, want, ignorance, disease and idleness' (Timmins, 1995). The modern welfare state, in the countries mentioned, does not guarantee all permanent residents a secure income. Each of these countries has toyed with the idea of introducing generalised income guarantees for all permanent residents. Such partial income guarantees which have been installed have had eligibility requirements attached to them which demand either proven incapacity to labour, work willingness or some socially approved basis for not working (such as sole parenting or age).

With the exception of some reasonably generalised family tax credits or family welfare benefits there has been a move away from broad income support policies towards more targeted forms of categorical income arrangements. As the promise of generalised income support receded, governments in these English speaking western countries have introduced compelled activity as part of the eligibility requirements for entitlement to income support. In New Zealand, following the 1999 election victory, the Labour / Alliance Government began slowly dismantling much of the compelled activity superstructure of their conservative predecessor's income support system. This is the first step away from the 'Third Way' activity requirements, workfare, Wisconsin reforms, 'work for the dole', and 'mutual obligation' preoccupations of a series of governments in these countries. The governments which most ardently push a 'mutual obligation' agenda are the very ones who are preoccupied with 'welfare dependency'. Ray Cassin, chief leader writer of The Sunday Age, reflecting on this phenomena points out that:

You can be 'on' social security in the literal sense of receiving benefits, but this usage does not carry the pejorative flavour of being 'on' welfare. The reason is not mysterious: we do not talk about social security dependency, or social-services dependency because 'social security' and 'social services' are bound up with an older notion of entitlement, and an understanding of mutual obligation that goes beyond tit-for-tat reciprocity…. The ideal of mutual obligation underpinning a system of social security is not one of reciprocity, but of obligation borne by all of us to contribute to the support of people who would otherwise be destitute (2000 p. 22, see also Cass 1995 p. 38).

The constant claim of government spokespeople in Australia when defending the existing categorical benefit system is that (through an austere safety net) it assists all in need. However the breaching of 200,000 social security recipients in the 1999/2000 financial year plus the extension of 'work for the dole' and other compelled activities demonstrates the tenuous security experienced by those receiving social security.

Once writers might have argued for an income support proposal on the grounds that its introduction would enhance equity, equality, justice, or because it removed an anomaly, lessened stigma, made claiming easier for recipients, provided similar benefits to all in like situations or increased recipients' feelings of security. A universal unconditional Basic Income does all these things. However the consolidation of economic fundamentalism in the last decade now means that economic efficiency arguments are often the only propositions listened to by government ministers. There is nothing wrong with having to establish the utility of any proposal but what
has changed is that arguments which go to the *usefulness to clients* of any income support program are relegated to the periphery of government concern. Narrow economic efficiency arguments now take centre stage. Consequently this chapter will set out universal Basic Income's claim to being the most efficient way to provide a guaranteed minimum income to all permanent residents in a way which enhances both national productivity and personal creativity.

From 1918 until 1922 Dennis Milner, Mabel Milner & Bernard Pickard campaigned for the introduction of a Basic Income (Van Trier 1995 Part 1). As Walter Van Trier (1995) and Philippe Van Parijs (1992[b] p. 25) reminds us, ever since the first book length plea for Basic Income written by Milner (1920) economic efficiency arguments have played a major role. Milner wanted to ensure the inadequacies of the British poor law system were overcome, to enhance national productivity, and to provide a more equitable base from which workers might negotiate wages (Van Trier 1995 Part 1). Many of the issues dealt with here are synonymous with those which preoccupied the Milners and Pickard. Milner did not see the introduction of a Basic Income as the be all and end all just one step on the way to a more secure life for all citizens. Milner entitled his book *Higher Production by a Bonus on National Output: A proposal for a minimum income for all varying with national productivity*. Milner (1920 ch.2) argued that the amount of funds available for distribution should be 20% of national production as this would provide a share of the nation’s wealth for all permanent residents whilst encouraging all to produce more to raise the value of the dividend.

**Why have income support?**

The standard justification for the provision of welfare services has been that people needed them and were unable to obtain them by other means. Following the Poverty Inquiry’s recommending the introduction of a Guaranteed Minimum Income in 1975, Bill Hayden, Minister for Social Security in the Whitlam Government, and a supporter of the introduction of a Henderson style GMI (Tomlinson 1989 ch. 6) felt the Australian income support system 'had grown like topsy' and needed to be integrated into a coherent whole. He acknowledged the basis on which benefits were supplied was at times difficult to justify and confusing to recipients. Hayden was grappling with many of the same issues which, 25 years later the Final Report of the Reference Group on Welfare Reform (2000 [b]) acknowledged when they wrote: the current income support system "is overly complex and relies heavily on assumptions about capacity and behaviour that are now questionable" and that pension / benefit / allowance transitions cause life difficulties and unintended incentives and disincentives (pp. 19 & 68).

In Chapter 2 the argument was mounted that 'needs based' explanations do not adequately explain why welfare programs are provided. It was argued that such explanations serve to mystify the intent of providers and disguise the real level of need both amongst recipients and those who are refused.

'Needs based' provision can be supplied on an individual basis, as occurs in emergency relief agencies. More commonly 'needs based' income support in advanced economies is provided to categories of people, such as those who have a disability or who are unemployed. Chapters 3, 4 and 7 demonstrated similarities in the income support needs of people divided by categorical assistance programs and others who are denied benefits. It was also argued that governments and
agencies use such 'needs based' categorical benefits as a way of limiting the levels of assistance and the amount allocated to relieve hardship. It was further argued that the creation of specific forms of categorical assistance divide recipients from each other, from the wider working class and from their humanity.

Discrimination on the basis of age, locality, race, gender, disability and class structure Australian society. These hegemonic forces impact on all aspects of social life and are clearly observable in income support policy. Young unemployed people are paid at lower rates than older job seekers. In Chapter 5 the failure of the State to provide the bush with anything like the same level or range of services as their city cousins was examined. The methods by which Indigenous Australians have been excluded from the 'white' social security system and from economic development were detailed in Chapter 6. Throughout this book there has been considerable discussion of the patriarchal presumption which suggests that the family is the appropriate unit of income for the payment of welfare benefits. Chapter 7 specifically investigated the ableist construction that it is an individual's impairment rather than the disabling society which should be the point of focus. At one level, this book is a polemic against the elitist presumptions that working class people have a propensity to sink into the slough of 'dependency' unless compelled to meet government imposed 'mutual obligations'.

In Chapter 8 the relationship between welfare provision, categorical payment forms and trust were examined. The argument was put that it is our failure to trust ourselves to do the right thing which leads us not to trust others and which prevents governments introducing a universal Basic Income. Governments in English speaking western countries hedge their bets on income support policies through the imposition of selectivity, categorical eligibility requirements and 'mutual obligations'. When governments consider:
- threats to productivity,
- work disincentives,
- work readiness of minority racial groups,
- single motherhood,
- working class compliance, or
- the capacity of people with disabilities to work
they rely on the conservative belief in the imperfection of human beings rather than the belief that people treated with dignity will respond constructively. In Australia the Government has excluded recently arrived migrants from applying for the normally available categorical income support payments for two years following their arrival. Examples have been provided of many quite poor citizens who have no income support entitlement from the State because of the increasingly targeted income support policies of the last decade. This has led some to assume it would be impossible to convince Australian governments in the foreseeable future to introduce a Basic Income.

The contradictory belief structure which leads governments to assume that the rich need to be encouraged to produce but the poor have to be compelled to labour lies at the heart of the construction of the income support systems of the countries discussed. The fact that such arguments (about lesser eligibility, the poor's fecklessness, the associated need for coercion and the importance of increasing the huge differentials in income between the owning and labouring classes) are a nonsense, does not make them any less valued by social conservatives. John
Kenneth Galbraith ridiculed such arguments by pointing out that "It always boils down to the highly improbable case that the rich are not working because they have too little income and the poor because they have too much." [cited in Boreham, Dow & Leet (1999) p.104]

It was earlier suggested that research could go some way towards reassuring governments about the work intentions of the less affluent. Yet it was recognised that because economic fundamentalism holds hegemonic sway, such research would be viewed through this ideological lens. Beyond links to the poor law assumptions about the need for ‘less eligibility’ there are clear connections with public choice theory in the way the governments construct income support policies, insisting that behaviour "is best understood by assuming its motivation is single-purposed, acquisitive and unchanging (Stretton & Orchard 1994 p. 18)". Coupled with this is the related neoclassical liberal belief that welfare problems "are rational responses to the incentive structures that face individuals. Social harmony will emerge spontaneously only if the appropriate market signals are operative (Barry 1998 p. 58)."

**A quick look at two alternatives to Basic Income**

Little space has been devoted, in this book, to consideration of privatised superannuation, as has been implemented in Australia or social insurance coverage as exists in many parts of Europe and North America. Superannuation in Australia is an occupational benefit and, by definition, excludes those not in the paid workforce, or those whose spouses are not in the paid work force. It excludes the bulk of the Indigenous population because they are employed under the Community Development Employment Program. It disadvantages those with multiple employers, casual and seasonal workers, women and those on low incomes. Professor Russell Mathews, a leading Australian economist, referring to the Australian system, wrote:

> it is difficult to conceive of superannuation arrangements that would be more administratively wasteful, less certain to provide adequate retirement benefits and therefore less likely to reduce the burden of age pensions on government budgets, and more inequitable for both employers and employees (cited by Stretton 1996 p.26).

Social insurance proposals have been considered in Australia but rejected. They have been implemented in many countries but they do not have the capacity to provide a secure income to all citizens because "the benefit rates are generally based on prior wage levels rather than need. They are not designed to provide adequately for those with special needs…The highest rates go to the most privileged…rather than those in most need of assistance (Perry 1995 p. 18)". In terms of both equity and efficiency both these forms of self provision fail to provide an adequate income support base for all permanent residents of a country.

**Efficiency**

Given prevailing perceptions of human behaviour, it will not be an easy task to convince governments of English speaking countries to implement a universal income guarantee for all permanent residents. If governments are to be convinced to move in the direction of Basic Income then making available research on productivity, work willingness and 'dependency' which confounds their preconceptions will be an important part of the struggle.
Governments in the countries under discussion consistently suggest they are providing social security in an efficient and accountable manner. They are certainly capable of determining the cost of delivering specific categorical benefits to those recipients who are paid. They can and do calculate how much they ‘save’ by cutting people off income support when they do not meet the totality of eligibility requirements for any specific benefit. This is accounting or target efficiency. They seem disinterested in how people who are refused benefits get by, or what social costs are incurred in the wake of decisions to remove income support from such citizens. Target efficiency processes give no measure of how efficient the system of social security is. Because the central issues which should be taken into account when assessing the efficiency of a social security system are not considered.

Some of the system wide efficiency measures, which would need to be taken into account if the efficiency of the system was being calculated, would be:

- are any of the people excluded from the social security system poor,
- how many people who have an entitlement miss out,
- how satisfied are the people who are confined to low levels of income support,
- does the social security system advance social justice for all permanent residents,
- are the human rights of all residents protected (or even enhanced),
- does the system remove all obstacles to inclusion of people with a disability,
- are all genders, ages and ethnic groups treated equally or equitably,
- is there equitable treatment provided to city and country people, and
- does the system of income support provide sufficient security to recipients so as to allow them to contribute to society in ways with which they are comfortable?

Governments sometimes move away from narrow accounting efficiency measures and attempt to look broadly at efficiency in terms of what is happening across an entire economy. In 1993, in the Labor Government's Green Paper, the Committee on Employment Opportunities declared:

The loss of production through unemployment is the greatest single source of inefficiency in our economy. Unemployment is also the most important cause of inequality and alienation for individuals, families and communities (p.1).

A recent cross country study (Goodin, Headey, Muffels & Dirven 1999) compared citizens' response to different income support policies. The three countries considered in detail in this study were chosen because a decade of comparable panel data existed allowing the authors to explore the issues of: economic growth, efficiency, poverty, inequality, social integration, stability and autonomy. The countries chosen for analysis were: the United States where the welfare state represents the liberal form, Germany with its corporatist welfare regime and Holland which has a social democratic style of welfare. Goodin, Headey, Muffels & Dirven (1999) explain:

The classically liberal welfare regime is rooted in capitalist economic premises and confines the state to a merely residual social welfare role. The classically social democratic welfare regime is rooted in socialist economic premises and assigns the welfare state a powerfully redistributive role. The classically corporatist welfare regime is rooted in communitarian 'social market' economics and sees the welfare regime as primarily a facilitator of group-based mutual aid and risk pooling (Italics in original p. 39).
Goodin, Headey, Muffels & Dirven (1999 Part 3) make the point that in social policy debates it is frequently asserted that inevitable trade-offs occur between economic growth, efficiency, poverty, inequality, social integration, stability and autonomy. But what they found was the Dutch social democratic welfare regime equalled or exceeded the performance of the corporatist Germans and the liberal US system across all these social and economic objectives.

Such findings have considerable relevance to the direction an informed nation would choose if it wanted to change its system of income support services from one grounded on ideological assumptions to one based on substantiated research. The Australian welfare state might once have had considerable social democratic aspects but has, in recent times, moved closer to the US liberal regime of minimalist provision.

The careful cross country analysis of panel data presented by Goodin, Headey, Muffels & Dirven (1999) allowed these researchers to follow real people's experiences of work and welfare. In the past cross country analysts have been forced to compare aggregated statistical samples. Importantly, as Goodin, Headey, Muffels & Dirven looked at individuals they found an exceedingly small percentage of people who remained on welfare indefinitely under any of the systems investigated. Such findings fly in the face of the current Australian Government and Opposition's preoccupation with 'welfare dependency' and its only known antidote - 'mutual obligation'.

The really important message from this book is that whether one is seeking to promote economic growth and efficiency, stability, autonomy or to decrease poverty and inequality then the social democratic welfare state along the lines of the Netherlands exceeds the performance of the German corporatist regime which, in turn, exceeded that of the United States liberal regime (Goodin, Headey, Muffels & Dirven 1999 Part 3).

**Australia has lost its way on welfare reform**

The architects of 'mutual obligation' see it as having the capacity to move the social security system away from a rights focus and towards an individualised eligibility determining regime. The Reference Group on Welfare Reform (2000 [a], [b]) so internalised this proposition that they have proposed that even people who meet every requirement for payment of a specific categorical benefit should have the amount they are actually paid affected by how they 'participate' in the social and economic life of the community. The Minister in charge of income support is on record as saying "Simply providing payments to everyone who fits into a particular category fails to recognise the different capacities and potential people have to contribute to their own future (Newman 1999 p. 9)." This is the height of inefficient supply of benefits.

The final report of the Reference Group on Welfare Reform (2000 [b] p.3) claimed that if nothing was done "Australia may be consigning large numbers of people to an intergenerational cycle of significant joblessness" and went on to prescribe extending compulsory participation from the unemployed to sole parents and Disability Support Pensioners. The Treasurer allocated
funds in the 2001/2002 Federal Budget to extend the imposition of ‘mutual obligation’ to these categories of beneficiaries.

In late August the Final Report of the Reference Group on Welfare Reform (2000 [b]) was welcomed by the Government, Labor and the Democrats. Michael Raper, President of ACOSS, saw it being a bridge over troubled waters - even if it had a few planks missing. The mainstream press response was generally positive (contra Cassin 2000), praising the way in which the Reference Group had attempted to reinterpret Prime Minister Howard's hardline 'mutual obligation'. The press took heart in the Report's suggestion that sanctions should be a last resort and that the emphasis should be on a 'partnership between income support recipients and the government designed to encourage participation in the economy and society'.

It is true that in the section of the Report dealing with 'mutual obligation' there was a recognition that "Some responses (to their interim report 2000[a]) argued that placing conditions on income support diminishes citizenship rights to an adequate minimum income (2000[b] p. 33)." However this did not stop the authors of the Report claiming:

Nevertheless, compulsion will be required for a minority of income support recipients and to ensure that governments, businesses and communities meet minimum standards in ensuring access to economic participation opportunities (p. 32, see also p. 40).

In the financial year 1999/2000 at least 200,000 income support recipients were breached by Centrelink -for them compulsion is an ever present threat. Government however has no legislative provisions in place which can compel "businesses and communities meet minimum standards in ensuring access to economic participation opportunities". It would seem reasonable to ask what organisation is going to be in a position to compel governments to ensure "access to economic participation opportunities". The Australian Government's response to the reports of the United Nations Human Rights and Elimination of Racism Committees concerning the present Government's breaches of international agreements, which Australia has signed and ratified, was to tell the UN to stay out of 'Australia's business' (Garran 2000, p.1, Bessant 2000 [b]). Given such a Government response it is impossible to identify the vehicle which the Reference Group thinks will compel the Australian Government to ensure economic participation.

This is in fact the crux of the 'mutual obligation' debate: legal powers exist to compel income support recipients to reciprocate. But those who receive income support have no way of compelling the Government to meet its 'reciprocal obligations' which the Report identifies as being necessary if there is to be increased participation in the economic and social life of the nation. Under the title of Participation Support for a More Equitable Society the Reference Group advocates removal of the current legislated right of people with parenting responsibilities to not work until their youngest child turns 16 years. This right has been reduced to when the youngest child turns 6 years after which they will be required to attend yearly interviews (p. 43). Then when the child turns 13 parents will have to demonstrate how they intend to access economic participation opportunities (p. 43). A variant of 'work for the dole' or other compelled activity will be extended to some Disability Support Pensioners (pp. 12 -18).

The trade off that income support recipients are offered is a single rate payment for all 'working age' recipients plus a number of add on payments to: 'increase participation' and cope with special 'needs', family circumstances or disabilities (p. 24). The introduction of the Common
Youth Allowance saw 46,000 16-18 year olds have their payments diminished or cut completely. Such reductions in benefit has occurred under both Labor and Liberal administrations since 1986 whenever common payment regimes have been installed. There is no reason to believe something different will happen this time. The Government has loudly proclaimed it will retain the value of benefits but, since 1986, such promises have always been given before cuts occurred. Even if the rates are not cut recipients are having the conditions under which they receive payment eroded by the imposition of compelled activity. The report acknowledges that the different benefit structures and advantages, which currently exist, cause confusion and unintended disincentives yet goes on to promote its uniform 'work age' payment plus 'individualised add ons' which must lead to even greater confusion (pp.22-31).

Perhaps more importantly it fails to advocate a general income guarantee for all 'working age' people (p. 22). Its recommendations, in relation to income support, only relate to those who now receive government income support. It stops short of advocating working families tax credits as exist in the United States and Britain and advocated by the Labor Party in Australia (p. 28). The Final Report of the Reference Group on Welfare Reform (2000 [b]) does not develop the idea of a general income guarantee to all working Australians as was recommended in Perry (1995) and Baldwin (1995). In fact, in this regard, it is a retreat from the Henderson Poverty Inquiries (1975, Vol. 1 ch. 6) recommendations.

The Report fails to successfully address a number of crucial dilemmas which arise out of its main recommendations. If there are advantages in having a uniform base rate of payment for all 'working age' income support recipients, why (apart from the imposition of conservative charity values) would there be any advantage in confusing such a structure with several add on payments calculated at an individual level? Many of these add on payments require determiners to apply considerable discretion. For example, assessors will determine what is appropriate participation 'in the economic and social life of the nation' for each applicant.

If there is a logic in having the same base rate for all 'working age' recipients why should it not be extended to older and younger people? After all, many people older than 65 years work as do many under the 'working age'. There are two reasons for this: firstly the age lobby is united and powerful compared with 'working age' groups who have been divided amongst themselves; and secondly to include the young in such an income guarantee scheme would reverse decades of governments’ attempts to marginalise this age group. On top of this it would mean having to admit the present income support discrimination against the young is unjustified.

The Reference Group Report may have portrayed a kinder face of 'mutual obligation' than the Government has hitherto been able to present; but it has not been able to escape the inherent miserly conservative agenda which has been part and parcel of the administration of welfare services in Australia since the invasion. The parish has been replaced by the Commonwealth but the values of the poor laws remain.

There is nothing wrong with encouraging people to play a part in society and the economy. Compulsion can be replaced with trust, enablement, mutuality and assistance. People will take opportunities to engage. Only those addicted to a poor law view of the world want to force the poor to sing for their supper. There is nothing wrong with having one rate of social security
income support for all permanent residents in this country - but it does not need to come with strings attached. There is no need to link work readiness and income support. In 1975 Professor Henderson recommended a Guaranteed Minimum Income. This book advocates the introduction of a universal Basic Income paid to each individual and at a rate at least that of the single age pension. Once such a program was in place governments would no longer be able to threaten the livelihoods of those most marginal to the productive process. For this to happen will require governments to choose, in Goodin words (1988 p. 7), between "a poor law state and a welfare state".

A long time coming

It is as if governments believe there is no way to ensure a productive society other than to compel those who have the least opportunities. Governments in English speaking western countries seem obsessed by the cost of income support. The more important question is whether income support is affordable. Generous income guarantees become affordable when the amount of government revenue is raised. Presently governments have a preference for providing minimal welfare rather than increasing taxation. Just take one example: wealth taxes are an anathema to the rich in Australia, as a result there are no wealth taxes (in the form seen in many OECD countries). But Australia does have wealth taxes. They are called asset tests and are imposed on many forms of social security payments. Australian wealth taxes are applied at the very time when people are experiencing financial crises and result in only small savings to government outlays. It would be possible to tax all wealth and vastly increase government revenue and hence be in a position to expand the quality and coverage of income support. Instead governments have been content to let the welfare system evolve from the Poor Laws to poor laws (Stretton 1996).

In feudal England a number of support systems existed for members of the community who fell on hard times - their extended family in the first instance, others in the village with a surplus, the lord of the manor or the church. Strangers might not be helped and could be banished from the village and left to die at the crossroads. Each area had its own helping characteristics. However, before one was assisted others in the village had to have sufficient resources to help, there was an expectation of 'mutual obligation' and one had to be in good standing with other community members. In times of widespread crop failures these local helping systems broke down.

Not much changed in relation to the way poor people were helped until towards the end of the 18th Century. At Speenhamland, Berkshire, in 1795 a number of landlords were unable to pay sufficient wages to ensure their farm labourers had an adequate income to sustain themselves and their families. The system provided a fixed scale of relief in line with the size of the labourer's family and the price of wheat. In return labourers were required to continue to work. The scheme involved topping up the wages paid by the individual farm owners (Polanyi 1945).

The scheme was subsequently criticised by workers organisations because they saw that the minimum assistance had the capacity to become the going wage and that it was a subsidy to employers (Polanyi 1945 pp. 99-107). Some trade unionists to this day oppose income guarantee schemes on similar bases seeing Speenhamland type income guarantees as Capital's method of
lowering wages or as a form of 'work for the dole' both of which they see as undermining the dignity of paid labour.

**There has been a parallel debate**

Some observers draw different conclusions from the Speenhamland experience. They find a kernel of trust in others, a way to get the productive needs of society met by using the available labour and providing a floor below which no one would fall.

In 1848 Karl Marx and Friedrich Engels wrote *The Communist Manifesto* which heralded a system where the basis of production and distribution would be 'from each according to ability and to each according to need'. Though such a system has not been implemented in any country, the promise of the *Manifesto* has presented a challenge to all other systems of income distribution since that time. Bismarck’s reforms were measured against the *Manifesto*.

In Britain the earliest fully elaborated (book length) Basic Income proposal was put forward by Dennis Milner (1920, Van Trier 1995). After a brief flurry of activity between 1918 and 1922, his contribution disappeared from income support policy debates for over half a century. The British Liberal economist Lady Rhys-Williams, in 1943, set out a plan to introduce a guaranteed minimum income. In her book entitled *Something to look forward to* Lady Rhys-Williams' aim was to provide an income floor without interfering with earnings. The economic fundamentalist writer Milton Friedman claims he developed his ideas on his form of income guarantee (the Negative Income Tax) during that year but it took him a further 18 years to publish his ideas. In 1975 Professor Ronald Henderson in the Main Report of the Poverty Inquiry, borrowing heavily on Lady Rhys -Williams' ideas, advocated a Guaranteed Minimum Income for Australia.

Since that time many different forms of income guarantees have been promoted around the world. The major point of difference is the degree to which authors wish their income guarantee to ape the welfare income support system with its various categories of payment and means test or instead argue that income support should take the form of a truly universal payment to all as a right of citizenship.

**Modern Basic Income proposals**

Amongst proponents of generalised income guarantee there are divisions between supporters of Negative Income Tax (NIT), Guaranteed Minimum Income (GMI), and Basic Income. The structural differences of each system were described in Chapter 9. The major difference between each of these income guarantees (*in their pure form*) and categorical income support payments is that generalised income guarantee eligibility does not necessitate any social requirements. However, many of the generalised income guarantee programs which have been promoted since 1943 have added social requirements, such as the willingness to work.

The major difference between GMI or NIT and Basic Income forms is that the first two are *selective* and Basic Income is *universal*. Proponents of NIT and GMI argue that it would cost the State less to introduce their models compared with a Basic Income. It is true that government outlays would be lower under NIT and GMI; but the actual drain on the budget bottom line of an
unconditional Basic Income (because of increased tax compliance and ease of administration) might not be much greater than with other forms of income guarantees (Van Parijs 2000 pp. 8-9).

Dennis Milner (1920) set out to create a comprehensive program which would include everyone. He envisaged, in his proposal, everyone - irrespective of circumstances - being guaranteed an income as a right of citizenship (Van Trier 1995). Milton Friedman, when he advocated NIT, wanted to ensure that any income transfers went only to the poor. Lady Rhys Williams wanted to ensure no poor person missed out. Since then the majority of NIT and GMI advocates have wanted to direct the most assistance to those most in need. The arguments about selectivity covered in Chapters 2, 3 & 8 relating to categorical benefits have equal application to selective generalised income support programs.

There are many forms of generalised income guarantee schemes installed in Europe and there are plans afoot in several countries to move in the direction of a Basic Income (Van Parijs 2000). The actual model of Basic Income implemented in any country will depend on what other social wage components are retained and the capacity of that country to afford it. Van Parijs (2000) outlines many options a government might employ to reshape its tax and social welfare infrastructure as part of the Basic Income implementation process.

Until 4 years ago I believed that it would be more politically feasible to introduce a GMI than a Basic Income partly because the perceived cost of such schemes would be lower than for a Basic Income and Don Grimes (a progressive minister in the Hawke Cabinet) informed me that he and many of his colleagues were opposed to providing a guarantee of income support 'to millionaires'. The other reason for supporting a GMI over a Basic Income is that the money is seen to be directed towards those living on low incomes.

Over the last few years:
- the increasingly targeted income support system,
- the increasing marginalisation of young people,
- the imposition of 'mutual obligation',
- the hegemony of economic fundamentalism,
- the income redistribution upwards via tax, education and health systems,
- the exponential growth of the 'what's in it for me' mentality,
- the widespread working class acceptance of incessant calls for lower taxes, and
- the rise of a form of wedge politics designed to denigrate migrants, lone parents, those with a disability and Indigenous people whilst generating an 'envy' for the poverty line income they receive

has led me to revisit Goodin & Le Grand's (1987) suggestion that if the rich do not benefit then the system will be under constant challenge.

The desire to assist those in greatest financial need to the greatest extent conflicts with the desire to treat people equally. The rationalisation that equality is a less important goal than equity explains the basis for promoting selectivity. The realisation that to treat unequals equally is as unjust as treating equals unequally supports the imposition of selectivity. On the other hand Boston & St John (1998 pp. 100-101) assert that if all are assisted equally then poorer people gain more because a dollar is worth more to them than to the rich. Claus Offe (1992), echoing
Goodin & Le Grand (1987) describes the universal basic income as 'economically' inefficient because it delivers benefits to all when only some need the assistance but is 'politically' efficient because "spreading entitlement to benefits to 'all' is the inescapable political precondition that must first be met in order to make the arrangement popular with the middle class (pp. 72-73)". The other problem with arguments to equity is that people differ from each other in what they consider fair. A further confounding feature, if Goodin & Le Grand (1987) are correct, is that poor people will experience greater security of income support if the affluent are included; and because everyone benefits this may lead to increased public support for raising income guarantee levels. That is, more money may go to the poor because more money is going to the rich.

Andre Gorz (1985 ch. 4) proposed a form of guaranteed income dependent upon a minimum contribution of 20,000 hours of labour over a life time. Since then the likelihood of increasing "insecurity of employment for all (Gorz 1999 p. 56)" led him to reject this guaranteed minimum income form and opt for a full unconditional Basic Income (pp.86-87). He specifically rules out any compulsion to contribute by 'volunteer effort' to society, as the various 'mutual obligation' regimes demand (1999 pp. 86-90). Gorz sees the purpose of the provision of a Basic Income "not to exempt people from doing anything at all, but to open up possibilities for everyone to engage in a whole host of individual or collective, private or public activities which no longer need to be profitable in order to flourish (1999 p. 100)".

An Australian supporter of Basic Income (McDonald 1995 ch. 10) is critical of Henderson style GMI because of its categorical nature and its welfare style attempt to help those in need. McDonald sees the social welfare approach to income guarantees as attempting to assist those 'most in need' whereas a Basic Income has the capacity to 'prevent need'. McDonald is critical of the social welfare approach to income guarantees because they result in high Effective Marginal Tax Rates due to combined income guarantee withdrawal and income tax rates (pp. 71-77). He believes that for those in work the money derived from a Basic Income will replace some of the income workers obtain from employment (p.72).

As mentioned earlier some trade unionists oppose universal income proposals on just such grounds. Reviewing the Canadian Macdonald Commission's advocacy of a partial Basic Income set at a very low level, Lerner, Clark & Needham (1999 pp. 22-23, 31-33) saw that the Macdonald Commission plan had the capacity to "promote a race to the bottom in terms of wages and workplace standards as people in below-subsistence poverty competed fiercely for diminishing hours of paid work". This is why they argue for a full Basic Income. As Standing (1999 p. 104) asserts "Having the assurance of basic income security would actually enable workers to say no with greater ease when confronted with sub-subsistence wages". For the overwhelming majority of workers the question is not whether the provision of universal income guarantees lowers the amount received as a result of employment or not, nor is it whether there will have to be higher income tax rates needed to raise government revenues to pay the guarantee. The real question is: will workers at the end of each fortnight receive in their hands from all income sources - more, about the same or less than they do under the existing system?

Work done by Rankin (1997, 1998) in New Zealand, suggests that a universal income (with a 39% income tax rate plus the retention of much of the existing social security system) is affordable. Such an income guarantee would ensure that no pensioner or beneficiary would
experience any cut in income. It would also mean that low income and no-income workers cash in hand situation would be improved following the introduction of his universal income compared with the present. Rankin envisages such a universal system as laying the foundations for a more generous income guarantee over time. In a recent letter Keith Rankin wrote "In particular, what matters is that the universal payment should be seen as income deriving from collectively owned property and not being a redistributive handout".

Saunders (1995) suggests that it would be necessary to set the income tax rate at 50% if the intention was to introduce a full Basic Income in Australia. This may well be the case, but because of the payment of the income guarantee to all, if the amount paid as an income guarantee is deducted from the amount of income tax paid then the effective tax rates on earned income for the majority of full time workers would be roughly the same as they are now. Presently in Australia, once a beneficiary has exceeded the 'income free limit' the minimum combined tax and social security withdrawal rate is 60% and can be as high as 200%. The highest income tax rate applying to those earning over $60,000 is 47%. The majority of full time workers seem oblivious to the fact that such high effective marginal withdrawal rates apply to social security beneficiaries.

The rate of income tax necessary to fund a Basic Income will substantially depend on the level of other taxes. The rate and composition of the entire tax structure; for instance, consumption taxes (GST, VAT or wholesale sales taxes), customs and excise taxes, the presence or absence of wealth and death taxes will influence the required level of income tax. Alaska, for instance, provides a partial Basic Income funded entirely from a resource tax on oil extraction (Van Parijs 2000 p.4).

Throughout the workforce there is a growing fear of unemployment and a recognition that the prevalence of part-time, insecure and casual employment is increasing. This has yet to translate into a realisation that a Basic Income has the capacity to ensure everyone a secure income. If Gorz (1999) is correct and insecure employment is 'coming soon to a work place near you' then the installation of a Basic Income (paid at least at a level which has the capacity to sustain individuals and families in modest dignity) would be a good insurance policy. A universal Basic Income will at a minimum prevent the marginalisation, denigration and alienation to which many governments subject unemployed people. A Basic Income would raise the income of many social services beneficiaries, part-time and casual workers and would simultaneously raise income tax compliance because the taxation department would integrate collection of tax and payment of the guarantee.

**Efficiency of income guarantees**

Categorical benefits, by their very nature, set out to privilege certain categories of people. These categories may indeed be composed of very 'needy' people, but there is no guarantee they are the only 'needy' people yet the categorical system of income support assumes that the correct targets have been set and will be met. Goodin (1992) concedes that in a perfect world a welfare system might be able to identify and pay all the poor and only the poor. But the State is often employing surrogate measures and is basing its presumptions about 'need' on sociological 'facts' which are "uncertain, highly variable and, in any case constantly changing (p. 210)". Because of this
Goodin (1992) asserts that an efficient income support system is dependent upon avoiding such presumptions about human behaviour through the provision of an unconditional universal payment.

This point is reinforced by Perry (1995 p. 26), an Australian Department of Social Security researcher, who writes:

- If the overall purpose is to provide for those who cannot, or are not expected to, participate in the labour force and for the unemployed who are looking for work, there are a number of gaps and inconsistencies... While from the perspective of each payment type certain exclusions seem reasonable, looking at the overall list of those with incomes below the social security cut-out points who are not eligible for payment, there does not seem to be any obvious *principle* distinguishing who is covered and who is not [italics in original].

Elsewhere in this text, Perry points to situations where one individual may have eligibility for one of six different types of benefit with differing conditions, means and asset tests applying (p. 23). The Australian *Social Security Act* and associated regulations run to around 1,500 pages each (p. 21). She concludes the Australian system of income support is complex, applies inappropriate assumptions, has too many gaps in provision, is insensitive to changing circumstances of recipients and subjects people in like circumstances to different treatment (p. 51). All of these features of the categorical system are the antithesis of efficiency.

When Goodin, Headey, Muffels & Dirven (1999) tackled the question of efficiency of the generous Dutch income support system and its minimalist United States counterpart they found considerable inefficiencies in the far less redistributive American system. Michael Murray (1997), an American supporter of the GMI, criticises the United States income support system for being:

- inefficient as an alleviator of poverty (pp.166-168),
- inefficient to administer because of its compelled activity and other stigma generating policies (ch. 4, p. 194), and
- inefficient because of its complexity (ch. 2, 6).

He considered the United States system of income support so inefficient at ensuring that *all* poor people received benefits, that when he proposed his suggested form of GMI, he wanted every citizen included except those who applied not to be part of the system (p.158).

Perhaps the most telling argument in favour of the efficiency of a Basic Income is that it provides all with a known minimum level of income which is paid irrespective of any other income source, making any other social policy much easier to implement. For example, if a government increases housing subsidies to make rental accommodation more affordable to social security recipients this can have differential impacts depending on whether the recipient is a pensioner or beneficiary. A further example is provided by Watts (1995[b]) who considers Basic Income a fundamental basis of citizenship, which "can underwrite both the freedom to choose...social transformations [like regendering of work] and can underpin further transformations [like redistributing wage work and shifting to an ecologically sustainable economy] (p. 26)."
The economic fundamentalist preoccupation with efficient work places, designed to cope with the emerging globalisation, has led employers to downsize, contract out, expand the number of part-time jobs, attempt to deregulate industrial conditions, casualise the workforce, and increasingly use job hire firms. Each of these approaches has impacted on the sense of security of workers by expanding the extent of precarious employment. This in turn has meant that workers and their unions are often more inclined to resist change in the work place than would be the case were an unconditional Basic Income in existence. The reason is simple; at present, the choice for many retrenched workers is between employment and a stigmatised categorical income support system for which they might not qualify. A Basic Income ensures an income floor which provides retrenched workers with the income base from which to move on to other jobs (Van Parijs 1992[b] p.7). That is, the absence of a Basic Income creates an inefficiency in any economy subjected to increasing levels of technological change. It seems an absurd proposition for economic fundamentalists and conservative governments to claim that the mode of production has to deregulated for the sake of ‘efficiency’ but that the system of welfare redistribution should be increasingly regulated.

The ‘less eligibility’ argument, mounted by conservatives from the days of the Elizabethan poor law, suggests that unless welfare benefits are paid at a lower rate than would be obtained from paid jobs then work disincentives will occur. Such thinking continues to dominate policy debates in Australia, New Zealand, Britain, Canada and the United States. This, when coupled with the economic fundamentalist mind set (which suggests that minimum wage legislation makes it increasingly difficult for employers to afford to provide jobs for the least skilled) has two impacts; minimum wages are kept low and so subsequently are benefit levels. "In effect, those at the lower end are being asked to fund jobs growth through wage reductions with rising inequality as a key outcome (Bell 2000 p. 253)"

Van Parijs (1992[c] p.229) claims that because a Basic Income is paid, irrespective of all other sources of income, it can be used by those who desire work as a wage subsidy; yet, because it provides sufficient income on which to live, it does not compel any potential worker to work under conditions which that worker finds unacceptable. He concludes that "Whereas a rising means-tested benefit makes it increasingly difficult for unskilled people to find a job, a rising basic income makes it increasingly feasible (Van Parijs 1992[c] p.229)"

With the qualification that there may be some jobs offered in any country which are so unsafe and poorly remunerated that no one in their right mind would take them- forcing people to take such jobs by threatening the removal of benefits is unconscionable. If the intention of those who promote categorical benefits which demand work readiness is to force workers to take all available jobs then this aim might be more efficiently achieved through a Basic Income than by the enforcement of ‘less eligibility’. The inordinate invasion of privacy in the lives of applicants for unemployment benefits, the imposition of ‘mutual obligation’ and other stigmatising practices all have to be paid for by governments out of permanent residents' taxes. If the aim is to ensure that all job vacancies are filled, the provision of an unconditional Basic Income has the capacity to do that without compulsion. This would be both just and efficient.
World wide the major problem facing advanced economies is too many workers chasing too few jobs (Rifkin 1994, Omerod 1994, Gorz 1999, Boreham, Dow & Leet 1999, Stilwell 2000). Stigmatised, selective, targeted, categorical welfare payments coupled with 'mutual obligation' and other compelled activity scenarios are tackling a problem - the trouble is that they are tackling the wrong problem. A Basic Income, because it provides a known financial advantage for every extra dollar earned, abolishes both poverty traps and work disincentives (Lerner, Clark & Needham 1999 pp. 20-21). Gorz (1999 p.85) claims "The universal, unconditional grant of a basic income is, therefore…the best instrument for redistributing both paid work and unpaid activities as widely as possible [italics in original]."

The fear that generous categorical payments create work disincentives because the financial margin between working and living on benefits is not sufficient to make people want to work derives out of the public choice perception of human behaviour. It ignores the entire sociology of work research and assumes that the poor have to be compelled if they are to be productive. Most beneficiaries have only the vaguest idea of how the tax and social security combined withdrawal rates operate. Most categorical combined tax/benefit withdrawal rates are so high that they create for many a financial disincentive to part-time work which leads in turn to governments compelling people to take part-time work on threat of loss of all benefits. This is a very inefficient way to construct social policy. With a Basic Income there is always a financial incentive to work- the withdrawal rate is the tax rate - and is, as a result, known and easily calculated.

Attempting to ascertain the degree of impairment experienced by an individual applicant and then paying those applicants who can establish they have met some predetermined 'level of incapacity to work' is very costly and an extraordinarily inefficient method of providing income support to those with a disability. People with equivalent levels of impairments often have widely different employment histories (Perry 1995 p.29). It would be more efficient to provide a universal income guarantee if the desire is to encourage productivity / contribution / inclusion by those who have a disability. Australian governments have recognised this in relation to Blind Pensioners (Jordan 1984, Kewley 1973) but continue to subject others who have severe disabilities to stigmatised, selective, targeted, categorical payments.

Robert Goodin (1992 pp.196-197) points out that attempting to determine work capacity by measuring levels of impairment and the adoption of any other unit of payment than the individual creates target inefficiencies because such tests of eligibility are 'surrogate measures' - they do not test the things they purport to measure directly.

If income support is paid using the family as the unit of income then many people will not receive an income guarantee. It was shown in Chapter 9 that the assumption that if one member of a family is provided with sufficient income to support the entire family unit then this money will be distributed in an equitable manner is a flawed assumption. Therefore, if a government is interested in increasing the target efficiency of any form of income support (ensuring that those whom the benefit is designed to assist are assisted) then this can only be done by paying the benefit directly to the individual who is the intended beneficiary. This is why supporters of Basic Income insist that each individual should receive the guarantee in their own right. Persevering
with the family as the unit of income simply creates target inefficiencies (Goodin 1992 pp.196-207).

Much of the argument in this Chapter about the efficiency of a Basic Income has concentrated on the supply of benefits, in the least stigmatising fashion, to all who need them. A Basic Income regime does away with the need for the entire government income support surveillance apparatus, creating savings to government expenditure. Exponents of a secure equitable income support system would therefore regard a Basic Income as politically efficient.

But there are wider efficiency arguments which can and should be mounted in support of an unconditional Basic Income.

- A Basic Income requires the least interference in the lives of citizens.
- It supplies all permanent residents with equal assistance.
- It is the most inclusive form of income support payment and the most secure, thus enhancing citizenship.
- It provides sufficient income to allow the possibility that people will explore their creative capacity.
- It removes many of the obstacles to a reinvigoration of the industrial, technical and computing infrastructure.
- It allows the State a fuller understanding of the impact of its other social wage policies.

However, a Basic Income is just that - an unconditional universal income guarantee. It delivers an income floor without interfering with productivity. It is a vast improvement on categorical selective social services. It is an advance on all social insurance and private provision schemes which invariably result in the 'individualisation of risk' (Lerner, Clark & Needham 1999 p. 11) and as a result create a 'do it yourself welfare state' (Klein & Millar cited in Page 1998 p.307).

A Basic Income is not a utopian panacea - it will not abolish all social difficulties. But, it will allow the State to construct its other social welfare, health, education, disability, ethnic and community service policies on a firm and known foundation. It is a far cry from the Communist Manifesto’s promise to create a society based on the principle: ‘from each according to ability to each according to need’. In this regard it may not be the best income support policy, in any absolute sense, just the best income support policy capable of being implemented in the early 21st century.

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(http://www.etes.ucl.ac.be/BIEN/FirstUncondSch.html).


