Chapter VII

BRITISH AND UNITED STATES EXPERIENCE OF GUARANTEED INCOME

This Chapter provides survey of the literature concerning guaranteed minimum income and negative tax schemes in America and Britain is provided because as will be seen, many of the ideas about income guarantees which have been suggested in Australia had origins in either Britain or America. It aims to provide a description of the general thrust of income maintenance proposals and implemented programs in those countries which approximate income guarantees. It goes on from there to survey the prevailing ideologies which have structured these proposals.

Both Britain and Australia have Family Income Supplement schemes designed to assist families where at least one member works but only receives a small remuneration. America has yet to introduce such a scheme (1). Daniel Moynihan, in his book The Politics of A Guaranteed Income, describes in detail the difficulties which the Nixon administration encountered in its attempt to introduce a family assistance program which would have constituted a minimum income guarantee for families with children (2) This program would have offered the type of coverage provided by a combined Supporting Parents Benefit (replaced by a Sole Parent Pension in the August 1988 Budget) and Family Allowance Supplement in Australia.

BRITAIN: A BRIEF HISTORY:

In Britain an important part of the welfare debate since the Second World War has centred around the question of income guarantees. This post-War search for more equitable ways of providing for poor people's maintenance has many antecedents. One was the Speenhamland system of outdoor relief commenced in Berkshire in 1795 and was widely copied in other parts of England. The system provided a fixed scale of relief in line with the size of the labourer's family and the price of wheat. Labourers whose wages were insufficient to support them and their families were assisted up to a set level. Unfortunately the Speenhamland system provided some employers with the opportunity to reduce wages thereby letting the cost of maintaining their labour force fall on the parish as a whole. The scheme was abolished by the 1834 Poor Law which replaced this form of assistance with indoor relief in the work houses (3).

In the period from 1834 until the Second World War it is difficult to establish a precise chronology of the development of ideas about guarantees of minimum income because of the different possible interpretations which might be applied to some of the earlier statements. For instance, in England at the turn of the century the Webbs had spoken of the need to provide a "national minimum of civilised life" (4). In 1906 Winston Churchill had called for "a line below which we not allow persons to live and labour"(5). Nearly fifty years before that John Ruskin had argued that "the first duty of the state is to see that every child born therein shall be well housed, clothed, fed and educated till it attain the age of discretion." (6)

Whilst each of these statements contain a thrust in keeping with the idea of the introduction of a guaranteed minimum income, the other works of these writers lead to the conclusion that the guarantees of which they spoke would have been substantially circumscribed.

Early in the Second World War, a Cabinet Minister, William Beveridge, was given the task of undertaking the first comprehensive review of the British social insurance system. In his report he set out the means by which the government could ensure that the minimum needed assistance was provided to everyone (7). His plan was to remove the more oppressive aspect of poor law relief and to broaden the social insurance system.
The Beveridge Report and the statements mentioned earlier provide a backdrop to Lady Rhys-Williams* efforts in 1943 to introduce an income guarantee for all families in order to do away with the complexities of the then existing system of financial assistance to the needy (8). Rhys-Williams saw her system as resulting in the merger of the social insurance and taxation systems: the payment would have been in the form of a demogrant, flat rate and available to nearly everybody (9). She would, however, have excluded from payment the able-bodied unemployed who refused to work (10).

* Lady Rhys-Williams held a number of senior positions in the British Liberal Party and was Vice President of the Economic Research Council. The Rhys-Williams proposals contained most of the major suggestions put forward in Henderson's plan for a guaranteed income in Australia. She had suggested a proportional tax plus surcharge to fund the proposal operating on a PAYE system. The essence of her proposal was that "The citizen should have a 'floor' below which he cannot fall, but ought not to have a ceiling beyond which he cannot rise." Rhys-Williams, J., A New Look at Britain's Economic Policy. Penguin, Harmondsworth, 1965, p.163.

The direction which Britain took was not that mapped out for it by Rhys-Williams but more that of Beveridge even though his Labour Party critics, such as Bevan, saw "security in full employment and good wage standards rather than in any 'social ambulance scheme'." (11) In post-war Britain the Labour Party set out, in line with the Beveridge Report, to create the "welfare state" with its old age pensions, its unemployment and sickness insurance, national health, supplementary benefit payments, local council rent subsidies and other residual programs. It was to be another twenty years before Britain was to again look seriously at income guarantees for working people.

The issue of negative taxation and tax credits began to reappear on the political agenda in Britain in the late 1960s.* In 1968 the Labour Party's taxing of Family Allowances (claw-back) caused significant income losses for the moderately paid and this created the climate in which issues such as assistance to low and moderately paid workers became a point of dispute. In 1970 the Institute of Economic Affairs proposed what it termed "reverse income tax" which had a number of negative tax features: it guaranteed all households a minimum income at the Supplementary Benefit level; but it provided no further payments above that level, the decision to apply "a 100% tax rate was dictated by a desire to alleviate the problem of the poverty trap." (12) This scheme would avoid a poverty trap below the level of supplementary benefit but create one at the level of supplementary benefit.

* The first of these was put forward by Professor D. Lees in "Poor Families and Fiscal Reform." Lloyds Bank Review, October 1967. For a fuller discussion see Atkinson, A., Poverty in Britain and the Reform of Social Security. Cambridge University, London, 1969, Chapters 9 and 10.

The Conservative Party coming to power in 1970 introduced the Family Income Supplement as a way to help low paid working class families, where the breadwinner worked at least 30 hours per week. Right from the inauguration of the program the issue of take-up plagued its designers.
The Secretary of State for Social Services declared an intention to reach at least 85 per cent of the eligible families despite estimates by others that only between half and two-thirds of eligible families would apply - the estimate of 50 per cent turned out to be the most accurate (13). Rein makes the comment that

"Whereas American public policy seems almost obsessed with the problem of how to reduce the size of the welfare caseload, British policy, by contrast, is preoccupied with how to reach the universe of eligible recipients."(14)

In October 1972, the British Conservative Government published a Green Paper on a proposed tax credit system, designed to replace Family Allowance and the Family Income Supplement, and to integrate the personal taxation and social security systems (15). This Green Paper suggested for the first time since the Speenhamland scheme of 1795 an income supplement for single workers (16).

The Tax Credit proposed had three rates of credit: - 4 pounds (sterling) per week for individuals; 6 pounds (sterling) per week for married couples or single parents with one or more children in care; and 2 pounds (sterling) per week for each child irrespective of age. The Tax Credit was not designed to guarantee every family would have sufficient to support its members. The Green Paper maintained "To do that would put the cost of a practicable scheme far beyond what is supportable." (17) In line with the prevailing conservative ideology, the Green Paper went on to argue that needs based residual welfare was far more target efficient in dealing with special cases of need than were general programs.

The Green Paper and the Select Committee Report on Tax Credits, which followed it claimed that a tax credit such as the one proposed would solve the problem of take-up (18). The Select Committee generally approved of the ideas outlined in the Green Paper and concluded that the Tax Credit would be an improvement on the Family Income Supplement because the withdrawal rate would be 30 rather than 50 per cent and it would ensure an automatic transfer rather than benefit upon application (19). It claimed there would be considerable benefits to be gained from the streamlining of welfare and more particularly taxation.

Comparing the British tax credit proposal with the Nixon Family Assistance Plan, Rein notes that the Tax Credit scheme, unlike the American income guarantees was developed as a tax reform which "does not attempt to reduce supplementary benefit rolls, to guarantee a minimum income, or encourage work." (20) Rein goes too far when he suggests that the Tax Credit does not attempt to encourage work, for there was a clear intention in the proposal to avoid some of the notch problems encountered by workers. Under the system operating in 1970, a worker could lose 50 per cent of increased income under the Family Income Supplement Scheme, as well as the 35 per cent positive income tax rate and still be subject to clawback of family allowance (21).

There was in the Green Paper an intention to transfer a substantial number of supplementary beneficiaries to automatic tax credits, in particular to reduce the number of pensioners then drawing supplementary benefit by "over a third" (22). The Tax Credit scheme excluded the self-employed and those earning less than eight pounds (sterling) per week. It maintained that the Family Income Supplement should be continued for the self-employed. The rationale offered for excluding the self-employed centred around the difficulty of collecting their positive tax instalments (23). Such an objection would have less validity in Australia because of the widespread use of provisional tax for small businesses and the self employed business person.

The American researcher Heclo saw in the proposal a new direction when he commented that "The new Conservative government implemented its earlier vague appeals for greater selectivity in social benefits with an unexpectedly sweeping version of the negative income tax."(24) Another of the early commentators on this proposal and the Select Committee's endorsement of it was Howard Glennerster who felt the Tax Credit Proposal was not a major
departure from existing practice which had been evolving in this direction for at least two decades and that it

"has more to do with the need for economic and administrative rationalisation than it has with re-distribution, and this is entirely consistent with the stance of a Conservative government."(25)

The Green Paper predicted that the Tax Credit Proposal would, if implemented, remove the need for between 10,000 and 15,000 public servants (26).

A report by the Organisation for Economic Co-operation and Development on negative taxation saw merit in the proposed British Tax Credit scheme in that it had the one agency collect tax and deliver transfers which would result in a reduced flow of funds "between the government sector and the public as the credit can be offset against tax at source." (27) This OECD report also approved of the non-cumulative income assessment compared with the then existing cumulative PAYE tax deductions, arguing that in the great majority of cases the proper tax was paid over the year as a whole without the need for end of year adjustments in liability(28). This effect was substantially the result of moving to a proportional rate of tax over the bulk of income ranges.

Atkinson, Professor of Economics at Essex University, and a vigorous critic of many aspects of the tax credit scheme, had earlier given evidence before the Select Committee. He was aware of the issues of low take-up and high marginal tax rates present in the existing income maintenance programs when he wrote in 1975:

"It excluded some 10% of the population: the self-employed, those unemployed, sick or disabled with no entitlement to National Insurance, and single parent families with low earnings. The needs of these groups are likely to be particularly pressing."(29)

He went on to list further groups who, if they were to benefit at all, would do so only to a limited degree. Another aspect which concerned him was the fact that the problem of financing the scheme was inadequately considered. "If the cost were to have been met by a rise in VAT, then the real gain in terms of purchasing power would have been considerably reduced."(30) Kincade's analysis (31) of the benefits likely to flow to low income recipients as a result of the tax credit proposal showed that for many of the low paid workers the effective marginal tax rate would be slightly over 50 per cent - somewhat more than the official 30 per cent tax credit rate. This would occur because associated and in-kind supplementary programs had their own means tests applying. However, he held that the proposal would have resulted in considerable improvements for many people. In 1974 a paper prepared by Australian Treasury officers reviewed a number of negative tax schemes including that suggested in the British Green Paper. The officers were impressed by the aspect of harmonising positive tax with welfare transfers but were concerned with the presumption in the British program that intra-family transfers are equitably organised (32).

The Tax Credit proposal lapsed with the defeat of the Conservative government in the British election of 1974. Neither the Labour government which replaced it nor the next Conservative government of Margaret Thatcher, despite her avowal of Friedmanite economics, introduced a progressive generalised income guarantee.

THE UNITED STATES: A BRIEF HISTORY:

In 1949 Senator Taft of Ohio proposed that the Federal government maintain a "minimum standard floor under subsistence" guaranteeing "a minimum standard of decent living and all children a fair opportunity to get a start in life." (33) He was expressing in the Senate what others in the administration were thinking. Daniel Moynihan gives the credit for coming up with the idea of
negative income tax to Milton Friedman and fellow economist George Stigler during the 1940s (34)*. The concept,

* Christopher Green also accepts that Stigler and Friedman were early proponents of negative income tax and adds the names of William Vickery and Walter Heller as being involved in "formal" discussions of the idea of a negative income tax - he credits Stigler with the first publication of the idea in his 1946 American Economic Review article entitled "The Economics of Minimum Wage Legislation". (35)

Moynihan says, was a development on a 1943 idea of Friedman's to create a more equitable tax structure for those whose incomes fluctuated from year to year - Friedman suggested that the poor pay Treasury taxes in the years their incomes reached taxable levels and that the Treasury pay them in those years when their income was below tax limits (36).

A related idea was put forward by Paul and Percival Goodman in their book Communitas (original copyright 1947) (37) They proposed a system of compulsory subsistence whereby people would be expected to work one year in every four or five in basic subsistence industries. In return they would be guaranteed subsistence. The subsistence industries would be controlled or owned by the government.

Galbraith, writing in 1958, commented
"An affluent society, that is both compassionate and rational, would, no doubt, secure to all who needed it the minimum income essential for decency and comfort."(38)

In 1956 Friedman had given lectures on negative income tax at Wabash College, but it was not until 1962 with the publication of Capitalism and Freedom (39) that he put these ideas in print*. It is interesting that although Lady Rhys-Williams' Something to Look Forward to was published in England nearly twenty years before Capitalism and Freedom and her Taxation and Incentive was published in New York close on a decade earlier, Friedman makes no reference to her work. Perhaps he was content to dismiss her writings as he had done with some early British social insurance initiatives, describing them as being similar to Bismarck's and illustrating "the affinity between aristocracy and socialism," (41) Or perhaps it was because he was at pains to distinguish between negative income tax and demogrants paid in the social dividend mould.

During the Nixon era Friedman's views were to dominate*. Friedman saw in the application of the negative income tax an opportunity to pay the poor and only the poor, to dismantle much of the welfare infrastructure which sustained service delivery (and has bureaucrats and social science professionals getting well paid for so doing), to rationalise the tax and social security systems, and - he hoped - also to abolish farm subsidies and transfers to the middle class such as those provided through the education and housing systems (42). Lampman, another early advocate whose views were influential in the Johnson administration, argued that the negative tax is both a supplement and a complement to the existing welfare programs, although he believed it would and should reduce the public assistance programs (43). A major difference between Friedman and the other contemporary commentators on income maintenance mentioned here is that Friedman is generally more conservative. Negative income tax represents for him a "means to attack existing poverty with
a minimum of income redistribution." (44) Lampman and Friedman made much more of alleged work disincentive effects than did contemporary writers like Theobald (45).

* Another early advocate of negative income tax, Robert Lampman, approaches negative tax from a different standpoint to that of Friedman (47). During the Johnson administration it was Lampman whose views on negative income tax were most influential in government circles (47).

In 1963 Robert Theobald in his book *Free Men and Free Markets* set out to break the nexus between jobs and income and to lay the foundation for an economic system which guaranteed every member of the society an adequate income, irrespective of his or her individual contribution (48). These ideas were followed up in a collection of articles which he edited five years later, under the title *Committed Spending: A Route to Economic Security* (49). Theobald envisaged the greatest challenge facing developed nations being the cybernetic revolution which he considered would eventually displace the majority of the workforce. He argued, therefore, that the United States should be gearing itself up for full unemployment rather than attempting to return to full employment (50). In *Free Men and Free Markets* he had argued that the owner of capital or the person holding a conventional job should receive 10 per cent more money than if that person did not have investments or hold a job (51), but in *Committed Spending* he resiled from that position proposing that "there should be no work incentive feature at all" (52).

Writing in the same book, Margaret Mead, whilst holding that there should be some monetary reward for "working" (53) saw in the concept of a guaranteed income a tremendous force towards unifying an entire society if this was paid in the form of a demogrant (54). Mead concluded her article with the thought that any work disincentives created by an income guarantee would be more than compensated for by other social advantages (55). Mead did not however assume that the introduction of an income guarantee would be easy. She devoted considerable space to a discussion of the manner in which American men's status has been tied to their capacity to provide adequately for themselves, their wife, and their children. She warned that

"The dependency of the wife has been such a significant element in our idea of the family that it will be difficult to substitute a status for women based on (their) choice rather than economic advantage (to men)." (56)

There were a number of other important contributions made to the guaranteed income debate in this period. In 1965 Tobin put forward a concept of an income guarantee which had elements of negative taxation and social dividend welfare and which embodied the idea of tax credits (57). He was to join with others and expand on these ideas two years later. This latter paper dealt extensively with the issue of fluctuating income and like the prior paper was concerned with meshing the tax rates in both their positive and negative forms (58). Some of the issues which he dealt with still need to be considered seriously in the United States but have less relevance in Australia and Britain with their widespread PAYE tax systems.

In late 1965 the Office of Economic Opportunity submitted to President Johnson its first comprehensive attempt to address the issue of poverty. This report argued for a negative income tax for all the poor (59). The Johnson administration preoccupied by the Vietnam War and violence in the ghettos never took up the suggestion. Williams, who worked in the administration at the time, makes the point in reviewing this period that negative income tax fitted neither Lyndon Johnson's nor Richard Nixon's style. The different approaches were adopted by these two Presidents because income guarantees during the Nixon presidency had "a strong advocate like Moynihan, negative tax in the Johnson administration had a strong critic - Wilbur Cohen" (Secretary of Health Education and Welfare (60). In an earlier work Williams had argued that apart from Johnson's preoccupation
with the Vietnam War it was the popular misapprehension that providing welfare assistance to able-bodied men would cause them to leave work, which prevented the introduction of income guarantees (61). He qualified these remarks later in the same article when he said

"It would be a complete misreading of history to claim that the missing information on the dimensions of the labour supply response was a crucial factor blocking adoption of the negative income tax. In fact, Mr Nixon was to accept the argument for a negative tax before such information then being generated in the New Jersey experiment was available. At the same time, it was also true that opponents of a negative income tax could score debating points effectively by arguing that the negative tax would encourage massive idleness. This factor did become important when the Family Assistance Plan entered the legislative process." (62)

In another of the extraordinary twists and turns of the negative tax debate in the United States Senate in the 1969-70 period, it was the issue of dependency of women which most worried the Senate Committee on Finance who were vitally concerned to know "if the incentives built into the negative tax would stem the rising Aid for Dependent Children outlays by getting women to work more." (63)

In 1968 the economists John Kenneth Galbraith, Paul Samuelson, Robert Lampman, Harold Watts and James Tobin, joined by some 1,200 colleagues, called on Congress "to adopt this year a national system of income guarantees and supplements." (64)

President Nixon saw in the negative tax suggestion the possibility of reforming the welfare system in ways compatible with his general political orientation: workfare not welfare. Moynihan was to declare that the Nixon Family Assistance Plan "was different. It was singularly an American idea, and of recent origin. Its passage would set a standard of social policy against which the rest of the world might measure itself." (65) This was not a view shared by all who reviewed the plan. One critic argued that the proposal

"should not be confused with a negative income tax or other income guarantee. It is a reform of public assistance that has borrowed the work incentive mechanism of NIT and coupled it with the kinds of work compulsion that are part of the poor law tradition." (66)

The Family Assistance Plan proposed by the Nixon Administration in 1969 (and its modified form HR1) was the first attempt by an American federal government to provide a guaranteed income for all families with children who satisfied the work test requirements. It would have done something for the families of the working poor and would have gone some considerable distance towards introducing uniform federal rates of public assistance. But it was hardly a uniquely American idea nor could it have been seen as a social advance in global terms. Moynihan's other claim for it that it was "of recent origin" is not sustainable. As early as the latter part of the 1940s proposals had been put forward to make American public assistance comprehensive, non-categorical and with federal standard rates of payment (67).

The Family Assistance Plan aimed to decrease incentives to form female headed families (68). however, the

"FAP was hardly likely to reduce dependency... it would have raised sharply implicit tax rates on earnings for the already dependent, while simultaneously raising the benefit levels available to many of those families." (69)

The introduction of the Nixon Family Assistance Plan would have changed the demographic composition of those who obtained welfare transfers. Existing welfare programs
assisted primarily female headed families, half of whom were Black, less than one third lived in the south, and only one fifth had any work experience: the Family Assistance Plan beneficiaries, on the other hand, would be predominantly white who lived in the south and two-thirds of them would have some employment (70).

The South would receive 46 per cent of the gross transfers whilst providing only 26 per cent of the tax but, because the manufacturing and processing industries were based in the North, a substantial proportion of these transfers would find their way back to the North (71).

It is now history that the Family Assistance Plan in its modified HR1 form received approval in the House of Representatives, but failed to attract a majority in the Senate. Moynihan blamed the National Welfare Rights Organisation and the liberal congressmen associated with it for the defeat of the Nixon Family Assistance Plan (72). This view was not endorsed by other commentators such as Bowler, Williams and the Burkes (73) who pointed to issues such as inadequacies in the drafting, changes in some White House staff, the work incentive/dependency debate and the demise of the McGovern guaranteed income proposals, as all having an effect.

In the United States, two men - the administrator Wilbur Cohen, and the academic, Milton Friedman, had considerable influence on the outcome of attempts to introduce an income guarantee. In 1972 the American Enterprise Institute for Public Policy Research published a debate between Wilbur Cohen who by then was no longer Secretary of Health Education and Welfare, but retained a clear trust in the usefulness of social security and public welfare; and Milton Friedman, whose interest in negative income tax remained undiminished (74). Cohen began by pointing out that the American social security system was a social insurance system providing differential rewards, emphasising reward for work and productivity:

"It was not a plan worked out by the Socialist party to redistribute income or by the Communist party to equalise wealth. It was not a program worked out by the Republican party to save the capitalist system." It was a plan to help the States meet the cost of providing welfare to the aged." (75).

Cohen argued that any income guarantee program is easily susceptible to political and emotional manipulation and could lead to political pressure to substantially increase its costs yet could in times of budgetary restraint also lead to significant reductions in the guarantee (76).

In Capitalism and Freedom Friedman had expressed concern that a negative income tax would be susceptible to pressures for increases in the rate of income guarantees and/or break even points (77). Later he revised his position, arguing that negative income tax was less subject to such pressures than were other types of welfare payment because any rise in benefits under a negative income tax would provide, for the informed public, an obvious and easily calculable cost in the positive tax structure (78). He further felt that a negative tax bureaucracy would not be as inclined as other welfare administrations to have an interest in expansion (79).

In his 1972 address, Friedman attacked the social security system because the instalments paid in bore little relationship to the larger amount taken out (in most cases), because of the inequalities between married and unmarried women, and because of the different treatment of those who chose to continue to work after turning 65 compared with those who retire (80). He was critical of the fact that high income earners generally start paying taxes later and get benefits longer than do lower paid workers (81). His main thrust centred around the point that social security beneficiaries in America are apportioned benefits in a way that bears little or no relationship to need (82). He attacked the public assistance programs for spawning a huge bureaucracy; and for not providing an incentive to work, because of the wide variations in payment between different parts of the country, and because of the multiple diminution of or loss of fringe benefits (the notch problem) as income rose (83). Friedman's basic complaint was that money allegedly provided for
the benefit of the poor is often used to subsidise the better off who should be able to look after themselves: he wanted to see welfare programs which assisted the poor and only the poor. Cohen claimed that if welfare programs did not at the same time assist the better off then support for funding would decline (84).

Milton Friedman's writings on areas outside of negative income tax and some of his ideas concerning income maintenance, place him squarely in the company of the conservatives. His own utterances allow him to be seen as a modern day David Hume on issues such as general economic theory. Friedman has at various times associated himself with several conservative governments: Thatcher, Reagan, and Pinochet. His wages theories and their more general embodiment in his prices and balance of payment concepts place him on the far right of the political spectrum. Yet his thinking concerning negative income tax contains several important contradictions. Many of his criticisms of the existing welfare system are shared by people like Michael Harrington, Julian Le Grand, Betty Mandell, Pamela Roby and other socialists(85).

Friedman's wish to replace the existing welfare system with a negative income tax is predicated upon a desire to end the proliferation of well paid jobs in the welfare industry; to stop the middle class being a recipient, if not the major beneficiary, of welfare programs; to respect the dignity of poor people and promote their independence; to stop interfering in the domestic relationships of poor people; and to promote greater equity in the provision of benefits to the least affluent(86). In some of his later writings he has modified his determination to abolish all trace of existing welfare programs: for instance, he wrote

"While the negative income tax is unlikely to be adopted as a substitute for all welfare programs - as I should prefer it - it does seem to me highly likely to be accepted as a substitute for the direct public assistance programs."(87)

Such a position is not incompatible with good economic sense nor humanism, and would not be unattractive to many on the left.

A major contradiction exists in Friedman's thinking between his support for an unregulated wages policy with its promise of greater economic benefits for the whole society (which even the poor will enjoy through osmosis) and his condemnation of the target inefficiencies of the existing welfare system. He states

"the negative income tax has the great virtue that it would concentrate public funds on supplementing the incomes of the poor - not distribute funds broadside in the hope that some will trickle down to the poor."(88)

Trickle down economic processes either work or they do not. It makes no sense at all to argue that they work outside of the welfare system but that they fail or are so inefficient that they are inappropriate inside the welfare industry.

When Friedman debated with Cohen, he found an opponent supporting work (productivity) inequalities into the post work phase of peoples' lives, one who wanted to continue to tamper (in line with prevailing political realities) with a public assistance system so riddled with inequalities, regionalisms, inadequacies and stigma that it had been condemned by social scientists from most political persuasions. In this context Friedman's call for a negative income tax makes him appear progressive. Yet there are examples in much of his writings even concerning negative tax which are heavily influenced by his essentially conservative position. For instance, even though he allows of the possibility of supplementary state programs to assist the special cases of need, he has a clear preference that special need be left to private charity (89). But perhaps the clearest contradiction of all in his writings is that which exists between his denigration of minimum wage legislation and his call to make the welfare system serve the poor and only the poor.
There is a synthesis of this conflict of ideas. It is supplied by Friedman's desire to cut the amount of funds available to the welfare industry, his objection to minimum wage standards through legislation, his willingness to rely on private charity, his intense concentration on the cost of welfare services and his uncritical support for free market forces which illustrates the essence of his conservatism: all these features highlight his wish to limit the amount of redistribution flowing to the poorest citizens.

Friedman is typical of conservative writers who want as small a redistribution as possible directed through the welfare transfer system. He opposes minimum wage legislation arguing that the poor, like everyone else, would benefit from the least possible restrictions on free market forces. Cohen, through his support for the existing social insurance, state-funded public welfare and private residual assistance programs, despite his desire to increase redistribution downwards, has to be seen as operating in support of the welfare system as it exists, the status quo, and therefore also as a conservative. His clear attachment to the work ethic through his support of unequal welfare transfers in the post-work phase of people's lives, reinforces the perception of him as a conservative.

WORK, THE FAMILY AND DEPENDENCY

It is possible to identify a number of differing ideological positions which supporters and opponents of income guarantees adopted in the struggle to promote or defeat the negative tax in America, the tax credit in Britain, and the guaranteed minimum income in Australia. One of the difficulties in attempting to ascertain prime ideological features motivating particular writers and policy makers involved in the debate on income guarantees in Britain, America and Australia is that opinions are often expressed as a part of a technical point, that is the comment is presented as if it stood alone. For example, the choice of the family as the unit of payment in the Australian guaranteed minimum income proposal put forward by the Poverty Inquiry, and in the Nixon Family Assistance Plan, and again in the British Tax Credit scheme, can be seen as a technical solution or it can be seen as part of a prevailing assumption about acceptable social behaviour.

Another problem encountered, as efforts are made to isolate important ideological features, is that ideological elements themselves are often intimately connected with other ideologies. Ideologies which structure the welfare system exist as a package and should be conceived of as a composite, as a conglomeration of ideologies. The ideology of work is firmly connected to views about motherhood and family and each of these is related to ideas about self-help, individualism, and dependency.

The way the debate concerning income guarantees was structured in the United States and to a substantial degree in Britain, made the issue of work incentives of prime concern. The ideology of work is such a powerful one in the United States, Britain and Australia, that any changes to the welfare system which opponents of those changes can present as a threat to productivity are assured of a stormy passage, if not defeat.

Mead, who is only marginally attached to promotion of the work ethic, argued for the introduction of a guaranteed income on the twin grounds of humanity and equity, and rationalised her support for income guarantees on the basis that it would ensure consensus and participation underlining the need of the state to recreate the spirit of community or in Tonnies' words Gemeinschaft. Early in her article she says "The idea that anyone should not receive basic subsistence, food, water, and shelter - so long as there is anything left to divide - is modern savagery." (90)

Theobald is the only writer mentioned in this Chapter who could fairly be described as setting himself in opposition to the prevailing work ethic, all of the others having accepted the existing paid employment-productivity nexus to a greater or lesser extent.
Theobald's call for America to prepare herself for full unemployment, his (later) view that no distinction should be made between "employed" and "unemployed" in terms of remuneration, and his desire to see a redefinition of work, were all part of his opposition to "the work ethic". Theobald did not present his call for income guarantees as a direct attack on the work ethic, but rather as a necessary response to the reality that, sooner or later, as computer technology displaces more and more workers, including the professionals, there will be little opportunity for many people to work in conventional jobs. Hence the need to allow people to develop the skills necessary to adjust to a world where there is little demand for many people's services. He saw in existing managerial arrangements and workers' responses to them a narrowing of the possibilities of human creativity.

The negative tax arguments put by Friedman, Lampman, Stigler and others (including Tobin) aimed to confront the issue of inadequate income in a way which would not interfere with productivity. Their suggestions to change the income maintenance provisions were expressed in ways which were far more compatible with prevailing ideologies than were Theobald's ideas.

The English experience is slightly different. The promoters of the "reverse income tax" at the Institute of Economic Affairs, because of their decision to use a 100 per cent rate of tax, could be seen to have ignored the entire work incentive debate. They simply attempted to develop equity between the working poor and the workless. Implicit in the design of their suggestion is the belief that any work disincentive which did occur would not substantially affect the economy.

The British Conservative Government 1970-74 in both its promotion of Family Income Supplement and Tax Credit was concerned not to interfere with productivity; to promote equity between workers and the workless; to rationalise the tax and welfare systems, and to assist the needy (albeit only the worthy, especially the working, poor).

In the United States, it seemed to matter little whether the Congress was looking at the issue of dependency or that of work disincentives, the first concern was the possibility of less productivity. Dependency in this context is simply the consumer side of productivity, in that the more people dependent the greater the need for increased productivity in order to maintain existing standards.

It is clear from the structure of the welfare debate surrounding the introduction of income guarantees in the United States, that the issue of "dependency" was interpreted in an extraordinarily narrow manner, informed by male orientated views concerning the family, work, morality, and self-help. Nowhere in the American literature concerning negative income tax during the late 60s nor early 70s is there any discussion of dependency in terms which humanists in the 1970s or 80s would consider adequate.

Racial stereotypes are not far below the surface in much of the writing concerning negative income taxes. The issue of race gets mixed with "dependency" in Moynihan's writings, and those of others, as they try to come to terms with the obvious poverty of Negroes without accepting the racist nature of the capitalist mode of production exemplified in the United States experience. It has not been possible to do justice to the views of all those who made significant contributions to guaranteed minimum income debates in Britain and the United States. I have described the main thrust of the ideological bases from which many of the most important writers operated as they strove to gain acceptance for their particular form of income guarantee. There was concentration upon Milton Friedman because he more than any other writer of the period clearly set out the ideological network which informed his suggestions. The Australian Priorities Review staff's suggested alternative income guarantee to Henderson's guaranteed minimum income proposal was heavily influenced by Milton Friedman's negative tax ideas. Henderson's concept was heavily influenced by Lady Rhys-Williams' approach.
CONCLUDING COMMENTS

In this Chapter a number of ideological and technical features which have structured the income maintenance policies in Britain and the United States have been discussed. The essential conservatism inherent in the negative tax suggestions which have been promoted in Britain and America was compared with more progressive guaranteed minimum income ideas of writers like Theobald. The ideology of work, particularly the concerns about work disincentive, was examined and found to have had a major impact on the decision not to proceed with negative tax ideas such as Nixon's Family Assistance Plan. Dependency was also identified as an important obstacle, in the mind of legislators, to further liberalisation of income maintenance programs operating in these two countries. The composite nature of ideological packages was alluded to and the connections between the work ethic, family structure, dependency and racism were mentioned in relation to issues such as equity, individualism and human creativity.

General income guarantees are favoured by those on the left of the political spectrum because they are seen to deliver equal benefits to all in equivalent financial need. They can be seen as a step on the way to socialism and full blown equality. They are valued also because they do away with discretion, categorised benefits, residualism and the ideology of less eligibility.

Those liberals who are in favour of income guarantees tend to argue that the benefits, at least in the negative tax form, stem from the fact that they deliver in an efficient manner payments to those who need them, that they limit the provision of assistance to low income earners and the workless and do away with the need for the plethora of supplementary welfare programs which have arisen within the welfare system since the Second World War. Those who are committed to monetarism see in negative tax the deregulation of the relations of distribution and argue that such processes are compatible with their general desire for a deregulated economy.

FOOTNOTES TO CHAPTER VII

(1) America still relies on Social Insurance, Public Assistance and like programs.
(3) For further details see Polanyi, K. The Great Transformation, Rinehart, New York, 1957, Chapter 7.
(5) Reference made in footnote 11, Chapter 1 of Bruce, M. op. cit.
(6) Ruskin, J. Time and Tide, (letter xiii)
(7) See also Martin, W. Government and Unemployment in South Australia, 1920-81, op. cit., who at footnote 10, p.185, argues that Beveridge's "national minimum" was not a "precursor of the GMI".
(9) Rhys-Williams, J. Taxation and Incentive, Oxford University, New York, 1953.
(10) ibid, pp.121-123
(11) Bruce, M. op. cit., p.309
ibid, p.61
Williams, W. The Struggle for a Negative Income Tax, Institute of Governmental Research, University of Washington, Seattle, 1972, Chapter 2.
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loc cit.
Cohen, W. and Friedman, M. op. cit.
ibid, p.7
ibid, p.12. Support for the second part of this proposition is provided by Green, C. "The negative income tax", op. cit., p.590 and p.602
Friedman, M. Capitalism and Freedom, op. cit.
(78) Friedman, M. "The case for the negative income tax", op.. cit., p.219
(79) loc cit.
(80) Cohen, M. and Friedman, op.. cit., pp.24-25
(81) ibid, p.35
(82) ibid, pp.36-37
(83) ibid, p.41-45
(84) ibid, p.55
(86) See particularly Friedman, M. "The case for the negative income tax", op.. cit., pp.205, 210-219
(87) ibid, p.217. (Friedman's position in this regard is discussed at length in Wogaman, P. Guaranteed Annual Income: The Moral Issues, Abingdon, Nashville, 1968, pp.22-23, 28-31, 82-84)
(88) ibid, p.211
(89) ibid, p.215
(90) Mead, M. op.. cit.