

“The self-made man: admiring his creator”: Basic Income beats targeted welfare. 2007 John Tomlinson

Abstract

This article will look at some of the reasons why Australia perseveres with outmoded income maintenance policies which are targeted, categorical, means-tested, piecemeal and lacking in generosity. It will suggest that the introduction of a universal Basic Income would go some considerable way to providing increased income security for all permanent residents, removing stigma, and ending our centuries old preoccupation with a poor law system of welfare assistance. It will reflect upon the current debate about “social inclusion” arguing that the mechanisms enforced by governments’ to facilitate “social inclusion” actually result in the marginalisation and social exclusion of many poor people. The article will conclude with a brief summary of the advantages of a Basic Income over other forms of income maintenance.

Australia today

In 1999, Prime Minister Howard declared himself to be simultaneously a neo-liberal and a social conservative as he set out to justify imposing his “mutual obligations” regime upon some of the poorest Australians in an attempt to save them from the scourge of “welfare dependency”. Since that time Australia, along with the United States of America and Britain, has engaged in actual wars in Afghanistan and Iraq. Perhaps what has had an even greater impact on the nationals in these three countries is their involvement in a metaphorical “war on terror” which those who oppose such hysterical reactions more correctly name a “war of terror” (Tomlinson 2004).

In addition, Australia has maintained a punitive campaign against asylum seekers who arrive without visas (Marr and Wilkinson 2004, Kevin 2004, Maley 2004). In 2001 the Howard Government excluded many of our nation’s offshore islands from the migration zone to allow it to implement its “Pacific Solution”. This “Solution” involved transferring asylum seekers to other countries, such as Nauru, for processing, thereby placing them beyond the jurisdiction of Australian judicial review. Recently, the Howard Government moved to exclude all of Australia from the Migration Act for all asylum seekers who arrive without a visa. This was done to placate Indonesian political leaders who were angered by the granting of temporary protection visas to 42 West Papuan asylum seekers who had arrived on the Australian mainland (Metcalf 2006).

In recent years, there have been scare campaigns waged about the percentage of the population who are older Australians. This percentage will approach the present European age distribution by 2040, if current Australian population trends continue. A lot of nonsense has been written about the tyranny of demography leading to a shortage of labour. The Treasurer claimed Australians are, in the future, going to have to retire later in life. There was little mention of the current underemployment of part-time workers, the pool of unemployed workers (Bell and Quiggin 2006), the failure of the nation to address the poor health of the Indigenous population (AIHW 2006, Ch.1), the failure to train available labour adequately or any of a range alternatives which might be utilised to stave off the “dependency burden” which the Government alleges an “aging Australia is about to inflict”. The Treasurer advised mothers they

“should have three children - one for Mum, one for Dad and one for the country (McKew 2004).”

Just in case potential parents decided to ignore the Treasurer’s advice, the Government imposed further cutbacks to the generosity of payments to disability support pensioners, sole parents and unemployed people (Harding, Ngu Vu and Percival 2005, Ziguras 2005, Tomlinson 2005). The workforce was rewarded for increases in productivity with further deregulation, more flexibility, a full-on assault on the existing arbitration and award systems and the demolition of legislation which offered workers some protection against unfair dismissal (McCallum 2006).

The labourist/productionist obsession

The Government is determined to squeeze even more “efficiencies” out of the workforce and impose more obligations upon those which industry and government policies combine to exclude from paid employment (Tomlinson 2006[a]). Sibyl Schwarzenbach (2004, p.110) argues that the modern western state operates on a specific conception of labour relations where “the paradigm of production and private property has clearly dominated.” There is little or no recognition in Australian Government circles of the need to support more reproductive forms of production. That is, the need to reproduce the social conditions necessary regenerate and sustain the societal and individual capacity to labour (Standing 2002).

Schwarzenbach (2004, p.107) asserts:

Moreover, it is in comparison with this (productionist) model of labour...that guaranteeing a basic income for all citizens of a society, irrespective of their own capacity for work, appears a perverse incentive for laziness and a foolish handout to the unworthy at best. At worst, such a basic income is viewed as outright theft, and the direct violation of the rightful, hard-earned property of others.

If, however, we begin from a different paradigm of work – what I will call “reproductive labour” in an extended ethical sense – many of the perceived difficulties in justifying basic income vanish. For, on this model of labouring activity, the goal is not the production of things but the maintenance and ‘reproduction’ of human relationships.

Guy Standing (2004, p. 12) expressed a similar idea when he wrote:

the overall system of social protection must shift away from its almost exclusive focus on *risk compensation* to one of extending and enhancing individual and collective rights, based not on labour as in the twentieth century, but on citizenship in its broadest sense.

Basic Income

A Basic Income is a form of income support paid to each individual permanent resident irrespective of their wealth, income, gender, race, age, place of residence or marital status. An equal amount is paid to those in employment and those not at work thereby limiting the potential for downward envy. The Basic Income is not taxed. All existing tax free thresholds would be abolished so that tax would be payable on each and every extra dollar earned. The only eligibility question to be determined is whether the applicant is a permanent resident of Australia. Further details about Basic

Income can be found at Basic Income Guarantee Australia or Basic Income Earth Network web sites or see (Tomlinson 2006 [a] & [b], Tomlinson 2003, Tomlinson, Harrington and Schooneveldt 2004).

False consciousness: one reason why Basic Income is opposed

Ronald Hill is the Bank of America Professor of Corporate Social Responsibility at the University of South Florida. He describes his students' reaction to Philippe van Parijs' (1991, 1997 Ch. 4) Basic Income redistributional arrangement between "Lazy" (a person with modest achievements who is happy to live simply) and "Crazy" (an overachieving workaholic): "Using a capitalist model that is steeped in the myth of the 'self-made wo-man', they struggle with the implied position that people should reap the benefits of others' hard work (Hill 2005 p. 215)."

Of course, had these budding capitalists read Volume 1 of Marx's *Capital* they would surely have understood that "reaping the benefits of others' hard work" is the central plank of capitalist relations of production. The entire process of extracting "surplus value" from the work of employees lies at the heart of employers accumulating wealth. Those who own shares in successful companies gain their wealth by "reaping the benefits of others' hard work". The share owners might have worked and saved to purchase the shares but equally they might have acquired them by way of an inheritance, fraud or other less strenuous means.

The student response that Hill is describing is therefore not based on a rejection of people "reaping the benefits of others' hard work" *per se* and in all cases. Rather, the students' reaction is in response to the idea that poor people might, without demonstrated effort, gain an income redistributed from more affluent people. Such students are, on the face of it, accepting that the current distribution of wealth is legitimate and simultaneously seem disinclined to question the manner in which individuals and classes come to amass wealth.

It was exactly this type of response which allowed the conservative Howard Government to generate, in the minds of the more affluent, a "Downward Envy" towards welfare recipients (Tomlinson 1999). The feeling that unemployed people in particular were getting an income, albeit one below the poverty line, to which employed people were not entitled was then used to legitimate cutbacks in social security programs. Cutbacks in social protection might have started with the imposition of obligations such as "work for the dole" on young unemployed people in 1998 but by 2006 had spread to disability support pensioners and lone parents whose youngest child was 8 years old.

Additional reason given for opposing Basic Income

Almost without exception when critics of Basic Income tire of their pronouncements on the moral hazards of poor people getting social benefit without working, or meeting some other imposed obligations, they switch their attack to the cost of providing income support. There is usually little attention paid to cost to poor people in particular and the nation generally of failing to provide adequate levels of income support to impoverished people. Australia is a wealthy nation which can afford to introduce a Basic Income at a level above the poverty line (Tomlinson 2006[b]).

In the last decade, some critics of Basic Income, particularly those who are backers of “Third way” systems of government, have pointed to the need to ensure that poor people - particularly those who are unemployed - are “socially included”. Guy Standing (2002 pp.164-170) mounts a sustained assault upon such an assertion. He says “Third way” supporters in accepting the need to increase inter-country competitiveness justify cutting social protection coverage and generosity and are accepting of “several forms of social dumping” (p.166), that they regard universal social protection as “neither feasible nor desirable” (p.168), that there “should be no social rights without social responsibilities...the *reciprocity principle* ...is the heart of Third Wayism, and the New Paternalism that guided it (p.168 [italics in original]).”

Logically, it is difficult, for those not addicted to “Third way” thinking, to comprehend how forcing poor people to comply with the dictates of government officials removes stigma or makes them more autonomous, self-sufficient and included in society. It is even harder to understand how decreasing their payments or cancelling their benefits for up to 6 months assists them in becoming included. On the contrary, Schooneveldt (2004) and Ziguras, Dufty and Considine (2003) found that many unemployed people who were breached (for failing to meet the obligations imposed by the Australian Government) became homeless, experienced a decline in living standards, suffered increased mental health difficulties and, as a result, became even more marginalised.

In 2000 Ray Cassin, Senior Writer for *The Sunday Age* wrote:

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 (p. 22).

During the last decade in Australia, many ideas about workfare, the need to end dependency (sometimes expressed as the importance of self-sufficiency), the nexus between rights and responsibilities, social inclusion and moral hazard have been imported, fairly unreflectively, from Britain and the United States. This has occurred at a time when economic fundamentalism has been the ascendant economic ideology. In addition Prime Minister Howard has pushed his particular amalgam of social conservatism and economic liberalism which he first set out in detail in 1999. Howard has taken the earlier concept of reciprocity and destroyed its socially sustaining meaning by converting it into the much narrower sense of “mutual obligation”. Many Government Ministers now claim that if unemployed people or Disability Support Pensioners are provided with a meagre income then it is only fair that they give something back in return. This tit for tat reciprocity signifies a meanness of spirit rather than an enhancement of inclusion or solidarity with the poor.

As mentioned earlier, Howard successfully implanted in the minds of many employed Australians a feeling of downward envy towards income support recipients who the

more affluent saw as getting a payment to which the affluent weren't entitled. Howard was not offering to introduce a guaranteed income so all might enjoy income security. Rather, he was creating the circumstances under which he might use such widespread disaffection with the existing system of social assistance to decrease the generosity of the system of income support for many of the poorest Australians. Equally, Howard was not suggesting affluent Australians would personally benefit from whatever social security recipients "gave back in return for their benefits or pensions". The only thing on offer to the affluent was the suggestion they could become relaxed and comfortable, secure in the knowledge that single parents, unemployed people and pensioners were prevented from "getting something for nothing". Those employed Australians who voted for such policies were sold a pup. All that has been achieved is that income support has become more targeted and hedged around with increased obligations. Australians' economic citizenship has been diminished at the same time as the humanity of government supporters has been consumed by the corrosive effects of downward envy. Inclusion is a receding goal for many low income earners in this country.

Ensuring both citizens and permanent residents have a right to a Basic Income is an act of inclusion, even incorporation. Installing a universal Basic Income will be a small social advance not a panacea for all social ills. A Basic Income will only mean the removal of one obstacle (albeit an important one) to the introduction of a socially just society. For, as disability activist David Morell (1998) warns, "Citizenship is more than 'inclusion in the community'" (p.16). He says:

Inclusion 'in the community' is not enough. Indeed, the very concept does not make sense. The 'community' itself is so full of oppression, separation, exclusion, diverse interests and conflict for many of those who are already 'included' in it as to render the uncritical use of the of the concept positively misleading and the pursuit of the goal of inclusion disempowering (p.17).

Why Basic Income is better

The Australian piecemeal, means-tested, targeted, categorical system of income maintenance provides minimal levels of support to some of our poorest citizens. Yet it denies assistance to other equally impoverished citizens. It is not generous in comparison with other OECD countries (Boreham, Dow and Leet 1999, Chapter 4). It is riddled with stigmatising practices which saddle recipients with obligations that, by their very nature, erode the autonomy of recipients. The Australian welfare state has clear philosophical links with the British Poor Law system (Stretton 1996). It attempts to distinguish between the deserving and undeserving poor. It is based on 15th century philosophical approaches which have long outlived their functionality. The Australian system of income support needs to be upgraded in order that it might play a useful part in reinvigorating social and productive life in the 21st century.

One way in which that might be achieved is by replacing much of the system of income maintenance with a Basic Income. Other improvements on targeted welfare systems have been suggested such as Negative Income Tax, Guaranteed Minimum Income, Job Guarantees / Participation Income and Earned Tax Credits. Each of them has their supporters and opponents. The entire issue of *Rutgers Journal of Law & Urban Policy* Vol.2 No.1, Fall 2005, was devoted to a heated exchange between Basic Income advocates and proponents of Job Guarantees / Participation Income. Professor

Ronald Henderson proposed a tiered Guaranteed Minimum Income scheme for Australia in 1975. In that same year, the Commonwealth Government's Priorities Review Staff proposed a Negative Income Tax. A Guaranteed Minimum Income or a Negative Income Tax system has the administrative complication that it is paid in inverse proportion to other earned income whereas a Basic Income is paid at the same rate to each and every permanent resident irrespective of other income. Earned Tax Credits such as those that exist in Britain and New Zealand have requirements about the minimum number of hours which need to be worked each week before a person qualifies for the payment. This frequently results in part-time and casual employees who have their hours cut losing both wages and tax benefits simultaneously (Wellington People's Centre 2006). The conservative Tony Abbott, when he was Minister for Employment and Workplace Relations said "the trouble with earned income tax credits is that they tend to shift the poverty trap rather than remove them (2002 p. 3)."

Because a Basic Income is paid to each and every permanent resident it generates widespread support evaporating downward envy. The existing system of income support has, in recent years, experienced severe strains as a result of considerable public resistance to providing welfare assistance to single parents, unemployed people and even Disability Support Pensioners. As Robert Goodin and Julian Le Grand pointed out in 1987, universal payments have the potential to enhance feelings of solidarity thus strengthening support for the social welfare system. Whilst some might prefer to have a system of income support which paid *all* the poor and *only* the poor such a system has never existed (Goodin 1992). This is mainly because the least bureaucratically sophisticated (who are often the poorest of the poor) are least well equipped to find their way through the welfare maze. The only feasible way to ensure that no poor person misses out on receiving sustainable income support is to pay everyone and then recoup tax from the more affluent.

The last three Basic Income Earth Network Congresses have provided, and their forthcoming conference in November this year in Cape Town will provide, evidence that a Basic Income is an affordable, efficient way to abolish poverty, enhance social life, remove stigma, increase autonomy, maintain productive output whilst improving the relations of production. Whatever the grounds for moving to introduce a system of Basic Income overseas there are pressing reasons to do so in Australia (Tomlinson 2006 [a] & [b], Tomlinson 2003, Tomlinson, Harrington and Schooneveldt 2004).

Conclusion

Introducing a Basic Income for all permanent residents in a country promotes personal autonomy and would go some considerable distance towards including those marginalised by existing piecemeal, categorical and means-tested income support systems. It would promote greater egalitarianism and has the capacity to ensure that no-one in need is excluded from base line income support. In particular a Basic Income has the greatest chance of reaching those least bureaucratically sophisticated.

Recently, a coalition consisting of the Council of Churches in Namibia, the National Union of Namibian Workers, the Namibian NGO Forum and the Namibia Network of AIDS Service Organisations urged their government to introduce a Basic Income in

Namibia to abolish absolute poverty (Haarmann and Haarmann 2005). If implemented it would the abolish absolute poverty experienced by nearly half of the citizenry.

In technologically advanced countries, such as Australia, absolute poverty is a far less widespread phenomenon. Here, relieving relative poverty is the prime purpose of income support systems. A Basic Income, such as have been proposed in Australia, would lift all permanent residents above the Henderson Poverty Line (Tomlinson 2006[b]). It would enhance feelings of social solidarity, increase egalitarianism, social justice and personal autonomy.

Bibliography

- Abbott, T. (2002) "Towards Opportunity and Prosperity." 4th April.
<http://www.tonyabbott.com.au/speech/unimelb.html>
- AIHW (2006) *Mortality over the twentieth century in Australia: trends and patterns in major causes of death*. Australian Institute of Health and Welfare, Canberra.
- Basic Income Earth Network <http://www.etes.ucl.ac.be/BIEN/Index.html>
- Basic Income Guarantee Australia <http://www.basicincome.qut.edu.au/index.jsp>
- Bell, S. & Quiggin, J. (2006) "Employment Policy: Unemployment and Labour Market Insecurity." In McClelland, A. & Smyth, P. (eds) *Social Policy in Australia: Understanding for Action*. Oxford University, South Melbourne.
- Boreham, P., Dow, G. & Leet, M. (1999) *Room to manoeuvre: Political aspects of full employment*. Melbourne University, Carlton.
- Cassin, R. (2000) "Let's just call them leeches and be done with it." *The Sunday Age* 27th, August, p.22.
- Goodin, R. (1992) "Towards a Minimally Presumptuous Social Welfare Policy." In van Parijs, P. (ed.) *Arguing for Basic Income*. Verso, London.
- Goodin, R. & Le Grand, J. (1987) *Not only the Poor: The Middle Classes and the Welfare State*. Allen & Unwin, London.
- Haarmann, C. and Haarmann, D. (2005) *The Basic Income Grant in Namibia Resource Book*. Evangelical Lutheran Church in the Republic of Namibia, Windhoek.
http://www.cdhaarmann.com/Publications/BIG_Resource_Book.pdf
- Harding, A., Ngu Vu, Q. & Percival, R. (2005) "The Distributional Impact of the Proposed Welfare to Work Reforms upon Sole Parents and people with Disabilities." Paper presented at the 34th Conference of economists, University of Melbourne. 28th September.
- Hill, R. (2005) "Do the Poor Deserve Less Than Surfers? An Essay for the Special Issue on Vulnerable Consumers." *Journal of Macromarketing*. Vol. 25, No.2, December, pp. 215-218.
- Howard, J. (1999) "Building a Stronger and Fairer Australia: Liberalisation in Economic Policy and Modern Conservatism in Social Policy." Address to 'Australia Unlimited Roundtable.' 4th May.
<http://www.pm.gov.au/news/speeches/1999/AustraliaUnlimitedRoundtable.htm>
- Kevin, T. (2004) *A Certain Maritime Incident: the sinking of the SIEV X*. Scribe, Melbourne.
- Maley, W. (2004) "Refugees" in Manne, R (ed.) *The Howard Years*. Black Inc Agenda, Melbourne.
- Marr, D. & Wilkinson, M. (2004) *Dark Victory*. Allen & Unwin, Crows Nest.

Marx, K. (1970) *Capital: A Critique of Political Economy*. Vol. 1, (edited by Engels, F. translated by Moore, S. & Aveling, E.) Lawrence & Wishart, London.

McCallum, R. (2006) "The Fantasy of Choice." *Workers Online*. May. http://workers.labor.net.au/features/200605/b_tradeunion_mccallum.html

McKew, M. (2004) "Economy will nurture population growth: Costello." 7.30 *Report, ABC*. <http://www.abc.net.au/7.30/content/2004/s1261874.htm>

Metcalf, S. (2006) "Immigration: Pacific solution Mark II." *New Matilda*, 24th May. <http://www.newmatilda.com/home/articledetailmagazine.asp?ArticleID=1584&HomePageID=142>

Morrell, D. (1998) "The Long View from Conferenceville." *Abstract*. Vol. 2, No. 1, March, pp.16-19.

Priorities Review Staff (1975) *Possibilities for Social Welfare in Australia*. Australian Government, Canberra.

Schooneveldt, S. (2004) "Do Mutual Obligation breach penalties coerce compliance with government expectations?" *Australian Journal of Social Issues*. Vol. 39, No. 2, pp. 155-167.

Schwarzenbach, S (2004) The Limits of Production: Justifying Guaranteed Basic Income." in Standing, G.(ed.) *Promoting Income Security as a Right: Europe and North America*. Anthem, London.

Standing, G. (2004) "About time: basic income security as a right." in Standing, G.(ed.) *Promoting Income Security as a Right: Europe and North America*. Anthem, London

Standing, G. (2002) *Beyond the New Paternalism: Basic Security as Equality*. Verso, London.

Stretton, H.(1996) "Poor laws of 1834 and 1996."The 15th Sambell Memorial Lecture, 12th August, Brotherhood of St Laurence, Melbourne.

Tomlinson, J. (2006 [a]) "Faint Praise for a Chimera: Selectivity versus Universalism in social Policy." *New Community Quarterly*. Vol. 4, No. 1, Autumn.

Tomlinson, J. (2006 [b] forthcoming) "Australia: Basic Income and Decency." Paper to be given at the Basic Income Earth Conference, Cape Town, November.

Tomlinson, J. (2005) "Disability on Howard's 'Animal Farm.'" *Online Opinion* 26th May. <http://www.onlineopinion.com.au/view.asp?article=3491>

Tomlinson, J. (2004) "'The War on Terror' is what it claims to counter." *Online Opinion*. 17th August. <http://www.onlineopinion.com.au/view.asp?article=2462>

Tomlinson, J. (2003) *Income Insecurity: The Basic Income alternative*. <http://www.basicincome.qut.edu.au/interest/e-books.jsp>

Tomlinson, J., Harrington, P. & Schooneveldt, S. (2004) "Why Australian Workers and Unions should Support a Basic Income." <http://www.basicincome.qut.edu.au/docs/Why%20Australian%20Workers%20and%20Unions%20should%20support%20BI%20Final%202004.doc>

van Parijs, P. (1997) *Real Freedom for All*. Oxford University, Oxford.

van Parijs, P. (1991) "Why surfers should be fed: The liberal case for an unconditional basic income." *Philosophy and Public Affairs*. Vol 20, Spring, pp. 101-131.

Wellington People's Centre (2006) "Working For Families A benefit Cut: Why Working for Families is not working for poor families." (March).Wellington People's Centre , Wellington.

Ziguras, S. (2005) "Counting the Cost: Changing payments for sole parents and people with disabilities." August pp.4-5.in *Brotherhood Comment*. Brotherhood of St Laurence. <http://www.bsl.org.au/pdfs/commentaug05.pdf>

Ziguras, S., Dufty, G. & Considine, M. (2003) *Much Obligated: Disadvantaged job seekers' experiences of the mutual obligation regime*. Brotherhood of St Laurence and St. Vincent de Paul <http://bsl.org.au/pdfs/MOreportV2.pdf>