Introducing a Support Income System - Part 2

Why is it so hard to get a social movement focused on Basic Income? What is wrong?

(Mats - 25 March 01 - CI Discussion Page)

In the paper following the Newsletter of 26 February I addressed a similar question - Why is it that proposals for unconditional income support - i.e. proposals for Basic Income (BI), Citizens Income (CI), and Support Income (SI) - are rarely given any lasting political consideration? - drawing attention to the need for greater awareness and understanding of the concept, and considering how this can be achieved through wider community debate focussed on a financially viable and politically acceptable model.

In this paper, the second part of the response attention is being directed more specifically towards political considerations. Is there an economic environment fostering a strong political resistance to social change, or as I stated in the newsletter a strong political apathy towards change? And is this political resistance to change or apathy towards change filtering through to social institutions and academia?

In particular, can it be said that a political philosophy based on the development of a free market economy will inevitably foster and encourage apathy and political laziness through a "leave it to the market" approach? Can it be said that a political philosophy based on privatisation and corporatisation of public services (a small government approach) will lead to abdication rather than delegation of responsibility? And again can it be said that reliance on economic modelling to determine social outcomes inhibits the development of a comprehensive social agenda?

These are not idle questions, as recent events demonstrate.

1. "Leave it to the market" approach.

Nowhere is this approach more recognisable than in the political response to the problem of high unemployment. This is a problem which calls for some response beyond the discipline of economic dogma and jargon and reliance on market forces, but even after almost thirty years of high unemployment no political party is prepared to move beyond this discipline to acknowledge that job creation, whether through market forces alone or supported by limited government action such as 'work for the dole" and labour market programs, will not provide a socially acceptable solution. Despite the extent of the problem and the failure of the economy to reduce the severity of the problem to one of socially acceptable dimensions, there is no vision of a society where there is work for all.

There is evidence apparent in labour market statistics over these years to demonstrate that work sharing through more flexible working arrangements will increase the number of jobs without necessarily increasing the total amount of available work. (Refer comments on the April statistics in the 20 May newsletter) This evidence gives lie to the economic claim that job growth can only be achieved through economic growth and investment.

There is also evidence that the existing income support system based on means testing inhibits wider extension of this flexibility of working arrangements, and hence a reduction in the unemployment rate. The introduction of a more suitable income support system supporting greater acceptance of flexible working arrangements could facilitate an increase in the number of jobs, possibly to the extent that there is work for all. However, it seems there are economic and social constraints to the acceptance of such an income support system.

There certainly appear to be economic and social restraints towards moving away from means tested income support, the major impediment to community acceptance of greater flexibility, and these restraints seem to apply beyond the political scene to social institutions and academia to the extent that the only answers or proposals being put forward are based on job creation - not job sharing.

2. Government abdication, not delegation

With the emphasis on privatisation or corporatisation of public services, and the recognition of the need for the supervision or regulation of private services, the role of government has changed. Much of the innovation and strategy previously exercised by government has now been delegated to, or usurped by non-government
organisations (NGO's).

The question is whether this change has been fully realised and accepted by our elected parliamentarians. Are they fully aware of their changed responsibilities, or do they see their role diminished as they become more and more detached from the operating units? Have they delegated their responsibilities, or have they abdicated from them? With the current drive for smaller government has the capacity or desire of Ministers and departments to properly delegate and still maintain responsibility been compromised?

There have been a number of examples in recent times of apparent weaknesses in the delegation process which seem to indicate that this process has been compromised. (or is it that politicians have just become lazy?) These examples range from minor ones such as those flowing from the privatisation of the employment and training processes through to more serious examples such as the failure of Centrelink to properly determine pension entitlements (raised by a report from the Auditor-General) and questions regarding the quality of supervision by the Civil Aviation Safety Authority (CASA). Now the really big one - the failure of the prudential regulator APRA to foresee the collapse of the insurer HIH with potential cost to the community of over one billion dollars. This collapse is now to be the subject of a royal commission.

3. Reliance on economic modelling

It has become a recognised practice within Parliament for all proposals for legislative change or for parliamentary discussion to be supported by cost benefit estimates produced by economic modelling. This is seen as essential for sound budgetting. The danger is that over-reliance on cost benefit analysis and the effect on the bottom line may be at the expense of subjective social considerations based on equity and social justice.

There are limitations on the ability of models developed by economists to predict values to society as a whole and to individuals within society. Modelling is based on national statistics, and on averaging within social groups. The estimates for the additional cost for pensioners of the GST when it was introduced last year, for example, and the subsequent levels of compensation, were based on average costs and did not take into account the variations within this social group. A large number (up to half if the mean equalled the median) were under-compensated.

Cash benefits or subsidies are also affected by income tax considerations. The subsidies for private health insurance, for example, are effectively tax free. Their net benefit is greater for those on the higher marginal income tax rates. This can lead to uneven net benefits within the community, with advantages to the higher income groups.

These examples are recognisable and measurable, and can be taken into account within the modelling process. A third example, unfortunately, is not readily recognisable and measurable. Economic models cannot take into account what I call the "quality" of income provided by a pension or benefit. This quality is determined by the extent to which the pension or benefit is subject to means testing or other conditions. The ultimate in quality is an unconditional pension, benefit or support income free of means test and free of tax.

Social research institutes such as NATSEM (National Centre for Social and Economic Modelling) and SPRC (Social Policy Research Centre) have from time to time looked at the effect upon incomes of the present system of means tested and conditional income support. What studies such as these cannot measure or predict however, is the extent to which the quality of the income support will lead to social benefits. Economic models cannot, for example, predict or estimate the degree to which a universal and unconditional income support system will reduce the rate of unemployment, yet one of the major social benefits that is claimed to flow from the introduction of high quality income support such as a basic income or support income system is the ability of this income support to encourage and support greater sharing of the available work.

From a community point of view it is unfortunate that current emphasis is on economic modelling and measurable results rather than on intangible and subjective estimates of social good, for unlike tax free payments which are of greatest net value to the highest income groups, high quality income support will be of greatest benefit to the lower income groups. Until there are estimates of social good based on a vision for the future, reliance on economic modelling will continue to be the easy way out.

Summary - A Vision for Australia

The charge of political apathy and laziness attributable to reliance on economic fundamentalism was reinforced during the political recognition of the centenary of the Federation of Australia earlier this month. A sitting of
federal parliament in Melbourne provided the opportunity for the leaders of the various political parties to present their visions of Australia as a nation and as a society - an opportunity which unfortunately went begging. The emphasis instead appeared to be one of concern regarding public perception of themselves, with proposals such as a code of conduct for all members. As stated in the leader in The Australian, 11 May, "How disappointing then that none of our leaders was able to seize the day and engage the people with a bold and imaginative vision for the coming century."

Many economists will agree that professionally they do not have visions for society - they have visions for the economy. Likewise they also do not have destinations - they have pathways. Their objective is continuing growth. So must it be for politicians who follow strict economic theories and principles. They see their primary role as economic managers, providing an environment for market forces to determine outcomes. They do not see it as their role to establish social objectives which may in some way encroach upon their economic objectives. There is an acceptance of social change, but only to the extent that it fosters economic growth - e.g. new tax system, more flexible working arrangements, reduced union influence, user pays systems for social services, conditional income support for the able-bodied.

There is, or there certainly appears to be, a reluctance by specialists in these areas to accept the role of "social visionary" and to put pressure on government through positive proposals to place greater emphasis on society rather than on the economy. There is a need for positive ideas. As Dr Elaine Thompson states in the final sentence of her lecture on 4th April as part of the centenary of federation Barton Lectures.

"The path we are treading is not our comfortable tried and true path of old. While I certainly do not know exactly what is the "right" path, the one thing I do know is that the division of the goodies can never be left to market forces alone."

Maybe in the lead up to the forthcoming federal election some visions of our future society will appear, such as the Opposition's "Knowledge Nation". The challenge will be to ensure that they are not severely restricted by economic rationalism.

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