

BIEN International Congress

The Basic Income European Network (BIEN) 9th International Congress will be held this year at the International Labour Office in Geneva on 12th to 14th September. The topic of the congress is "Income Security as a Right".

Each year the Congress seems to grow in attendance and stature, and to become more international. This year is no exception. There will be 19 sessions with 5 or 6 papers presented at each session - a total of over 100 papers to be presented by speakers from 27 countries, including one from Australia. For full details of the program, visit the BIEN website at www.basicincome.org - For further information e-mail to bien@ilo.org

This newsletter is devoted to a paper prepared with the topic of the BIEN Congress in mind. This paper looks at the impact of economic fundamentalism on the social commitment of elected governments. In doing so some views are expressed which are especially relevant to the development and maintenance of social policy in Australia today, and these will be the subject of comments immediately following the paper.

Social and Income Security in a Capitalist World

Capitalism, as a political philosophy and as a political process, is changing under the influence of economic fundamentalism, or economic rationalism. Despite the enthusiastic promotion of capitalism post world war II by the USA and other industrialised nations, and the acceptance of a market economy by more and more nations following the collapse of communism in the Soviet Republics, we are still far from having what might be called a standardised capitalist system.

Where it can be claimed that the capitalist system is still evolving, and where nations divide and disagree with the direction the system is moving, is in the area of social commitment and responsibility.

Social policies have long been considered necessary to temper the extremes of economic policy and to improve the well-being of the community. The Keynesian influence on economic theory saw economic policies being designed to achieve desired social outcomes. Today this is no longer so. Today the trend is towards economic theory being designed to achieve economic outcomes, leaving social policy to be advanced without impeding economic growth. In some areas such as employment and industrial relations social policies may be designed specifically to promote economic growth. As a result there are considerable variations between nations in their approach to social welfare, influenced greatly by history and tradition and political sophistication.

For most industrialised countries, there has long been a recognition - in many cases since before the onset of the industrial revolution - that the elected government (the state) has a role to play to ensure acceptable standards of education, health and housing for all citizens. There has also been a similar recognition that the state has a role to play in the provision of welfare assistance to those in need. On the other hand many developing nations have not had this tradition of social commitment and responsibility. How nations now work to achieve these social outcomes, and how they establish the standards they seek to achieve, will obviously be influenced by previous practices and philosophies. They will vary greatly in their approach to meet the social problems and weaknesses inherent in a fundamentalist capitalist system.

Looking particularly at the system in Australia where there has been a tradition of social responsibility, but which today is influenced greatly by the USA, the social objectives have changed dramatically in recent years. In education and in health, for example, the social objectives traditionally were to ensure that all citizens had access to acceptable standards of education at primary, secondary and tertiary levels, and access to medical practitioners and facilities. In a vast country with a relatively small, largely urban population, these objectives required acceptance of a policy of cross-subsidisation, a policy which also flowed through to other social services such as transport and communication.

Today, under the influence of economic fundamentalism, these objectives have changed. With the emphasis on wealth creation, and with acceptance of the subsequent social divisions based on wealth, policies aimed at ensuring minimum standards for all have changed to policies of ensuring a choice of standards to meet the perceived needs of the divisions within society. Recent years have seen more and more government support for private education and private health care. And now, with the drive for smaller government and further privatisation of services, the policy of cross-subsidisation is no longer economically acceptable.

Again in the area of welfare assistance, and in the area of income support in particular, the social objectives have changed. In the 1960's and 1970's Australia could claim to have a "de facto" guaranteed minimum income system - the objective was to provide a common level of income support for all citizens in need. Today, income support for the aged and for families mirrors the divisions within society, with inbuilt rewards for wealth and a growth in the extent of what may be described as middle class welfare. Income support for the unemployed and the disadvantaged - the people sacrificed in the name of economic growth - is not only at a level lower than for other citizens, but has conditions incorporating penalties administered by bureaucrats rather than a judicial system.

The changing social commitment of the government in Australia is not dissimilar to the social commitment of governments in other nations - it is not dissimilar to the commitment of governments of other OECD countries. Social objectives in capitalist societies are changing from protecting the poor and the disadvantaged to rewarding the successful and the better-off. (Occupational superannuation is one example) The social objective of helping the unemployed is also changing, gradually moving away from the objective of helping people towards the objective of helping create economic growth.

It is against this background that the subject matter of social and income security is being put forward for consideration. Will the introduction of some form of sharing national wealth help to provide greater security for all citizens?

It is fair to say that there is no general acceptance today that the state should have a role to play to ensure that all citizens are able to share in the prosperity that is derived from economic growth. There is a general understanding that the economic processes which drive the capitalist system are designed to create wealth and they do not extend to sharing of this wealth.

It is also fair to say that there is also a growing awareness of a need for social change to ensure greater social and financial security for all citizens. Adoption of the topic of the 9th International Congress of the Basic Income European Network (BIEN), "Income Security as a Right", is one illustration of this awareness. However, until this awareness is translated into acceptance that the state has a role to play to ensure some sharing of economic prosperity, any moves towards greater social and financial security for all will fall within the ambit of "welfare". The inevitable result will be a piecemeal approach. In Australia today, for example, there are separate and quite independent moves towards maternity leave, towards taxation relief for low paid workers, towards greater security for casual workers, towards shorter working hours, and towards encouraging older employees to stay in the workforce. (These are all matters which would be covered to some degree with the introduction of a system of universal income support based on sharing national income.)

This leads to consideration of one further question. "Should the role of the state be extended to embrace sharing of economic prosperity"? This is a question yet to be considered by most nations. This is also a question which is basic to any consideration of basic incomes, and which is basic to the topic of the BIEN Congress this year.

Traditionally the role of the state has been seen to be one where the emphasis is on supporting economic policies to create wealth and drawing on national income through taxation to provide welfare assistance to those in need, i.e. for those who for one reason or another are unable to achieve an acceptable share of this income. Inevitably this policy results in a myriad of conditional pensions and benefits as specific needs are targeted, and leads to a politicisation of the welfare system whereby taxpayer considerations outweigh beneficiary considerations. This policy also leads to a divided society - divided on incomes and divided on attitudes. Australia is an example of a nation with strong economic growth in recent years accompanied by a growing inequality of incomes and social well-being.

In the current economic environment, without any commitment by the state to share national income, consideration of universal income support in the form of a basic income is seen as an extension of the welfare system, and for proponents of a basic income there is a perceived need to respond to this view. Hence the basic income must be

presented as a better way to meet individual needs, rather than one based on sharing. The basic income must also be presented as a way of preventing poverty rather than relieving poverty, a difficult concept to present when faced with the reality of welfare meeting specific needs.

Proponents have also felt obliged to respect some of the traditional attitudes to welfare, and at times this has led to compromise. In particular this has led to compromise in relation to the principle of unconditional basic incomes. There has been support for the introduction of participatory incomes, and for embracing the concept of mutual obligation. More significantly there has been support for the view that the state should not pay people "not to work".

Nothing is more damaging to the case for a basic income system than compromise which leads to conditional or means tested income support, yet without acceptance that the role of the state is to ensure all citizens share in national economic prosperity such a compromise may be seen as the only way of introducing an income support system incorporating the principle of universality.

If the social benefits of a basic income system are to be maximised then it is necessary for the social responsibilities of the state to be extended beyond areas such as education, health, housing and welfare to include sharing national income, and this should become an immediate objective for basic income proponents. It can be claimed that a prerequisite for consideration of a basic income is an acceptance that the role of the state should be extended to provide both social and income security for all citizens.

Acceptance of this role for the state will remove any need to compromise on the grounds of participation or mutual obligation, or on the grounds of not paying people "not to work". Instead this role will pave the way for recognition of "voluntary unemployment", in much the same way that "voluntary retirement", "voluntary redundancy", and "voluntary termination" have been used to accommodate downsizing and restructuring.

Promotion of the merits of a basic income alone may create a better awareness within the community, but there must also be promotion of the perspective within which these merits are presented to gain community acceptance. It is to be hoped that the forthcoming BIEN Congress directs attention to both areas of promotion.

I believe that this step of moving beyond the concept of a better welfare system to a better income sharing system is possibly the most difficult step to take when promoting a basic income. But it is also the essential step to gain wide spread acceptance, and to take the discussion beyond existing social attitudes and political rhetoric.

It is for this reason that I introduced the concept of a "National Dividend" in the paper "Introducing a Support Income System, Part 3." which followed the OASIS-Australia Newsletter, August 2001. In this paper I stated:

Proposals for universal income support are not based on a welfare approach, but on a sharing approach - sharing part of national income equally amongst all citizens. There are significant and wide ranging social and welfare implications such as a more equitable sharing of the benefits of economic growth, including a sharing of the available paid employment, which are well documented and promoted. However, these implications will not be properly understood and accepted unless there is a clear recognition of the sharing approach, and this recognition begins with the title and introduction to the process. Use of the term "income support", for example, can be associated with welfare policies, as can titles such as support income or basic income. If the aim is to promote a concept based on a sharing approach rather than a welfare approach, then the concept must be clearly presented as such.

How can the concept of universal income support be presented so that it clearly and unambiguously represents a process of sharing national income?

I have on previous occasions likened the concept of a support income proposal to the concept of all Australians being shareholders in Australia, with the support income being a form of national dividend. This approach portrays the principle of a distribution of income regardless of other earnings, and helps move community perception towards the sharing rather than the welfare aspects, i.e. towards the sharing of national income and the sharing of the benefits of economic growth. This approach also helps to provide an understanding how with income distribution of this nature welfare benefits flow from the process of sharing national income, rather than the reverse which applies with income redistribution.

Allan McDonald

Some further considerations

There are two views expressed in this paper which are relevant to the development and maintenance of social policy in Australia and neighbouring nations today

First there is the view that with privatisation of government services the ability to extend these services equally to all citizens through the principle of cross-subsidisation is lost. This has happened in the banking industry, where branches needing subsidy from wealthier branches have been closed. This is also happening in the air transport industry as Qantas is moving out of non-profitable routes.

Privately owned services will not maintain a policy of cross-subsidisation. If they have a monopolistic position, as is the position with Qantas and also potentially Telstra, then they are strong enough to withstand public pressure. Responsibility to shareholders overrides responsibility to the community. If they are open to competition, as in the banking industry, then they cannot afford to maintain such a policy.

With the full privatisation of Telstra now under discussion, and with momentum growing for a quick decision, the question of maintaining a policy of cross subsidisation post privatisation has not been raised, yet this is the key to maintaining services in the future. The emphasis is on privatisation being acceptable if and when services in rural and regional areas are assessed to be up to a desired standard, and a second enquiry has been announced. With a majority shareholding the state is in a position to ensure that this desired standard is met. As mentioned earlier, without this shareholding the state will find it difficult to ensure that desired standards are maintained in the future.

Any move in the future to privatise Australia Post would be even more dramatic for the regions.

Second there is the view that in a capitalist society endorsing the principles of economic fundamentalism, the social commitments and responsibilities of governments are greatly reduced. Australia is an outstanding example.

With the emphasis on wealth creation, issues of social policy give way to issues of protection of property and law and order. It is significant that these are the major electoral issues in Australia today. The community may express serious concerns regarding social issues such as unemployment, but when the crunch comes the major political parties devote their greatest effort to issues of law and order.

With the emphasis on economic growth there inevitably will be a diminishing commitment by the state to social policy issues. For industrialised countries like Australia with a history of strong social commitment, there is usually a well developed social infrastructure which offers some security for the continuation of social and welfare services - limited though this may be.

For developing countries, however, the position is far more serious. These countries are encouraged to develop a market economy and endorse fundamental economic policies - often as a condition for the receipt of financial aid - before they have developed a suitable and well founded social infrastructure. As with developed countries, conformity to these economic policies will inevitably lead to law and order problems. However, without a strong social infrastructure, and without a strong commitment to social and welfare services, the whole political structure can collapse. These developing countries need a role model to look to for guidance, but developed countries with a diminishing commitment to social issues are poor role models.

In the South Pacific area there are a number of developing nations suffering from this lack of social infrastructure and the necessary social commitment to withstand the law and order problems flowing from their endeavours to pursue rigid economic policies. Papua New Guinea, Fiji, Vanuatu, The Solomons, are some examples. And Australia is far from being the ideal role model.

If these views are valid, are we seeing the ugly side of capitalism, and perhaps the start of it's downfall? In most developed countries, and certainly in Australia, all major political parties appear to be committed to economic

policies leading to a further diminution of social commitment and responsibility.

History tells us that it is social policy, not economic policy, which determines the character of a nation.

Take, for example, the spirit of mateship, which has been so close to the political heart of successive prime ministers. The spirit of mateship was fostered and supported by politicians through government policies designed to provide access to services wherever you may be, and to provide help to those in need, (the very essence of mateship). Today the scene has changed. Services are available if you are prepared to pay for them, and people in need are treated with mistrust, not with care. The unemployed are regarded as bludgers - as a cost to society - and not as people in need of support. And politicians are seen as epitomising the greed and selfishness that flows from economic fundamentalism.

If the major political parties are to strengthen their commitment to social advancement while still maintaining strong economic growth, they need to consider some innovation which will help to provide greater social and income security for all citizens. The introduction of a system of universal income support based on the concept of a basic income or national dividend is one such move which will not only help to strengthen a commitment to social advancement, but will at the same time help to resolve many of the current social problems. Without some measure of this nature, law and order issues and protection of property will continue to dominate the political scene at the expense of social progress.

The introduction of a basic income or national dividend will help to reverse the diminution of social commitment and responsibility which has accelerated in recent years under the present conservative government. However, both the conservative and labor governments have contributed - after all it was a labor government which first introduced a work test for the unemployed (for the 16 - 18 year olds mainly too young to vote). Privatisation of the Commonwealth Bank was also a labor government initiative.

Today the major parties, the conservative coalition and labor, both support extreme economic policies. They both support the maintenance of a pool of unemployed. They both support the privatising of public services. This leaves any moves for a greater commitment to social issues to the minor parties - the Democrats and the Greens. The Democrats hopefully will soon be in a stronger position, better able to regain their role of offering voters an alternative to extreme economic policies, and better able, along with the Greens, to withstand the scorn and criticism of those economists and would be economists who support the creation and protection of wealth above all else.

Surely it will be far, far better to have the pleasure of fairies in the garden than to have the fear of strangers in the night.

[Previous Newsletter](#) [Next Newsletter](#)

[Back to Home Page](#)