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Citizenship, Basic Income and the State

Proposals for root-and-branch reform of the welfare state are not the prerogative of the radical Right. In recent years, the Left too has been rethinking its approach to social policy. One idea, in particular, has seized the imagination of radical libertarians, liberal socialists, socially minded liberals and communitarian critics of liberal individualism. Under a system of taxes and transfers which has come to be known as *Citizens' Income* (CI), the state would issue recurrent cash grants to all its citizens, each in his or her own right, without imposing any means test or work requirement. The debate prompted by this proposal has been stimulating and searching, and in the belief that the issues raised deserve a wider audience, this essay surveys the state of the art.

To set the scene, I comment first on the current crisis of the welfare state and summarize two rival designs for a new social settlement: the neo-liberal

vision of individual self-reliance in a residual welfare state; and the idea of reorganizing the work-income nexus around Citizens' Income.

In any new field of enquiry it takes time to agree on terminology, and many people use the terms 'Citizens' Income', 'Basic Income', 'Universal Grant' and 'Social Dividend' as if they were synonyms. In the interests of clarity, I shall use different words to mean different things. The semantics of social transfers are discussed in section 2, where I distinguish the main general types of social transfer system and clarify the meaning of citizenship. In section 3, I further distinguish between the general principle of unconditional transfer payments and the narrower concept of a *Basic Income* (BI) linked to some conception of subsistence.

CI is a field of debate, rather than a settled programme. An analogy might be the distinction between the concept of proportional representation as an abstract ideal and the various alternative voting systems which attempt to put it into effect. In section 4, I comment on two open, but vital issues: the appropriate balance between public goods and marketed commodities in meeting any given standard of subsistence; and the finance and management of a CI system. Throughout sections 3 and 4, three questions recur: Is Basic Income morally justifiable? Would it be economically viable? And would it be politically feasible? In section 5, I argue that in practice these three questions are interrelated, and that the transition to a 'Basic Income Democracy' is unlikely to succeed, or even begin, without the support of a broad social and political alliance.

No one should underestimate the problems of alliance-building in an age when the labour movement has ceased to be the 'natural' motor of social progress. Nevertheless, there are at least two moderately favourable precedents for a project which would end 'wage-slavery' without ending capitalism: the development of social insurance schemes; and the rise of Keynesian social democracy. Having examined these precedents, I suggest that the rudiments of an alliance for social citizenship already exist in the advanced capitalist democracies. But if this embryonic consensus is to flourish, supporters of Basic Income must engage with mainstream politics and bring their long-range vision to bear on the pressing problems of the present.

1. The Future of the Welfare State: Two Visions

Whatever their underlying rationale, in one way or another all welfare states affect the distribution of social advantages and disadvantages, both among persons and over each person's life cycle. In so far as social policy seeks to promote some conception of social justice, it is concerned with questions of interpersonal distribution. Nevertheless, in considering whether any given arrangement is just, it will often make more sense to adopt a lifelong perspective than to rely on a snapshot taken at a single point in time.

In what follows, I focus on social transfers, as distinct from the other main branches of social policy: social services, such as public education and health care; and the various forms of social regulation, such as anti-discrimination laws, statutory minimum wages and the framework of

industrial relations. It is, however, important to bear in mind the wider remit of social policy and to recognize the interdependence between social policy and economic performance. Clearly, any state's capacity to finance recurrent expenditure, whether on transfers or on services, varies in the short run with the business cycle, and in the longer run with the rate of economic growth. Conversely, the characteristics of social transfer systems may affect the stability and dynamism of the economy. It is also important, in assessing proposals for reform, to take account of the overall design of social policy. There are different views about the best way to classify welfare states, but all comparative studies agree that the mere presence of a given type of social transfer in a given state matters less than the values, assumptions, commitments and institutions which, taken together, determine the character of that state's *social policy regime*.

Over the past two decades, all welfare states have been weakened by declining economic growth, rising unemployment, advancing commodification and diminishing social cohesion, and all now face serious problems of effectiveness, cost and legitimacy. In order to concentrate on radical alternatives to the status quo, I shall assume that no amount of tinkering can resolve these problems and that established social policy regimes stand in need of wholesale reconstruction. There are two diametrically opposed visions of the way forward.¹

The first is inspired by the philosophy of neo-liberalism, which has its roots in classical liberal thought, but came to prominence in the 1960s and 1970s when it began to displace Keynesian social democracy as the dominant paradigm of economic and social policy. Believing the very concept of a social right to be dangerously misguided, and seizing on the surge in government borrowing induced by the recent recession, neo-liberals now argue that society can no longer afford the welfare state. Indeed, to the extent that jobholders regard taxes as a burden, would prefer to make their own pension and insurance arrangements, and respond positively to market incentives, it can be argued that radical surgery on social security will actually enhance the performance of the economy. Thus, whether on the grounds that the welfare state absorbs too large a share of GDP, or in the belief that a leaner alternative will augment GDP, neo-liberals seek to eradicate universal benefits, privatize social insurance and target social assistance strictly according to need.

Under the new regime, everyone who is not too old, too young, too sick or too disabled will be encouraged to participate in the labour market. Paid employees will be responsible for insuring themselves and their dependants against temporary or permanent loss of earnings as a result of industrial injury, sickness, unemployment and old age. At the same time, the role of government is not so much to disengage from social policy as

¹ The Borrie Commission report *Social Justice: Strategies for National Renewal*, published as this article went to press, combines elements of both visions: selectivity and social citizenship, self-help and collective action, market freedom and solidarity, competitiveness and full employment. It aspires towards the Nordic model of welfare capitalism, which was damaged but not destroyed by the crisis of the early 1990s. Despite the weakness of its policy recommendations, any serious pursuit of this option would expand the horizon of social possibility, thus bringing Citizens' Income also into the field of view.

to redirect its efforts towards eliminating welfare dependency, promoting self-reliance, upgrading skills, commodifying the labour market and providing means-tested transfers of last resort for 'genuine' market casualties and 'incorrigeable' social misfits.

Whilst the immediate pressure for reform is financial, there is more to the neo-liberal project than an obsession with balancing the budget. Despite repeated retrenchment, the welfare state survives as a tattered, but symbolic remnant of Keynesian social democracy. Until this anomaly is removed, the market revolution of the 1980s will remain incomplete. Social policy must in any case move with the times. Moral panic is hardly an adequate response to the growth in the numbers of working mothers and single parents; and governments which champion 'family values', but are also anxious to bolster the work ethic and contain the costs of social security, are impelled to develop a less hands-off and more coherent approach to family policy. Global market forces point in the same direction. Governments cannot hope to meet the challenge of free trade, mobile capital and East Asian dynamism if their only weapons are tax cuts and deregulation. The task of redesigning social policy and enforcing market discipline calls for active innovation and close attention to detail.

The rival vision of the future is no less ambitious and no less concerned with personal freedom. But it appeals to widely held notions of social justice and seeks to reinvent the concept of social citizenship. It is a vision which has yet to find a doughy champion. Nevertheless, since it draws on both liberal and socialist traditions of thought, and since it rests on values to which large numbers of people in our society would assent—at least on reflection, if not without question—it could, in time and if correctly handled, win the support of a broad social and political coalition.

At the heart of this attempt to reformulate and revitalize the social rights of citizenship is the idea of Citizens' Income: CI differs from all existing social transfers in that it is payable:

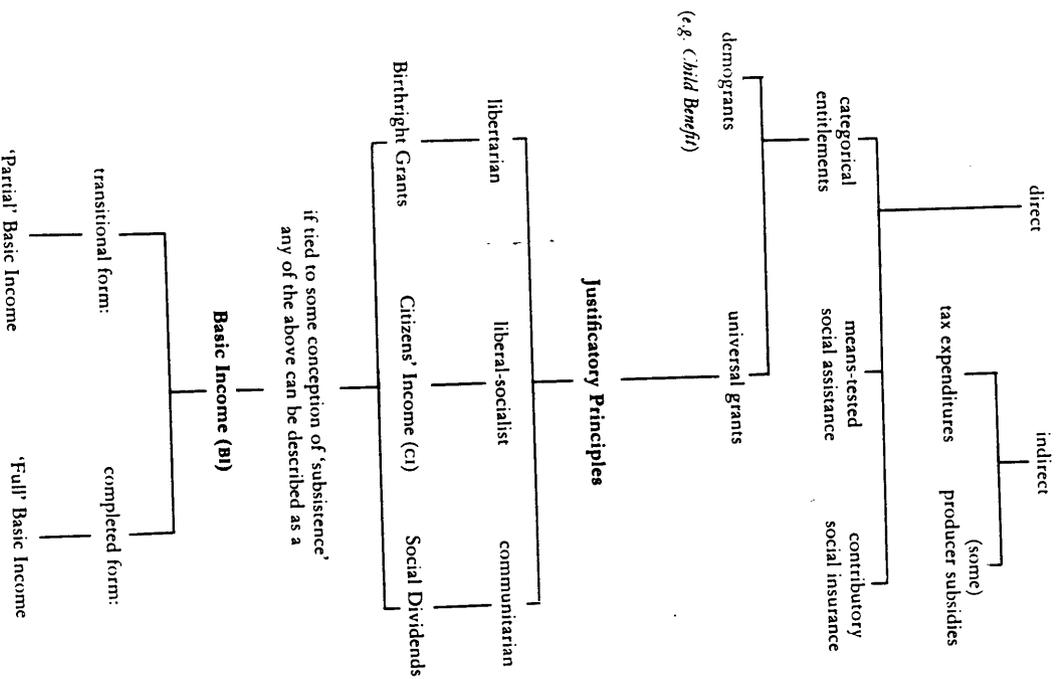
- i) to individuals rather than families or households;
- ii) irrespective of income from other sources;
- iii) without requiring any past or present work performance, or any test of willingness to seek paid work or accept jobs if they are offered.

Other types of social transfer differ in the degree to which these distinctive features of CI are absent. Nevertheless, they are all strongly conditional and hence fall well short of a genuine Citizens' Income. At the same time, there is no reason why CI must stand alone. It could easily be combined with other, conditional social transfers such as unemployment benefit or state retirement pensions. In the long run, most proponents of Citizens' Income would like to move towards a pure CI system. But for the foreseeable future, as we shall see, this is likely to remain a somewhat visionary ideal.

2. Social Transfer Systems

To clarify the distinctive features of Citizens' Income, the principal types of social transfer system are classified in the accompanying diagram.

Social Transfer Systems: Principal Types



Social transfers may be direct or indirect. Often known as the 'hidden welfare state', indirect transfers come in two main forms: so-called 'tax expenditures', provided by way of personal tax allowances and tax reliefs; and those producer subsidies which are chiefly intended to support the incomes of specific groups of employers and workers, and of which the best known examples are agricultural price support and deficiency payment schemes.

Direct transfers can be divided into three main classes: contributory social insurance; means-tested social assistance; and categorical entitlements. The latter, as their name suggests, are neither contributory, means-tested nor work-tested, but payable without further ado to everyone who belongs to the relevant social category. The best known, and indeed the only, contemporary example is Child Benefit. This is a recurrent cash grant payable directly to each child's primary carer from the moment the child is born up to whatever age society regards as marking the end of childhood and the beginning of young adulthood. Categorical transfers of this kind are best described as 'demogrants'² to distinguish them from *universal grants*: that is, unconditional income-entitlements payable without exception to all *citizens*.

Universal grants are not merely permitted, but *mandated* by several quite different social philosophies. In the diagram, I distinguish between libertarianism, communitarianism and liberal-socialism.³ Libertarians appeal to some version of the classical liberal doctrine of property ownership. According to this, we all have inalienable rights over our own bodies and are entitled to appropriate both natural resources and objects which we ourselves have produced, provided we respect the similar rights of others. This crucial proviso sets a limit to the legitimate scope of private appropriation. Within the radical democratic strand of the liberal tradition, two forms of private property have commonly been held to exceed the limit: inherited wealth and that part of the value of land which is not due to improvements made or paid for by its current owners. On this view, the state would be justified in taxing such holdings and redistributing the proceeds by means of a universal grant.³

The grant need not take the form of a recurrent transfer: it could consist of a lump sum payable to each individual at birth. From a purely formal point of view, there is nothing to choose between these alternatives, since any prospective income stream can be converted into an equivalent capital sum at a suitable rate of discount. If anything, a consistent libertarian should opt for endowments rather than grants on the grounds that a large initial capital transfer would give individuals more freedom of choice than a small grant delivered at regular intervals. If some people subsequently lose their patrimony as a result of fecklessness, poor investment strategy or sheer bad luck, this would be unfortunate, but not unjust. Of course, if losers had no other means of support, they would

² The ethical arguments for Citizens' Income are comprehensively discussed in P. Van Parijs, ed., *Arguing for Basic Income*, Verso, London 1992.

³ H. Steiner, in 'Three Just Taxes', *Arguing for Basic Income*, argues that in so far as genetic endowments give rise to differential abilities, which in turn attract differential rewards, they constitute a third intrinsically inalienable, but legitimately taxable form of private property. Apart from the huge conceptual and computational problems of implementing a 'tax on genes', not to mention the political storm it would provoke, it is not clear whether the state would be justified in taxing people who were blessed with such 'natural' assets as a cheerful disposition, in order to compensate 'natural' melancholics. This is no mere quibble. It highlights the problem of the 'currency' of distributive justice. When we speak of redistributing social benefits and burdens, what is it that we are seeking to redistribute? It is because I want to keep this question open, that I use the catch-all term 'social advantages and disadvantages'.

have to turn to family, charity or crime. This suggests that it might, after all, be better to treat distributive justice as a lifelong issue rather than as something to be settled at birth.

Communitarians claim that being a member of society is like being a shareholder in a productive enterprise. If this analogy holds good, it may be that all citizens are entitled to share the usufruct of those productive resources which are the common property of society as a whole. I say 'may', not 'must', because additional premises are needed to justify distributing the 'social dividend' as a universal grant, rather than devoting it to some collective use. The most obvious setting for such an arrangement would be a socialist state where all or most capital and natural resources are publicly owned. This point was noted with approval by writers as diverse as Bertrand Russell, an unsparing critic of the collectivist state; G.D.H. Cole, admirer of William Morris, theoretician of Guild Socialism and organic intellectual of the British labour movement; and Oskar Lange, orthodox Marxist and enthusiast for central planning, who used the concepts and methods of neo-classical economics to rebut the contention of von Mises, Hayek and others that 'rational' resource allocation would be impossible in a socialist state.⁴

Social dividends are not, however, tied to the framework of a planned economy. It could, for example, be argued that some of the facilities which contribute to human well-being are *intrinsicly* communal in character: notably, the social division of labour and the legacy of science and culture which each new generation inherits from its predecessors. Thus, a cooperatorist or providential case might be made for distributing some portion of the social product as a universal grant. Alternatively, Meade has proposed what he calls a system of 'topsy-turvy nationalization'. In his imaginary state of 'Agathotopia' competitive market forces continue to govern the allocation of resources, but the state gradually acquires a non-controlling share in all quoted companies. Instead of borrowing funds to finance this holding, the state runs a (cyclically adjusted) budget surplus which is used pay off the National Debt and accumulate a 'National Asset'. Dividends on the Asset are distributed to all citizen-shareholders according to some predetermined formula.⁵

Both the libertarian case for a 'birthright' grant and those communitarian arguments for a social dividend which depend on working out the productivity of intrinsically communal assets, face severe conceptual problems. For one thing, there are different views about how to define and measure the social product. Marketed commodities can be valued at prevailing market prices, and non-marketed public goods may be valued

⁴ Bertrand Russell, *Roads to Freedom*, London 1918; G.D.H. Cole, *The Principles of Economic Planning*, London 1935; Oskar Lange, *The Economic Theory of Socialism*, Minneapolis 1938. For entertaining accounts of these and other historical precursors of Citizens' Income, see three publications by W. Van Trier: *Who Framed Social Dividends? A Tale of the Unexpected*, Universitair Faculteten St-Ignatius, Report 89/23, Antwerp 1989; *State Bonus or Basic-Income in the Age of Reconstruction*, Report 91/260, 1991; and *James Meade and His 'Social Dividends'*, Report 93/288, 1993.

⁵ J.E. Meade, *Agathotopia*, Aberdeen 1989.

at their monetized costs of production. But private goods and services produced outside the cash nexus—including, notably, unpaid care provided within the family and public services performed by volunteers—are simply not counted at all; while procedures for dealing with so-called 'externalities', such as environmental damage or cultural degradation, are haphazard. And whatever the framework of social accounting, attempts to estimate how much each separately identified 'factor of production' contributes to the social product are fraught with difficulty given the process of social reproduction requires the joint and simultaneous action of a vast array of material resources and cultural facilities. Moreover, claims of natural right or shared entitlement presumably apply to all human beings from now to eternity, regardless of geopolitical divisions. But if the relevant moral community is humanity as a whole, it is impossible to justify the introduction of a universal grant in one state on libertarian or communitarian grounds alone.

A Liberal-Socialist Consensus

None of these problems affects the third case for universal grants. Liberal-socialism does not require any analysis of 'factor productivity'. Nor does it depend on any perfect standard of distributive justice, though it does seek to establish what might be called a justice-seeking state. What is more, liberal-socialism applies to *any* kind of settled political community, from a unitary world state to politics of the more familiar, geographically bounded kind.

The hyphenated term 'liberal-socialism' seems the best way to characterize an emergent fusion of two traditions which have dominated political thought since the French Revolution. Historically, liberals and socialists have more often been enemies than allies. Recently, however, a certain convergence has occurred. Socialists who are critical of classical liberalism, but care about personal liberty, have begun to overlap with liberals who are critical of classical socialism, but care about social justice. From this standpoint, it can be argued that universal grants offer the best way to renounce the social rights of citizenship and bring considerations of social justice and questions of economic policy into a common frame of reference. Exactly what this might involve is taken up later in connection with the finance and management of a CI system. For the moment, it suffices to say that the aim of liberal-socialism is not to devise a definitive and comprehensive scheme of social justice which, once achieved, is then preserved forever. In a free, self-governing society, subject to technological and economic change, it is impossible to freeze the pattern of distribution in this way. Rather, the point of Citizens' Income is to create a conspicuous public framework for handling sectional conflicts over the distribution of income, work and power.

It is important to stress the differences between libertarian, communitarian and liberal-socialist principles, as well as the fact that they all entail a commitment to some form of universal grant. The reason becomes clear if one considers the history of social insurance. From Bismarck to Beveridge, reforming governments gradually extended the scope and coverage of social insurance until it became welfare capitalism's primary system of income protection. The resulting schemes were nationwide,

employment-based, contributory, contingency-related and functionally separated from other forms of taxation and public expenditure; and the basic idea of a tax-transfer system with these characteristics found favour with 'one-nation' conservatives as well as collectivist liberals and reformist socialists. But the reasons were very different in each case, and as Esping-Andersen has shown, these differences of social philosophy exerted a powerful influence on the design and dynamics of welfare-state regimes.⁶ One might expect analogous divergences to emerge if and when different states introduce universal grants. And it helps to register this point if the varieties of universal grant are identified by different names.

Whatever the ethical case for giving each citizen some portion of the (monetized) social product in the form of a universal grant, it remains to be decided who qualifies as a citizen and how much each should get. (Questions of scale are problematic and will be considered in the next section. The definition of citizenship presents no difficulty in the case of a single, well-established state. If it is granted that everyone is morally equal, the only defensible conception of citizenship is one that attaches it to legal residence rather than to ancestry or to vague and fluctuating notions of ethnic identity. However, in anything less than a unitary world state, *any* definition of citizenship is an act of closure: 'insiders' are included, 'outsiders' excluded. I shall not attempt to deal with the difficult moral and practical problems posed by the continued coexistence of geopolitical division and global interdependence. Nor do I have any new or special prescription for avoiding or resolving territorial disputes between or within existing states without recourse to violence. I simply note two points.

First, all states are artificial creations which reflect the kaleidoscope of cultural difference and historical development. This being so, no external borders or internal division of powers can ever be regarded as final or non-negotiable. What matters is not *whether* borders and powers are revised from time to time, but *how*. Second, I take it that a justice-seeking state would operate an immigration policy which was neither discriminatory nor *laissez-faire*; would refrain from dominating or exploiting the citizens of other states; and would act in concert with the international community to overcome unjust structural inequalities in the global division of resources and the pattern of international trade.

In theory, there is nothing to stop one state or group of states sending free gifts to the citizens, as distinct from the governments, of other states. It has, for example, been suggested that Western aid to the former USSR might do more good, and might therefore be more forthcoming, if injections of purchasing power bypassed local administrators and went straight to individual citizens. However, leaving aside cases of emergency relief in conditions of anarchy and civil war, any such scheme would undermine local autonomy. Transfers would have to be paid in foreign currency and donors would have to create their own distribution systems. If the resulting arrangement were anything more than provisional, the indigenous authorities would lose control over monetary and fiscal policy, and with it one of the key attributes of statehood.

⁶ G. Esping-Andersen, *The Three Worlds of Welfare Capitalism*, Cambridge 1990.

3. Basic Income

The concept of Citizens' Income, as I have defined it, is not tied to any notion of 'basic needs'. CI scales could exceed or fall short of whatever level of money income is deemed just adequate to enable a single, able-bodied person of conventional working age to purchase a subsistence bundle of commodities. By the same token, the existence of a CI system is perfectly compatible with ongoing debate about the appropriate definition of subsistence. However, in so far as those who advocate CI *also* insist that every citizen should be assured of (at least) the means of subsistence, the arrangement they have in mind has come to be referred to in the literature as *Basic Income (BI)*. Of course, if everyone's minimum needs are to be provided for equally, account must be taken of age and disability. Thus, BI payments would have to be appropriately graduated, old people and the disabled presumably receiving more than other citizens, children less.

There is endless room for argument about where to draw the poverty line. One key benchmark, however, is the standard of subsistence inscribed within existing social-security scales. Though it lacks any theoretical rationale, the official definition of poverty is widely used in empirical research and marks a critical threshold for both social citizenship and personal freedom. With BI pitched at this level, other transfers could be eliminated without impoverishing anyone who had no other source of income; and in deciding what to do with their lives, particularly their working lives, everyone would acquire a degree of freedom from economic necessity hitherto enjoyed only by people with private means. The point at which these intriguing prospects open up is usually described as a 'full' Basic Income, the presumption being that it could not be attained in a single step, but would have to be approached incrementally. During the transition period, one or more conditional transfers would be retained alongside a 'partial' Basic Income.

Would people be willing to bear the cost of BI? Two issues need to be distinguished here: one is whether society can *afford* BI, given its available resources; the other is whether BI would be *viable*, taking into account the ways in which economic agents might be expected to respond to its introduction. Note that since different ways of financing BI are likely to provoke different responses, the problem of viability cannot be tackled without specifying how the requisite tax revenue is to be raised. Recall also the point made earlier about social policy regimes: if tax tolerances vary from one regime to another, there may be no way of saying whether BI is viable independently of the wider aims of public policy and the character of the state.

Evidently, no society could afford BI if it did not regularly produce enough to provide all its members with the means of subsistence at the requisite standard, as well as sustaining public consumption and capital investment at socially desired levels. But this is a condition that must be met by all sustainable social formations, from hunter-gatherer bands to advanced industrial states. The question at issue is not whether the claims made on the social product can be reconciled in the abstract, but whether people are now (or would ever) be willing to countenance the transition

from welfare-state capitalism to Basic Income capitalism, bearing in mind the prospective costs and advantages of BI compared with the relevant alternatives.

If, as suggested earlier, the maintenance of the status quo is not an option, the broad alternative to BI is a neo-liberal regime in which transfers are targeted, means-tested and work-tested. To eliminate extraneous considerations, assume that the same poverty standard is used in each case. Assume also that social policy makes no difference to the performance of the economy. In general, this assumption is quite unwarranted, but let us accept it provisionally for the sake of simplicity.

In means-testing, as in war, the word 'targeting' conveys a spurious sense of precision. Even if we suppose that benefits are designed to cover all *known* sources of financial poverty, gaps in social knowledge or changes in social reality are bound to occur. It is, moreover, notorious that not all those who are entitled to any given benefit actually receive it, whether because of ignorance, the time and effort it takes to process claims, or the stigma attached to claimant status. Conversely, because investigation is unavoidably imperfect, some claimants obtain benefits fraudulently or by mistake. At the same time, thanks to the complexities of administration, policing and litigation, costs per claimant may so far exceed the cost of delivering routine transfers which could easily be automated, that BI would be cheaper to run than the neo-liberal option, even though it covers the whole population and not just the fraction receiving means-tested benefits. The use of work tests to screen out alleged 'malingerers' and 'scroungers' only adds to the costs of bureaucratic tutelage, besides diminishing the dignity and freedom of people who may already be disadvantaged by ill-health, disability and joblessness.

There are also intractable technical problems in setting the so-called 'withdrawal rate' or implicit marginal tax rate: that is, the rate at which claimants' entitlements diminish as their incomes from other sources rise. High marginal tax rates may trap claimants in poverty and create a culture of dependency. If, in order to improve economic incentives for unemployed and low-paid workers, marginal tax rates are lowered, benefit entitlement will be 'needlessly' extended to large numbers of people *above* the poverty line, unless the tax schedule is kinked so that those below the poverty line experience higher marginal tax rates than those above it.

On the other hand, means-testing brings welcome relief to governments struggling to contain the cost of social security. By definition, it is cheaper than any other method of guaranteeing minimum incomes, and hence makes lesser demands on taxpayers' generosity. What matters, however, is not how much the state pays out, but whether the public gets value for money. For neo-liberals, the sole purpose of social transfers is to relieve material hardship. Anyone who takes this view is bound to see BI as a wasteful extravagance, especially if they turn a blind eye to the inherent problems of means-testing. Its extra cost, over and above the baseline cost of means-tested social assistance, appears as a 'deadweight' burden on taxpayers. Liberal-socialists view things differently. In their eyes, expenditure on BI is analogous to the legal and other costs of upholding

civil and political rights. Social citizenship is no more a 'free good' than democracy, public health or clean air, and those who benefit from it must pay for its upkeep. There is, therefore, no need for BI supporters to be apologetic about 'high' taxation, though in a society where neo-liberalism has become hegemonic, they will have a hard time persuading their fellow citizens that the price is worth paying.

Transforming Effects

The discussion so far has been entirely static. (Options have been compared on the assumption that the pattern of social development and the performance of the economy are given. In effect, I have simply frozen all the factors which affect the scale or growth of the social product—as measured, for example, by GDP—in order to focus on the financial cost of alternative distributive arrangements. For some purposes, this might be a reasonable procedure: for example, in a case where the basic design of the work-income nexus is given, and we want to investigate the effects of marginal adjustments in tax rates, transfer scales or administrative regulations. But it becomes wholly inappropriate when we are contemplating a radical break with the status quo.

As we have seen, BI would transform people's options in the labour market, with potentially far-reaching consequences for economy and society. No one knows how people would reallocate their energies, skills and time if their basic living costs were unconditionally guaranteed. Clearly, much would depend on the wider stance of public policy, interacting with private choice. But it strains credulity to suppose that BI would make no difference whatsoever to labour-force participation rates, the duration and pattern of working time, the sexual division of labour and other structural aspects of social reproduction.

Even proponents of BI often fail to appreciate this point. In a spirit of misplaced 'realism', they calculate the *prospective* cost of BI as a proportion of the *existing* level of GDP, and rely on intuition to decide whether the resulting 'tax burden' is socially acceptable. Projecting what Galbraith calls 'the culture of contentment' into the indefinite future, and fearing a taxpayers' revolt against a proposal so plainly at odds with 'common sense', they usually conclude, without serious analysis, that a 'full' Basic Income is out of reach.⁷

Of course, until Basic Income capitalism is actually tried, we can only speculate about its dynamics. Exactly the same was true of mass democracy prior to the extension of the suffrage. But speculation need not be unbridled, and is, indeed, indispensable in a context where it makes no sense to assume that the future will be just like the past. To be sure, reasoned conjectures can easily turn into wishful thinking. But the risk of

⁷ H. Parker, *Instead of the Dole*, London 1989, offers a preliminary treatment of the problem of transition, but although she is meticulous in costing her various proposals, she makes no systematic attempt to analyse the interdependence between social policy and economic performance.

confusing desires and prospects has to be balanced against the opposite risk of assuming that the way things are is the way they must be. In any case, beliefs about the limits of social possibility are themselves a factor in determining the course of events, regardless of whether they are, in some sense, well-founded.

It is entirely conceivable that BI would prompt a mass exodus from the labour market and lead to economic collapse. But this is by no means self-evident and other plausible cases can be envisaged in which the performance of the economy improves. For example, if workers enjoy a basic level of income security, they may be less anxious to defend their existing jobs in the face of competitive market pressure, and more receptive to technological change and industrial restructuring. More generally, if the ethos of social citizenship takes hold, people may be less inclined to take a narrow, sectional view of their interests and more receptive to the claims of wider moral communities, including those of their fellow citizens, humanity as a whole or, for that matter, of other sentient species and our common planetary home.

Even if a 'full' Basic Income is ruled out, a scaled-down version may still be feasible. BI may be 'partial' in either of two senses: coverage could be universal, but scales initially held below the (needs-adjusted) subsistence level; alternatively, payments could be at the 'full' rate from the outset, but coverage initially confined to certain prioritized social groups. Clearly, a partial BI would have to be supplemented by one or more means-tested transfers. These residues of the old regime could be phased out, as and when the public was prepared to accept a larger role for BI, or per-capita GDP was higher, or both.

It would, however, be unwise to expect economic growth alone to ease the transition to a 'full' Basic Income. 'Growthist' strategies ignore the cultural dimension of social citizenship. Any sensible definition of poverty has to be culturally relative. Hence, BI scales will tend to rise in proportion to per capita GDP. But this implies that a 'full' BI will *never* be viable without a change in taxpayers' collective willingness to shoulder the 'burden'. Thus, whether and how far society travels from welfare-state capitalism to Basic Income capitalism and beyond, will depend less on the rate of economic growth and more on the state of social relations.

4. The Public Realm

Social policy involves the provision or purchase of social services as well as the funding and management of social transfers. This is not the place to discuss the general role of public goods in meeting human needs. Nor is it appropriate to consider whether the state should provide such goods itself, or merely pay for them to be provided by non-state agencies within a quasi-market framework. It is, however, pertinent to consider how these questions impinge on the debate about citizenship and Basic Income.

In general, the more people's needs are met by purchases of marketed commodities, as distinct from public goods 'free at the point of delivery', the larger the cash sum required to attain a given standard of subsistence.

In all other respects, however, it could be argued that views about the 'proper' scope and character of public goods are logically independent of views about social transfer arrangements. Someone who favours the maximum commodification of economic life, whether on grounds of liberty, efficiency or both, could consistently advocate Basic Income, whether on the same general grounds or in the belief that a market economy with a Basic Income offers the best available compromise between efficiency and equity.

Yet at a deeper level there is a tension between citizenship and market. In a state which respects the moral equality of persons, the logic of citizenship is egalitarian, whereas markets have an inherent tendency to produce or perpetuate disparities of social condition. And while some inequalities of treatment or reward may be justified on instrumental grounds as the best means of promoting ends on which everyone is agreed, others are rooted in structured hierarchies which warp the whole pattern and tone of social life.

Even in an ideal market economy, 'goods' and 'bads' (or the means to acquire or avoid them) would be distributed according to inheritance, age, ability, skill, preferences, effort and luck. There would, therefore, still be a role for social policy in compensating for natural or acquired personal deficiencies and misfortunes. But the incidence of these conditions would be more or less random, and there would be little or no need for any organized public force to counteract structural privileges, institutional bias and sectional power. But all actual market economies, to varying degrees, are marked by deep-rooted and long-lasting divisions of gender, class, race and ethnicity. To be sure, some of these divisions predate the rise of capitalism and the spread of market relations—by millennia, in the case of gender. This does not prevent them from continuing to distort the distribution of income, work and power. And typically, though not invariably, these same divisions also shape the pattern of society's principal distributive conflicts.

If, as in all states prior to the achievement of universal suffrage, citizenship is itself a privileged status, it will simply reinforce the disqualifying effects of other social divisions. But where citizenship entails rights and duties which are shared in common by all, it can, in principle, correct the 'spontaneous' lean of the social structure. If this potential is to be realized, however, citizenship must become an active force in public affairs, not just the source of a passive, recipient right to the means of subsistence.

As a school of active citizenship, the combination of full commodification with a 'full' Basic Income looks distinctly unpromising. For one thing, money alone cannot correct structural disadvantage. But more importantly, if public services are privatized, and social policy is reduced to the redistribution of purchasing power, then apart from their strictly financial rights and responsibilities as beneficiaries and taxpayers, people will only ever experience each other as market participants: that is, as traders, customers, suppliers, consumers, employers, employees, third parties and so on.

Now, as Adam Smith discovered, the pursuit of self-interest—or to be more precise, the pursuit of *commercial* self-interest—is a powerful force for material progress. But it is singularly ill-adapted to the pursuit of social justice. In a comprehensively commercial society, people would never encounter any duty or pressure to attend to anything other than their own sectional interests, and society as a whole would lack any public means of engaging with recurrent conflicts over who gets what, who does what and who decides what. These basic distributive issues have to be tackled in all societies, and are a prime source of social conflict. Market forces alter the form of distributive conflict: they hardly eliminate it.

Indeed, the growth of capitalist commodity production has undoubtedly intensified sectional strife by delegitimizing social inequalities that were accepted without question in earlier, organic societies. In itself, this was a liberating development. Pre-capitalist ideas about social justice were particularist, not universal; communitarian, not liberal; hierarchical, not egalitarian; and traditional, not rational. But having dissolved the bonds of community and tradition, market forces stand guard against *any* principle of social justice. The result is distributive anarchy.

Citizens' Income is likely to flourish under a strong and expansive public realm based on active partnership between state and civil society. To see why, consider how CI is to be financed. In principle, taxes could be levied on the income, expenditure or wealth of persons; on the profits, sales or payrolls of enterprises; or on some combination of all of these. But the choice of a tax base is not just a matter of making ends meet: it is likely to have profound consequences for the way people perceive and pursue their interests. The preceding argument suggests that a good tax-transfer system is one which promotes active citizenship and economic democracy, enhancing society's capacity to handle distributive conflict without recourse to either brute coercion or the impersonal discipline of the market.

On both counts, there is much to be said for integrating taxes and transfers and dividing social policy into two separate branches: one dealing with social transfers, the other with social services. This would mean establishing, or moving towards, a 'full' Basic Income; phasing out all other social transfers, both direct and indirect; and raising the requisite revenue exclusively from an earmarked tax levied on all personal earnings and property income above a modest threshold.

A system with these features has five major virtues. To start with, it is simple, and therefore cheap, to administer. Social-security staff would be made redundant, but they could always be redeployed to the Inland Revenue and retained to help combat tax evasion. Second, it is transparent. When people pay their income tax, they know exactly what they are paying for; how much a single person with no other source of income has to live on; and where they themselves stand in relation to this baseline. Third, questions of distribution acquire a permanent place on the political agenda, beginning (though hardly ending) with the prevention of poverty. Furthermore, since everyone has a direct stake in tax-transfer decisions, the framework of public choice is one which

responsible ways, though it would be foolish to look for prodigies of altruism and civic spirit. Fourth, the system is subject to built-in fiscal discipline: the scope for uprating transfer scales is constrained by the growth of taxable income. Hence, adjustments in the gearing between social transfers and private incomes would have to be assessed *ex ante* and monitored *ex post* to investigate their repercussions for the rest of the economy. At the very least, these exercises would need to be coordinated with the general conduct of macroeconomic policy. But—and this is the fifth point—the exigencies of economic management under Basic Income capitalism would create opportunities for widening and deepening the degree of economic democracy.

It would rebalance the choice between waged work and other activities. The crucial economic question, therefore, is what happens to the supply of labour. How, in other words, will people elect to use their new-found freedom in deciding whether to participate in the labour market, in what capacity, for how long, at what times and on what terms? The corresponding institutional problem is to devise a regulatory framework which secures social citizenship without forfeiting economic prosperity.

There is little hope of achieving this goal if the government attempts to steer the economy by remote control, setting the parameters of the tax-transfer system and leaving private agents in civil society to work out their own salvation. A government which stands at arm's length from other social actors can, at best, hope to manipulate their behaviour by threatening penalties and offering rewards. It has no direct means of harnessing their intelligence and authority to the policy-making process, or of persuading them to set aside sectional interest in the name of social responsibility.

In practice, of course, there is no sharp division between policy-makers and policy-takers. Governments normally try to anticipate the reactions of those affected by their decisions, and to accommodate the interests of major powerholders; and organized sectional interests normally seek access to the corridors of power. But pragmatic policy bargaining is not the same as a principled commitment to social dialogue and economic democracy. In a 'Basic Income Democracy' government would deliberately and regularly seek to foster public debate about tax-transfer policy by issuing a standing invitation to all sectional interests to identify policy options, explore their implications and argue the case for pursuing one option rather than another.

Sectional claims and counter-claims would not disappear. Nor would this be desirable. But sectional interest groups would be obliged to frame and justify their claims in ways that took account of people's shared identity as citizens. Conversely, the policy-making process would acquire a sharper focus, and citizens would be better placed to make genuine choices about their collective, long-term future, giving due weight to the respective claims of social justice, economic growth and ecological sustainability.

The pattern of social development in a Basic Income Democracy can hardly be predicted in advance. Disadvantaged groups would still have to

contend with dominant interests and cultural inertia. And until it was certain that BI really was a viable proposition, the political economy of transition would inevitably centre on the monetized economy and on traditional conflicts of interest: between capital and labour, jobholders and the unemployed, taxpayers and claimants. Interests based on other lines of social division would still have to struggle for voice and influence, as also would those who wished to challenge the anthropocentric bias of our present civilization. The point is that the philosophy of liberal-socialism and the institution of Citizens' Income offer the potential for a long, evolutionary process of social learning and cultural growth.

5. Prospects and Strategy

If Basic Income is to become more than a utopian dream, millions of people will have to be convinced that it is morally justified, economically viable and politically feasible. In principle, these questions are distinct, but in practice they are likely to be interdependent. Parties and voters will be reluctant to support BI if they expect it to damage the economy; and the economy will suffer if BI runs counter to widely held values and beliefs.

Imagine, for example, that BI is introduced against the opposition of secure, well-paid jobholders. This is, of course, wildly improbable, but it helps to fix ideas. Disaffected workers may complain that the tax rate required to sustain BI is excessive, or they may object to Basic Income on principle, as a threat to the work ethic. Depending on their inclinations and opportunities, they may retaliate by working fewer hours, working less hard, putting pressure on their employers to raise pre-tax rates of pay, or resorting to tax evasion, possibly with the connivance of their employers. And as voters, they may lend their support to political parties which promise to lower the 'burden' of taxation or even to restore the old regime.

By the same token, if most people are convinced that BI is just, there is no reason why the new regime should run into trouble. Now, unlike the imaginary subjects of Rawls's famous thought experiment, who are stripped of their actual social identities and invited to choose between contending norms of distribution from behind a 'veil of ignorance', the citizens of actual liberal democracies are unlikely ever to agree about either the principles of social justice or the best way to secure them. It may, nevertheless, be possible to persuade people with different conceptions of the good life, different sectional interests and different visions of the just society, that Citizens' Income provides the basis for a new social settlement. Comparable alliances were forged in the past, and a modern movement for social citizenship could appeal to values which are common to both liberal and socialist traditions of political thought.

One suggestive analogy, already adverted to, is the development of social insurance. Even if electorates and governments embrace the principle of Citizens' Income, progress towards a 'full' Basic Income may well take decades, just as it took sixty or seventy years, from the late nineteenth century to the mid twentieth century, for the advanced capitalist states to build up comprehensive social insurance systems covering all (full-time)

deprivation. Even then, it was not until the 1970s that women workers gained equality with men, paying the same contribution rates in return for the same entitlements. Moreover, although the broad direction of development was similar everywhere, as welfare states evolved they also diverged. The principle of social insurance was supported by different social forces for different political reasons. At each stage, coalitions had to be assembled in order to establish or extend social insurance schemes, and it was the social composition and political complexion of these coalitions that largely determined the character of each state's welfare regime.⁸

Strategic lessons can also be learned from the era of Keynesian social democracy. No government could embark on the transition to Basic Income without the kind of broad popular alliance and cross-party consensus which made it possible to reconstruct the state in the 1940s. And what applies to the implementation of radical reform applies equally to its antecedents. In Britain during the inter-war years, for example, ritual inter-party conflict was far less significant than the argument over unemployment policy between economic radicals and economic conservatives, which cut across party lines. The radical camp included figures as diverse as Keynes, Lloyd George, Bevin, Macmillan and Mosley. Their opponents included MacDonal and Snowden as well as Baldwin and Chamberlain. The radicals had different programmes for tackling the slump, and differed about much else besides. But at a deeper level, they shared a common goal: to put an end to *laissez-faire* and establish full employment. It is also salutary to recall that in the 1930s it was the economic conservatives who prevailed: the radicals' moment came only with the outbreak of war, when the danger of military defeat combined with the threat of socialist revolution to force the pace of reform.

No comparable emergency seems likely to come to the aid of Citizens' Income. The CI project does, however, have certain moral strengths. In particular, it encapsulates two basic values which are shared by both liberals and socialists: the ideal of personal autonomy and the moral equality of persons. Liberals and socialists continue to disagree about whether the concept of social justice is coherent, what it means and how to secure it, but they are at one in seeing personal autonomy as the hallmark of the fully human life. Both groups affirm that the best kind of life is one in which people think for themselves, make their own choices and decisions, and shape their lives in accordance with their deepest values and beliefs.

Each tradition has its own views about how best to promote this ideal. Liberals have stressed the importance of civil and political rights and have strenuously resisted the argument that freedom and autonomy are purely formal conditions unless people have access to a wide range of social capabilities, opportunities and powers. Socialists, for their part, have tended to belittle the importance of constitutional arrangements and the rule of the law. Neither viewpoint is right, but this should not be allowed to obscure the existence of a common underlying value.

⁸ For good historical accounts of the development of social insurance, see A. de Swaan, *In Carr of the Stair*, Cambridge 1988; and C. Pierson, *Beyond the Welfare State*, Cambridge 1991.

The concept of equality has been similarly contested, liberals seeking to restrict its application to the sphere of civil and political rights, socialists insisting on a stronger, social interpretation. Yet both traditions are agreed that no one's life is intrinsically more valuable than anyone else's. This principle implies that whatever it is that makes life worthwhile, and whatever things are good (or bad) for human beings to have, to do or to be, no individual or group is entitled to distributive precedence simply by virtue of social identity. There is nothing about being male, white, noble-born, Serbian, Christian, etc. which gives anyone the right to enjoy more of any social 'good' (or endure less of any social 'bad') without any further need for argument. Rather, the presumption is that 'goods' and 'bads' should be distributed equally, and that all departures from this norm must be justified in terms which can be universalized to everyone in the relevant moral community.

At a practical level, the prospects of gaining wider support for CI depend on the skill and flair with which the idea is inserted into the political process. It is evident that since CI involves an irreducible leap in the dark, it would have to be phased in gradually. As we saw earlier, the transition could take either of two forms: scales could be built up from a low initial level, with universal coverage throughout; alternatively, scales could be generous from the outset, but coverage extended in stages. The former strategy, which has received most attention in the literature, has obvious symbolic potential, but might fail to gather momentum. If the starting level is too modest, no one will notice the difference, and the progressive potential of the CI concept will remain latent. The latter strategy risks being socially divisive, but offers more scope for creative political intervention.

For example, CI might be introduced initially as part of a 'New Deal for Youth'. To fend off tabloid attacks on 'licensed scroungers', it might be prudent to retain some suitably liberal form of work-test. Thus, it might be stipulated that everyone over sixteen and below, say, twenty-five, would qualify for CI provided they were 'socially active': that is, engaged in paid employment, voluntary work, childcare, education or training—the wider the range of approved activities, the closer the system would come to being completely unconditional. A programme of this kind would engage with the work ethic; connect social policy with economic development and personal growth; and convert the most energetic, but also the most alienated section of society into a cohort of citizens with a lifelong interest in extending and enhancing social rights.

CI is no panacea. The evils of mass unemployment, poverty, social exclusion and social disintegration call for a many-sided and, indeed, internationally coordinated approach. But correctly handled, CI could form the centrepiece of a modern, dynamic and emancipatory successor to the welfare state. And on a more immediate timescale, the effort required to project the idea into mainstream political debate would be amply rewarded if it helped to frustrate the designs of the neo-liberals, by stiffening the resistance and raising the sights of their opponents.

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Current Successes and Future Challenges in China's Economic Reforms

China's programme of economic reform has met with remarkable success.¹ The average annual growth rate since 1979 has been 8.8 per cent, placing China in a select group of developing countries which have achieved sustained industrial growth for over a decade. Indeed, China doubled output per person in the ten years between 1977 and 1987, one of the shortest time periods for any country to achieve such a record.² This impressive growth has in part been the result of significant increases in factor productivity in both the state and non-state sectors, a point of some importance given the well-documented failure of centrally planned socialism to raise productivity.³ The result is that China's economy is now estimated (using purchasing-power parity exchange rates) to be surpassed in size only by the US and Japan and there is a real possibility that China will become the world's largest economy by 2025.⁴ In per capita terms, there have been impressive increases in living standards evidenced by a threefold increase in the average consumption of meat and eggs between 1978 and 1991, by a more than