

Notes

1. Haddon Willmer, "Towards a Theology of Politics", Nottingham, Shaftesbury Project, 1976; also "The Politics of Forgiveness", The Furrow, April 1979.
2. J.A. Walter, "Salvation and Work", Faith and Thought, 106, 1979, pp.135-150.
3. P. Golding & S. Middleton, Images of Welfare, Oxford, Martin Robertson, 1982.
4. SDP, Merging Tax and Benefits, 1986; SDP/Liberal Alliance, Partnership for Progress, 1986, pp.47-9; A.W. Dilnot et al, The Reform of Social Security, Oxford University Press 1984.
5. For further exploration of this, see Bill Jordan, The State, Oxford, Blackwell, 1985; Rethinking Welfare, Blackwell, 1987.
6. See E. Parker, Action on Welfare, London, Social Affairs Unit, 1984; Instead of the Dole, forthcoming; and for Holland, Netherlands Scientific Council for Government Policy, Safeguarding Social Security, 2 Flein 1813, The Hague, 1985. English & Dutch editions, free.
7. K. Roberts, Automation, Unemployment and the Distribution of Income, Maastricht, European Centre for Work and Society, 1982.
8. Basic Income: The Reasons Why, London, Marion Boyars, 1988.
9. R. van der Veen & F. Van Parijs, "A Capitalist Road to Communism", Theory and Society, 15, Sept. 1986.
10. This idea is expanded in my Hope on the Dole, London, SPCK, 1985.
11. Tony Walter, "The Politics of Grace", Third Way, November 1986.
12. Netherland Scientific Council, op. cit.
13. Dilnot et al, op. cit., pp.109-112.
14. Jan Pahl, Social Security, Taxation and Family Financial Arrangements, BIRC Bulletin, 5, Spring 1986, pp.2-4.
15. See note 6, and the BIRC Bulletin, especially Nos. 3 & 4.

ANDREW DILNOTRESPONSE TO TONY WALTER'S ARTICLE

Social Security is widely believed to be 'another British failure'. Around half of the individuals in the UK receive some form of social security benefit: total expenditure on social security exceeds total income tax revenue. Yet our inner cities contain scenes of grinding poverty and degradation which shock Christian and non-Christian alike. Clearly something needs to be done and it is encouraging to see Christians participating in the debate.

When faced with the demand for a Christian response to the problems of poverty and social security, it seems that we can divide the task into two sections. First, and probably the most difficult, of bringing biblical and theological material to bear on the problem. One would hope to emerge from such an exercise with a view of the implications of Christianity for the structure of society, particularly for the treatment of those with inadequate incomes to support themselves. The crucial issue here seems to be the nature of freedom, equality and perhaps property. Having constructed a set of goals, one would proceed to use the tools of economic analysis to design a set of structures which would best hope to achieve them. It is of course not only possible, but likely, that a number of different structures would be available which might achieve the aims. We should not always expect Christianity to give us THE answer to achieving particular economic or political goals.

Unfortunately, I do not have the space to consider in detail the biblical and doctrinal material which is relevant here, nor indeed the confidence of a fully worked out argument. However, I suspect Tony Walter and I would largely agree on a number of crucial points. First it is clear that we are all created equal in the sight of God, and any social or economic structure which denies that must be open to criticism. Second, that the standard of living afforded by the social security system to some of those who receive benefits is inadequate. Third, that current

structures work extremely ineffectively ; the administration is overburdened, the interaction of benefits with each other and with the tax system is at best anomalous and bizarre at worst. Stigma is still attached to the receipt of benefit, which is one of the many causes of low benefit take-up. Fourth, that unemployment is a major social evil, that work is a fundamental part of human existence, and therefore the reduction of unemployment is of vital importance. Finally, our Christianity surely demands individual freedom. NOT freedom from state interference in the form of taxation, or freedom to behave as we will, regardless of the views or welfare of the rest of society. But rather a freedom to act as part of our community, to be able to form purposes and carry them out, a POSITIVE freedom, a freedom to belong to society, to contribute, to take part.

These sorts of arguments lead Tony to advocate a particular type of guaranteed minimum income, widely known as a Basic Income Guarantee (BIG). The essence of a BIG is that the basic income payment will be made to everyone, regardless of income, thus both guaranteeing an income to the poor and providing a further degree of security to the rich. Tony Walter contrasts this approach with another which aims to guarantee a minimum income, which would pay benefits in full only to those with no income, reducing the benefits as income rose, and thus paying nothing at all to the better off. These two approaches are often contrasted in the literature on social security policy as universalist versus targeted. It is at this point which I part company with Tony Walter's arguments, for reasons which I set out below.

Sir William Beveridge figures large in debates on these issues. His 1942 Report laid the foundation for post-war social security policy, and is still looked on by many as underpinning our current system. This is wrong. It is wrong because the Beveridge system did not work and has suffered radical change. The Beveridge system did not work for two main reasons which will always tend to prevent full universalist systems from working. The first problem was that Beveridge had to identify events which led to poverty in order to assign benefits to deal with them. The post war period has seen massive development of two poor groups who

simply didn't figure in Beveridge's plan²². The first group is the working poor; Beveridge assumed that a working man would always have enough to support a wife and one child. The second group, of whom there are now some one million in the UK, is one parent families. Around these two groups has grown up the most complex and distorting structure of means tested benefits, in an attempt to fill the gap left by Beveridge.

The second problem was simply cost. 80% of child benefit in the UK goes to families living above the Supplementary benefit line: around half of all benefit expenditure goes to people who are not in this sense poor. It is this indiscriminate characteristic of universal benefits which causes problems. Because they go to all, increasing the level of the benefits is very expensive and therefore requires high tax rates to pay for it. High tax rates are politically unpopular, and anyway the electorate may prefer to spend tax revenue on hospitals, schools or the poor, rather than on the middle classes. As the general standard of living rises, the poor must also gain, yet to increase universal benefits becomes unacceptably expensive and income related benefits take over. Beveridge dodged this problem by not planning to increase the real level of benefits as real income grew. Since 1948, the real level of benefits has increased by a factor of 2.5. Ever since the introduction of Beveridge's scheme in 1948 at least 1/3 of all benefit recipients have received means-tested benefits. This proportion has now risen to around one half.

We typically have two types of information about individuals: contingent information such as whether they are married and how many children they have, and information about their income. Contingent information tells us about their needs, income information about their resources. One type of information on its own tells us very little about poverty. Knowing that a man is married with three children tells us that his family have substantial needs, but without knowing his income we can have no idea of whether the family are poor. Knowing that a man has an income of £100 per week is also not enough on its own to assess poverty.

If he has a wife who looks after their six children, he clearly is. If on the other hand, he is single, or married to a woman who earns £200 per week, he clearly is not.

A BIG system essentially throws away income information when assessing benefit payments, and pays benefits entirely on the basis of individual characteristics other than income. The cost of such a system makes it impossible, as Tony Walter admits. I know of no serious proposal in the UK for a BIG system which would not be supplemented by a means tested benefit system.

Targeted benefit systems are often criticised on the basis that they degrade those who receive benefits, are complex, bureaucratic and depersonalising. All that is true of the UK system. But proposals to integrate the tax and benefit systems, of which BIG is one, and a targeted system another, are all based on a prior reform of the administrative structure. Both would use the tax system to pay benefits to those in work, and a single benefit office to provide incomes for those not in work. It is important to remember that income tax is a reverse means test.

I have space only to consider one point of detail. Tony Walter suggests on page 13 line 12/13 that a targeted system, unlike a BIG, cannot get money to the poorest individuals within a household. This is not true. Although most targeted systems have used the family as the benefit unit, they could use the individual. However with a targeted system extremely high levels of benefit could be paid to all mothers and withdrawn from their wage packets, or that of their spouses if they were at work. The appropriate choice of benefit unit is not constrained by the degree of targeting.

No BIG can work on its own, that much is agreed. It is also agreed that a minimum level of income must be guaranteed. Given the necessity for some element of targeting, it is vital that any new system is designed with that in mind. The Beveridge system has collapsed to the current mess because it did not contain an integrated income related

system and had to invent benefits on an ad hoc basis. The balance between universal and targeted benefits is difficult to strike, but it seems to me that the positive freedom which Christianity seems to demand requires a guarantee that income cannot fall below some minimum, rather than a substantial payment by the state to all individuals, regardless of their circumstances. Perhaps most important of all, the more targeted a system is, the less will go to the well off, and the more to the poor. That a new targeted system must be more humane and simpler is certain, but that would result from any integration of the tax system and benefit system.

That a full blown BIG is not feasible merely underlines the fact that it lies at one end of the continuum running from universalism to a purely targeted system. Neither of these two extremes is likely to be the optimum, and any new structure must be able to accommodate both. Paying higher social security benefits to the poor than the rich seems an attractive characteristic. But most of all, I would want to stress that the pressing need is to work out clearly what Christian doctrine and the Bible say about the goals we should be setting. Given such a set of goals, policy prescription may be easier. We must be careful not to put policy first.