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CIG, COAG and COG: A Comment on a Debate Guy Standing

The Vision Thing

If one is talking about “Real Utopia” one must have a reasonably clear answer to two ‘grand’ questions, which one feels inclined to ask in convivial company discussing the issues against the backdrop of a gorgeous lake in Madison, Wisconsin.

Bearing in mind that all theories of distributive justice espouse the equality of something, the first grand question is: *What is it that should be equalized in the Good Society of the 21st century?* The essence of the answer is that for real freedom, everybody in society must have *equal basic security*. This must be *unconditional* and *individualized*, the latter being critical for gender-related (and other) issues. The word ‘real’ is used to signify that there must be a combination of ‘negative liberty’ – the negation of deprivation and unchosen controls – and ‘positive liberty’ – the opportunity to make informed and worthwhile choices. Real freedom might be described as the opportunity and capacity to function rationally and purposefully and to develop one’s capacities or capabilities.

The complementary grand question is: *Assuming a veil of ignorance (not knowing where they would be in the distribution of outcomes), what sort of society would we want to leave for our children?* The gist of the answer is that they should be able to live in a society celebrating a diversity of lifestyles, constrained only by the need to avoid doing harm to others, and living in circumstances in which a growing majority of people work on their enthusiasms, to pursue their own sense of *occupation* – combining their competencies, or ‘functionings’, varying their work status, and possessing the means to be responsible to their family, neighbours and community. They should be able to live in an environment of *co-operative individualism*, in which individual freedom of action and reflection is backed by collective agency. This notion of development may be called *occupational security* – the security in which to develop capabilities and a working life in which one can combine forms of activity, including the stillness of contemplation.

I contend that a CI (Citizenship Income) is a necessary but not sufficient policy to give effect to the answers to the two ‘grand’ questions, whereas, although it has its attractive properties and a laudable underlying motivation, a Citizenship Grant *in the way envisaged by Bruce Ackerman and Ann Alstott* would not be.¹

A key term is *security*. Adequate socio-economic security is the bedrock of real freedom. However, one must allow that both as individuals and as society one could have too much security *or* too little security. Freedom does require democratically chosen restraints or constraints, to check recklessness and selfish opportunism. But these must presumably pass some

¹ Some of the points and themes indicated in this note are elaborated in a recent book. G.Standing, *Beyond the New Paternalism: Basic Security as Equality* (London, Verso, 2002).

veil of ignorance test. Bearing the desirability of basic security in mind, the ILO's Socio-Economic Security Programme has set out to establish two Policy Decision Principles.

The first, following Rawls but making security the locus of strategy, may be called the *Security Difference Principle*:

A policy, or institutional change, is just only if it reduces (or does not worsen) the insecurity of the least secure groups in society.

In other words, freedom cannot be advanced if, say, structural adjustment policies or “shock therapy” deliberately worsens the insecurity of those at or near the bottom of society. And this principle would hold regardless of claims made on behalf of political democracy.

This decision rule, or the principle of constitutionality, provides for a floor, to protect and enhance freedom in moving towards universal basic security. If one accepts that real freedom is the opportunity to pursue a life of dignified and dignifying work, then one must recognize that this is about *distributional* outcomes – the woman outworker, the labourer and the peasant should have the same (or equivalent) basic security as the lawyer, the economist or the shareholder.

The first policy decision rule should be complemented by one dealing with the threat of various forms of paternalism and state control, which also threaten freedom. This may be called the *Paternalism Test Principle*:

A policy, or institutional change, is just only if it does not impose controls on some groups that are not imposed on the most free groups in society, or if it reduces controls limiting the autonomy to pursue occupation of those facing the most controls.

Thus, unless husbands are subject to the same controls as wives, unless the poor the same as the rich, the unemployed the same as the employed, then policy, institutional or relational controls should be opposed as invalid. And they would remain invalid even if a political majority could be engineered to vote for them. Reducing the freedom of a minority (or a majority in the case of women in many societies) cannot be accepted, even if the change enhanced the freedom of others.

The *Paternalism Test Principle* will become crucial in the first decade of the 21st century, because of the dangers of ostensibly benign state paternalism. In the bristling machismo of the late 20th century, universalistic social protection without behavioral conditions was widely condemned by loaded words such as “nanny state” and “dependency”. The irony is that state paternalism, in the form of workfare, welfare-to-work (sic) and other directive selective schemes, more deserves the epithet of nanny state – although such euphemisms should be treated with more disdain than they have.

If the *Paternalism Test* and *Security Difference Principles* were to be respected, we should favour policies and institutions that move people's work away from external controls, and *towards* greater autonomy, security and equality. This is *not* just about laws and regulations. It is

about work structuring – shaping work to suit people, not merely shaping people for jobs, or to make them more “employable” (sic), or even to give them more ‘human capital’ or ‘human capability’.² Freedom cannot be equated with capabilities or entitlements, unless one defines these terms so broadly that they lack specificity.

We should wish to provide basic security for all, since that is essential to facilitate the individual *freedom to develop*. It is a freedom to develop ourselves through a creative, multi-sided existence, in which our work and our contemplative sides are balanced and balancing.

In this regard, notions of freedom are clouded by economic jargon that many distinguished observers have treated rather uncritically. Consider “human capital”. Too many people see this in an unambiguously positive light. Thus, Amartya Sen sees ‘human capability’ as merely ‘broader’ than ‘human capital’. In claiming a linkage between the two, Sen notes that the latter leads to the “*substantive freedom of people to lead the lives they have reason to value and to enhance the real choices they have*”.³ One should go further: The human capability perspective *conflicts with* the human capital approach, in that the latter starts from the presumption that education (or, more accurately, schooling) should be valued in terms of its contribution to capital accumulation and growth. Education for its own sake, for the development of our contemplative capacity, is at best downgraded and at worst relegated to irrelevance.

Education is about *time* for contemplation as well as about exposure to the learning of techniques for acquiring fame and fortune. A prior condition for healthy education is basic social and economic security.

The Socio-Economic Context

All the great Utopias painted throughout modern history have had characteristics of gentleness, conviviality, fraternity and social solidarity. Any progressive strategy should be compatible with those features. With that thought in mind, what is the biggest challenge that we face in the affluent parts of the world?

Let us be blunt. In the industrialised world, we live in an *apolitical era*, in which there is pervasive class fragmentation and a generalised lack of identity. The I-word dominates the We-word. The young are cynical – and rational – about the politics on offer. In 2000, for the first time, more of those under the age of 30 who voted in the US Presidential election voted for the Republican candidate than for the Democrat – about 40% for the former, 20% for the latter, and 40% for ‘independent’. In France, in the first round of the French Presidential election held in April 2002, a majority of that age group stayed in bed, leaving the extreme rightist candidate Le Pen, an odious character, to beat all candidates of the left. In the following weeks, chauvinistic

² The terms ‘employable’ and ‘employability’ have been hugely influential in European policymaking circles. The emphasis is always on altering the characteristics of people, including their attitudes and behaviour, so as to make them more pliable, adaptable, disciplined and so on. Rarely does see anything like as much attention being given to making jobs more workable, or whatever the equivalent term might be.

³ A. Sen, *Development as Freedom* (New York, Knopf, 1999), p.293.

individuals and groups in the UK and the Netherlands, among other places, attracted levels of electoral support that sent shivers of concern through the body politic.

In this context of disembedded populism, it may not seem an auspicious time to propose any form of Real Utopia. Yet surely that would be a faulty reading of the nature of the challenge. The fear should be that the cautious voices of the Lukewarm Left (LL) tendency that prevailed in the 1990s will continue to prevail, pandering to the *weakness-of-will* tendencies, not trying to create the collective agencies and spaces in which a progressive We can evolve. If this continues, the Young (and the not-so-Young) will continue to be disengaged.⁴ Unless the Left offers a *politics of paradise*, its long-term prospects will remain bleak. It is not good enough for the LL tendency to say that the young should vote for them because if they do not do so a Bush or Le Pen or Berlusconi will obtain 'power'.⁵ It is better for the LL politicians to be taught sooner rather than later that pragmatic adjustment to the dominant economic orthodoxy can *never* be part of the onward march.

One hypothesis to explain the declining turnout in national and sub-national elections in most affluent countries is that people are encouraged to be individualistic by market norms, whereas voting derives from a sense of social community and social relationships.

The significance of the political disengagement is that the Real Utopia project must surely be one that builds on the energies and the anger of youth, who have always provided the backbone of progressive movements, and not on the *adaptations* that youth are obliged to make in order to adjust to current realities. It must surely appeal not to their *weakness of will*, but to their enthusiasms.

What *asset* does Youth lack most? And what are the *reasons* for this? Coincidentally, what makes Youth *angry*?

The asset youth lack most is *time*, both currently and, more importantly, in prospect as they move from 'school' to 'work'. In modern affluent societies, there is constant pressure to use every moment, with work demands competing with the need to make contact with peers, through the internet, through emails, through mobile phones or whatever. Men and women in their 20s and 30s – and often in their 40s and 50s – have to face *multi-tasking*, and take their work home, and their home to work. The reasons for this frenzied loss of time is that the pressure to consume and to compete is intensified in electronically-connected individualistic capitalism. To pause is to risk becoming obsolescent, passed by in the latest splurge of gadgeting, or displaced by those people with the capacity to perform a revised set of tasks.

⁴ I use the terms Young and Youth in a broad sense to cover the group in society (15-30?) historically inclined to be most energetic and politically active.

⁵ It is a major factor in the decline of the progressive vision that membership of political parties of the left have dropped precipitously. In 1988, the French *parti socialiste* had 200,000 members; in 2002, it had only 80,000. In the UK, membership of the Labour Party declined between 1997 and 2001 by almost 100,000, while activism by its members declined even more dramatically – most do not do any work for the Party. *The Guardian*, June 18, 2002, p.11.

It is a lifestyle that is psychologically threatening, leaving both the successful and the failures teetering on the edge of a sort of hysteria. The notion of *bowling alone* is operating alongside the notion of *burn out*.

While this intense pressure on time causes some resentment – often turned inwards, resulting in a sense of inadequacy, stress and periodic burn outs – the younger generations are also infuriated by a sense of injustice, which is also unlike the sense of injustice that predominated in past generations.

In a global society, that takes the shape of revulsion against the gap between the affluence in the rich countries and the grinding poverty in low-income developing countries, and between the absurdly wealthy elites of the world and those detached from the mainstream of all society living a lumpenised existence of precariousness. But it also takes the form of anger about ecological decline, a worry that the quality of the environment is deteriorating as corporate greed and technological prowess threatens the sustainability of our planet. The poor in general, the hassled workers rushing to work on bus and underground, the slum dwellers, the inner-city dwellers, and numerous other groups live in crowded spaces, and they see the affluent living in space where they are in control of their environment. Youth see the rain forests shrinking, the range of species shrinking, the coral reefs shrinking, but they also crowd into cramped city spaces, on overloaded buses or trains, in small costly apartments, permanently in a rush. Time and space are crowded, and they neither own nor control their own time or space. This contributes to a pervasive sense of existential insecurity.

A progressive politics and vision must tap the most critical source of deprivation and anger of its potential supporters, and thus be about a redistribution of those assets perceived as the most scarce and most valued, and most unequally distributed. In a feudal society progressives tapped the anger of the landless; in an industrial society they tapped the anger of those lacking the physical means of production. In the 21st century, the key assets lacking for youth and the median “middle-class” worker are *time* and *security*.⁶ Progressives should be tapping the anger of those most likely to lack time and security.

The underlying malaise is not accidental. Modern capitalism has an interest in *time compression* among those who consume its products and among those who work to its rhythms. It is almost a truism that more and more people are living under a pressurised mix of inducements and incentives to “spend time” – purchase, possess, and display, that is the law of the modern prophets.⁷

In such circumstances, a subversive politics should be about wresting *control* over time for the ‘dispossessed’, and it should recognise that such control is the essence of real security. As

⁶ These are also lacking for the poor almost everywhere, although some mistakenly portray the poor as having ample time. In reality, because they lack “time-saving” devices and because they have access only to low-productivity activities, they have to spend more time to achieve any given income, and have to spend more time on sheer survival activities.

⁷ Over 30 years ago, Steffan Linder wrote a book called *The Harried Leisure Class* depicting the increased goods-intensity of non-working time. The problem is more general now.

in every radical moment in history, the progressive vision should be about redistributing the key scarce asset from those who possess too much of it to those with too little or none at all. No progressive agenda ever mobilised the masses unless it offered a strategy to redistribute the key scarce asset.

This is where we reach a dilemma for those wishing to create a Real Utopia: The demographics are in conflict with the potential politics. While youth are concerned by a lack of time and are angered by a sense of ecological injustice, a sense of deprived space, the age group that is growing as a proportion of the total population is the elderly. In part because of the nature of social policy derived from industrial society, this age group does not lack time. The welfare state, even in its residual Anglo-Saxon form, was built on the presumed norm of the labouring man, the ‘breadwinner’, who received income transfers to compensate for “temporary interruptions of earning power”. Old age was expected to be a short interruption between labour and death. Although never justified, it was the closest to a norm in the middle decades of the 20th century. It certainly no longer applies in the early years of the 21st century.

There is no intrinsic reason for the over 50-year olds to have a disproportionate share of society’s “free time”. Yet once having been granted it through PAYG pension systems during the second half of the 20th century, they are scarcely likely to give it away – and in this they will be supported by those coming their way.

The demographic dilemma is compounded by the awkward fact that there is a obvious reason for the elderly having little opportunistic interest in the main source of anger motivating youth under globalised capitalism. Youth fear ecological decay, global warming, closing spaces and all the spectres that come with them. Where will ‘We’ go in 30 years time, when the waves have come up round that island of peace and tranquillity, when those frenetic years are behind Us? The elderly will understand this existential insecurity, and some will be motivated by altruism to the point of protesting alongside their grandchildren. But they do not have a direct interest in those distant times, for the very simple reason that they do not expect to be around.

So, here we have the dilemma. The angry generations, the potential energisers for any Real Utopian project, lack time, lack security and feel the ecological pain. The growing generations – the “wrinklies”, “grey power” – have ample free time and have only an altruistic concern for the primary source of anger among their younger citizens, a lack of ‘quality time’. This is scarcely a recipe for a strong model of social solidarity. A formula for a new social solidarity has to be found – or we can kiss good-bye to any hope of a Real Utopia, and come to accept a landscape of Warholian politics, of populist individuals or parties flitting before electorates for their proverbial 15 minutes of fame and electoral fortune, catching the passing mood with a flurry of buzzwords, playing on the fears of the crowd, swayed by the turbulence of global capitalism. The crass politics of globalisation and pervasive insecurity are populism and personalisation. The politics of paradise must defeat that.

Recapturing control over time is a fundamental part of that politics. While preparing this note, I heard that, apparently, in the 1968 US Presidential election the average “soundbite” of the Presidential candidates lasted 45 seconds, suggesting some substantive reasoning process, whereas in the 2000 Presidential election the average “soundbite” had been shortened to 8

seconds. A reasonable interpretation of this and other symptoms of time pressure is that the populace is suffering from a National Attention Deficit Disorder syndrome – reproducing at societal level a pervasive modern illness among children and young adults that is now a recognisable learning disorder. Induced to flit idly between a flurry of time-filling activities, it is scarcely surprising that youth seem to lack an appreciation of history.⁸ Dare one say that lacking a sense of past time is a guide to a lack of a sense of future time? Do not expect a Real Utopia from those who lack a sense of where they have come from and where they are going.

The challenge is clear. The contours of the solution are no less clear – decommercialisation of the spirit, decompression of time. Every imagined Utopia has met those challenges. An agenda for Real Utopia should at least face them.

COAG, CIG and COG

With these evaluative points in mind, consider the so-called ‘stakeholding grant’ or ‘capital grant’ idea, which should be called a Coming-of-Age Grant (COAG). In this note, I want to bring out differences between it and the Citizenship Income (CIG), but in doing so also highlight why a more generalised *social dividend* approach should give a place both to a CIG *and* to some form of Capital Grant. The variant of the latter that seems desirable is closer to what might be called a *Community Capital Grant (COG)*.⁹

Before considering each proposal, note that the COAG and CIG have a common heritage and set of objectives, which might be summarised as a desire to enhance real freedom and a desire to promote a more egalitarian form of capitalism.

A danger of the debate between advocates of CIG and COAG is that both can be depicted as contrasting panaceas, when neither side believes in that. A CIG advocate would argue that a CIG is a necessary but not sufficient component of a package of policies to create the Good Society, whereas she might contend that a COAG is neither necessary nor sufficient. A COAG advocate might argue that while neither would be sufficient, a COAG would be helpful in enhancing economic freedom, whereas a CIG would not be politically feasible.

In considering the merits of a COAG and a CIG, one must reflect on the nature of modern capitalism. We are in the midst of a great transformation, in which the economy has been disembedded from society, such that there are no adequate systems of regulation, redistribution

⁸ Shortly after this note was written in draft, a major report was published showing that most high-school graduates in the USA did not have even a basic grasp of their country’s history, let alone know much about the rest of the world’s history.

⁹ Note the neutral use of euphemisms and acronyms. Who would want a COAG if you could have a COG? Regrettably, the terms one uses are significant aspects of legitimising reform proposals. In South Africa, we have used the term Solidarity Grant for a CIG. Note also that a “baby bond”, the term used in the UK by the Government, is merely a COAG with a COA defined as registered date-of-birth. An advantage of the baby bond over the Ackerman-Alstott proposal is that, presumably, no recipient would have a criminal record, so it would be more universal.

or social protection to moderate the inequalities and insecurities being thrown up.¹⁰ Globalisation and the spread of flexible, informal labour markets are associated with capital and labour *fragmentation*, in which *controls* (unfreedom) over workers and citizens are becoming more complex and indirect, and in which income flows are also becoming more complex. In brief, a small minority are receiving income mainly from capital, with a minority share coming from the performance of highly-paid labour (inter alia). At the top is an elite, blessed by absurdly high incomes and windfall gains that are a spreading dark stain on global capitalism. It is common to read of some executive receiving \$10 million in bonuses, or *much* more. The stain is spreading, not just because more executives are joining that way of remuneration but because these incomes convert into huge wealth that is passed from generation to generation, producing the concentration of financial wealth that is the starting point for the COAG proponents.

Alongside the wealthy elite, a diminishing *core* group of workers are receiving income from a variable mix of wages, state benefits, enterprise benefits and capital (shares). Below both groups in terms of income, a heterogeneous group has mushroomed, which for present purposes may be called *outsiders* (flexiworkers, unemployed, and a lumpenised detached group of homeless or socially ill people scraping by). The outsiders put the fear of insecurity up the stomachs of the insiders, who in turn retreat into implicit or explicit “concession bargaining” with their firms.

One can complicate this basic labour market model, and for many purposes should do so. But for our purposes it is sufficient to depict the fragmentation in this way, to think of the implications of a COAG, CIG and COG.

The Arguments over CIG

A CIG would be a basic income grant paid monthly, to each individual regardless of work status, gender, marital status or age, although a smaller amount would probably be paid to those counted as ‘children’. It would be an equal amount paid to every legal resident, subject to some practical rule of time lived in the country. It would replace most other benefits, although supplements would be provided to certain groups with special needs, such as those with disabilities

As such, a CIG would not be as radical as either its critics or some of its proponents like to believe. To some extent, it would amount to a consolidation of the patchwork of existing transfers coupled with a reduction in the number of conditions and administrative layers that exist today.

The standard objections to a basic income are that it would be too expensive, it would reduce labour supply, would offend some notion of ‘social reciprocity’, would weaken governments’ resolve to lower unemployment, and would weaken the use of a minimum wage. These objections are dealt with at length elsewhere.¹¹ Here we will deal just with the main ones

¹⁰ This theme, drawing on Karl Polanyi’s *The Great Transformation*, is developed at length in my recent book. Standing, 2002, op.cit.

¹¹ Standing, 2002, op.cit., chapter 9.

in the process of concentrating on the advantages of moving in the direction of delinking basic income security from any labour obligation.

First, a CIG would be a means of integrating the tax-and-benefit system and consolidating much of the existing patchwork of out-of-work, in-work and out-of-labour-market income transfers and paternalistically provided social and personal services. In doing so, the gross cost would be the cost of shifting to a universal income support scheme, which would be the cost of including those currently not included. The net cost would be less because there should be a saving on administrative costs of policing the wide range of different conditions and tests for existing benefits, and a saving that would be hard to estimate in that by removing or reducing poverty traps, unemployment traps, and savings traps they would encourage more income-earning activity and more legal work activity. This is because any individual would start paying tax on any income earned above the basic income, and would not face a very high marginal tax rate going from non-employment to employment, or crossing a threshold of income. As for the alleged cost of ‘churning’, paying out to everybody and taxing it back from most people, this objection is disappearing because of the integration of tax and benefits systems made possible by electronic processes.

The cost of existing systems is underestimated. The systems across Europe are riddled with poverty traps, unemployment traps, savings traps and behaviour traps that are arbitrary, inefficient and inequitable. This is partly because of the spread of selective, means-tested and behaviour-conditioned schemes. It is also partly because of the growing flexibility of working patterns and lifestyles.

Whatever the truth about long-term trends away from ‘permanent’ (sic) regular full-time employment, it is both true and in principle desirable that more people at all ages move in and out of the labour force, take temporary jobs, combine several income-earning activities, and in the process do not conform to the simple three-stage model of life and work made the norm of industrial society, going straight from school or college into thirty or forty years of employment and then sharply shuffling off the stage into retirement. Means-tested benefits are scarcely appropriate for such a society, and nor are those arbitrary behavioural tests that technocratic ‘Third Way’ policymakers and their special advisers love so much.¹²

This leads to a key advantage of moving to a CIG. One of the main criticisms of basic income is that it would be a “handout”, which would offend a sense of social reciprocity and lead to a fall in labour supply, to idleness, to shirking, and to a lack of discipline in jobs. This is a criticism from across the political spectrum. There are two ways of meeting it, one defensive and one normative. In assessing its validity either way, bear in mind that most advocates of a basic

¹² Across Europe and other industrialised countries there are thousands of variants. Thus, only if You, as an unemployed youth, look for a job three times a week and have written evidence to show you are prepared to travel to work 20 miles from home are you entitled to a benefit. Only if You, a disabled elderly person, have less than 2,000 pounds (or Euros) in savings can you be entitled to a grant to pay for care services. Of course, we exaggerate. But we all have our favourites.

income envisage a modest amount sufficient just to cover basic subsistence needs, equivalent to the minimum income of social assistance schemes applied in many European countries.¹³

The defensive or pragmatic response to the criticism is to suggest that any adverse effect would be small or insignificant. The criticism presumes a pessimistic interpretation of the human species. We work for many reasons, and numerous surveys indicate that most people want to work and would do so even if they had enough income from other sources on which to subsist. Very few people are satisfied with basic subsistence, and aspire to much more. This is rather well known.

In any case, there are essentially two types of person who could be expected to reduce their labour supply, those with a high opportunity cost of doing income-earning activity (i.e., those wanting to pursue education or training, those wishing to care for relatives, those in poor health, etc.) and those doing low-productivity and/or onerous forms of labour. In both cases, we should want to induce labour-market and policy changes that would be welfare-enhancing. In the case of those with more socially or personally valuable non-labour activity, surely cutting back on a labour activity would be desirable. In the case of the person who withdrew from or cut back on the amount of time spent doing a low-productivity, onerous job, there would be a tendency for wages to go up, inducing others to fill the gap, or a tendency for labour-saving technological change to be introduced, or for people to realise that they did not want or need those jobs performed.

The normative response is based on an interpretation of the emerging mainstream character of 21st century capitalism. We live in an era when globalisation and market capitalism are eroding the social fabric so painstakingly erected during the 20th century – and so assiduously presented to the rest of the world as the model to follow. One should not be atavistic about the erosion, since the era of welfare state capitalism had many flaws and limitations. But nor should we be lulled into thinking that the ill-defined ‘European social model’ has essentially survived and is resilient enough to be sustainable with minor refinements.

While we should neither exaggerate nor belittle the changes taking place, it is reasonably clear that under the aegis of global market forces there is a widespread loss of identity – of class, community and occupation. Belonging to a fixed group is becoming harder. And yet there is a paradox – *individualisation with homogenisation*, or in plain language a tendency for people to be on their own, seemingly an individual, while all rushing to adopt a similar lifestyle, buying the same goods, watching the same films and TV shows, and so on. We live under incessant pressure to consume, and to labour to earn enough, which is never enough. Accordingly, at least in the middle-years of life more and more people are driven into an intense frenzy of labour-related activity. The story is too well known to need elaboration here. Electronic control systems, represented by personal computers, with the email plus internet imperatives, and by mobile phones, are only one side of this intensification, in which the borders of workplace and home,

¹³ Some advocates, including Philippe van Parijs, have in mind a larger amount. Most envisage a modest amount, just enough to cover the basics in life. It is possible that a lot of confusion in the debate arises from different images of what level of basic income is envisaged.

and of leisure and work, are blurred. We are losing control of time. This is not a ‘middle-class’ phenomenon only, because the poor everywhere have rarely had any control to lose.

Providing a basic income as a citizenship right would provide a sense of basic security, and in doing so would help in the necessary process of gaining control over the sense of time. It would allow for more rational deliberation, more freedom in which to make choices about how to allocate time.

A related way of arguing for a basic income is by reflecting on the social struggles in the past century as capitalism has evolved. Broadly speaking, the progressive struggle in the early days of the 20th century was to secure control over the means of production and to decommodify labour. This led to the twin policy of nationalisation of production and the welfare state. The latter was, in effect, a way of decommodifying labour, alongside corporate benefits and services, in which the wage became a smaller share of total compensation and of personal income, as state benefits and services grew. This strategy tended to produce rigidities and inefficiencies that became unsustainable as the era of open economies emerged, and it was always paternalistic, giving labour-based security at the price of limited freedom of choice.

Under globalisation, there has been a recommodification of labour, with individualised wages, a cut in enterprise and state benefits and services (or a shift to user-paying schemes) and a weakening of protective statutory regulations. The challenge ahead is that while labour is commodified, the worker (labour power) should not be. A basic income could help make that a reality. In short, it could reduce the commodification of people (commodification implying loss of control over the key assets, namely time and security) while allowing for the continued commodification of *labour*. In this it would be compatible with a globalised economic system, while eroding the power of capital over people. It could also be a means of 21st century Keynesianism, since it would provide a means of stabilising aggregate demand.

The Dilemmas with COAG

A COAG would be a one-off grant given to 21-year olds, or spread over several years in certain circumstances, and given to all those who had graduated from secondary school, excluding drop-outs and those who have foolishly criminalized themselves before they reached that age. The UK “baby bond” scheme would not apply such conditions, apparently.

By contrast, a CIG would provide *basic* economic security, in which to avoid the worst excesses of labour commodification, and it would do so in an essentially non-moralistic way. It would not make a judgment on *when* a person deserves a blast of security, and would not make any moralistic judgment about who should receive it and who should be excluded. A COAG seems to fail on both these scores. Giving a 21-year-old a huge lump sum offends the idea of *basic* security. It is also arbitrary because the age 21 is not necessarily ideal or optimal, for people mature at widely different ages, and their capabilities develop differently. The development of a capacity to make rational choices will vary across individuals and groups and communities. And excluding those 21-year-olds who have been *criminalized* or who have dropped out from, or failed to complete, high school seems both moralistic and arbitrary, as well

as inegalitarian.¹⁴ A COAG offers enhanced security, wealth and future income for the more secure (the middle class) relative to the least-secure groups in society. It thereby offends the Security Difference Principle.

A COAG is also not neutral in terms of what type of behaviour it encourages and rewards. It offers to benefit the commercially astute over those who have no commercial acumen. In what way is that fair? A COAG would give to those with relatively good talents (high-school graduates without criminal records) to take advantage of the opportunity to become Winners in a winners-take-all, losers-lose-all market society.

Both a COAG and a CIG would be given to individuals. A danger is that schemes for *individuals* can be depicted as *individualistic*, i.e. encouraging and facilitating selfish and opportunistic behaviour and attitudes. Surely a Good Society could not come about if policies and institutions were to promote individualistic behaviour in the absence of policies to facilitate *social solidarity* (of some sort). One of the concerns about a block grant such as a COAG is that it would indeed foster the ethos of competitive individualism, while further eroding the already-weak sense of social solidarity in most industrialised societies. It is definitely not neutral in that respect.

In the last quarter of the 20th century, as globalisation gathered strength, governments all over the world moved to cut back on policies that were mechanisms of social solidarity and to create more individualistic systems, limiting protective regulations, putting controls on unions, and cutting back on redistributive direct taxation. These trends accelerated the growth of more fragmented labour markets and social structures. How would a COAG affect this? It might give more meaning to *equality of opportunity*. But it would be equalising the opportunity to become more unequal. It would not affect the societal fragmentation or resultant inequalities in a direct way. By contrast, a CIG would strengthen the income security (albeit modestly) of what we have called *outsiders*, and would increase the bargaining position of flexiworkers, simply because increasing basic security usually strengthens backbones. Presuming that increased bargaining capacity would result in their obtaining higher incomes, which would thereby help to reduce intra-class income differentiation.

What about the impact of a COAG and a CIG on the so-called “self employed”, a poorly named group that includes a lot of people working on contract or on a piece-work basis? On the face of it, both a COAG and a CIG would boost the *supply* of self-employed, including the number of petty capitalists (all those small-is-beautiful enterprises), for which a grant would help in dealing with set-up costs whereas a CIG would make risk-taking less daunting. But one cannot be so confident about the positive impact on *demand* for the self-employed goods and services, which might be such that average net incomes would fall among the ‘self-employed’, even widening the *income* differential between those involved and those in (core) wage labour. This is an empirical issue.

¹⁴ It would also seem to offend a basic principle of justice, that a person should not be punished twice for the same offence. One senses that the proposal to exclude those who have fallen foul of the justice system is merely a sop to gain middle-class political support for the COAG.

The COAG seems more clearly problematical in that, by targeting on young labour force entrants, it is in effect a subsidy to the young that gives them an advantage over older workers.¹⁵ As such, it suffers from the defects of any selective subsidy. It would enable the young to accept a lower wages, and thus help them displace older more experienced workers. This could, on certain assumptions, actually lower overall productivity, and even output, of the self-employed as a group. It might also have negative effects on the skill reproduction propensities of older workers, discouraging them from trying to update or enlarge their skills because they would face a double competitive disadvantage (being older per se, and facing a subsidised competitor group in the labour market).

By contrast, a CIG does not give one group an inbuilt advantage, and if anything would help to reduce segregation. This is an advantage of a universal income scheme.

Finally, in thinking of a COAG on its own terms, one must allow that such a concentrated influx of money targeted on one narrowly-defined age group is almost certain to raise the price of goods and services consumed by that age group – good news for surf-board makers, bad news for 30-year-old new surfers. And interest rates for loans to this age group will tend to rise. The outcome could be that much of the transfer would go to other groups, leaving youth little better off.

A COAG versus a COG

A more general concern with COAG is that offers to fill the space where another variant of a capital grant could fulfil both the objectives of its proponents and the dictates of a Good Society, without its behavioural and distributional drawbacks. What are the *ideal* properties of a Utopian capital grant scheme? This big question is not asked or answered in the papers at this conference. Before considering that, consider the semantics.

What attracts us to the underlying idea of a Capital or Stakeholding Grant is that it suggests a capital *sharing* device, coupled with a *participatory* component and a *redistributive* capacity. The principal proponents of the COAG use the term Stakeholding Grant, which has these connotations. However, in fact they are liberals and are primarily concerned with what they believe are the scheme's *freedom-enhancing* characteristics, rather than its redistributive egalitarian properties (which are not too hot). One does not doubt the laudable motives, but the term is misleading. And in using the term 'stakeholding' they tend to block consideration of genuinely more Utopian capital-sharing or stakeholding ideas.

Now let us consider the big question. If what is attractive about the idea of stakeholding and capital grant is a complex image of sharing, redistribution, participation and freedom-enhancement, then we could say that the *optimum* design of a (Real Utopian) scheme is that it should (1) encourage, or at least not discourage, investment, (2) encourage investment that is more ecologically and socially responsible, (3) redistribute income to the most insecure and

¹⁵ Also, of course, it would worsen the relative and absolute position of the youth who have been criminalized or who have dropped out of school. This is an inegalitarian feature of the COAG. Another distorting aspect is that it would alter inter-generational relations, notably inside families. A COAG would give teenagers or 21-year-olds financial freedom from their parents, compromising parental guidance and potentially severing inter-generational ties. One may or may not like that prospect; you should not ignore it.

disadvantaged groups in society, (4) promote participation in economic and social activities, (5) strengthen (or at least not weaken) a sense of *social solidarity*, (6) strengthen real democracy, (7) promote good ‘corporate governance’, and (8) limit economic opportunism.

No scheme could do well on all these counts. And, of course, neither CIG nor COAG address most of these issues and are not intended to do so. However, unlike a CIG, a COAG might be seen as occupying the space for a more progressive stakeholding grant.

In this respect, there is surely more to be gained by promoting moves towards *economic democracy through collective forms of profit-sharing*. This brings to mind something like the early version of the Swedish *wage-earner funds*, as proposed by Rudolf Meidner, and even the Alaska Permanent Fund. We may call the ideal a COG (Community Capital Grant). It should contain three elements that reflect the emerging character of the productive system and the distributive system emanating from it, as sketched in the Appendix.

A COG is close to what seemed to be at the heart of the ‘stakeholder capitalism’ debates that emerged in the late 1980s and early 1990s, when stakeholding was primarily seen as a quasi-Keynesian method of promoting growth and employment. The emphasis was on *profit-related pay*, but many economists also touted collective profit sharing for incentive and capital-sharing reasons. Most crucially, any desirable COG scheme must be at least partly *collective*, must go beyond the firm as a unit, and must allow for workers and their representatives to have a Voice in decisions over the use of the resultant funds. The democratic governance is crucial. The main difficulties with a purely company-oriented approach to stakeholding is that would exclude the ‘flexiworkers’ (casual workers, contract workers, agency workers, etc.) on the edge of companies and it would be a scheme that would widen inequalities between workers in high-tech, high-profit, tradable firms relative to those working in or for low-tech, non-profit-oriented and non-tradable firms and organisations, including those working in public social services.

This is why an ideal model of capital sharing or stakeholding should have a broader *community* element, which might take the form of a *social investment fund*, by which a percentage share of profits would go into a fund that would be governed democratically, as a means of social infrastructural and skill development. Such a fund could be broken into one component for re-investment inside the firm and another that would be for the community outside the firm, which would facilitate redistribution to those outside the privileged insiders.¹⁶

If properly designed, a COG could limit the leakage of capital from the national and local economy, because a key point of the system should be a restructuring of corporate governance, with the social investment funds having voting rights on firm’s investment strategies as

¹⁶ Of course, deciding what is ‘the community’ is a political and administrative matter. Although it had earlier antecedents, the modern thrust to this way of thinking was Rudolf Meidner’s original version of ‘wage-earner funds’ in Sweden in the mid-1970s. This was partly stimulated by the strains in the Swedish *solidaristic wage policy*, and in particular by the way Volvo was bypassing the wage policy by introducing individual profit-sharing pay, thereby increasing wage inequality.

stakeholders in their own right.¹⁷ This contrasts with the classic so-called Anglo-American model of shareholder capitalism, because in the latter the *principals* (shareholding elites, including nominal salaried employees) are only interested in their income, which comes mainly from shares.¹⁸

As such, there are good reasons for thinking that a COG could combat the biggest threat to the emergence of a moderately egalitarian capitalism, by providing a capital-sharing scheme with inbuilt mechanisms to limit leakage in capital flight. Whether or not companies *report* that tax rates on corporate profits and capital are influential in determining their location and marginal investment decisions, the fact is that, over the past 20 years, country after country has reduced or abolished taxes on capital. A sensibly constructed COG could check capital flight and encourage high and socially responsible investment in the local economy. It would also make for a greater degree of participation in corporate and communal decision making and so encourage *economic democracy*. This is what *stakeholding should be all about*.

The proponents of COAG have sold it as a *stakeholder grant*, and have claimed that it would be ‘democratic’. Yet it is neither an extension of democracy nor a reflection of stakeholding in the production process. By contrast, a COG would be an extension of real democracy – economic democracy – and would be real capital sharing.

Almost incidentally, a COG would also have the potential to improve the way people live and work (unlike the commercialised individualistic frenzy that would be opened up by a generous COAG). By giving workers and working communities a greater Voice inside firms *and* inside the surrounding communities, a COG would tend to give workers a means of altering labour relations and workplace organisation, so taking the place of the weakening Voice of old-style trade unionism.

Concluding Remarks

What is remarkable is the timidity of those talking about Stakeholding Grants. A COAG is fundamentally a populist measure, in the proper sense of that emotive term. It is likely to appeal most to those who do not have a stake in the system, but it does not touch the basic *structure* of capitalism. In that sense, it is profoundly un-Utopian. One could imagine TV chat shows and tabloids having endless items on “how Jane splurged her \$80,000”, and another patting Jim on his broadening shoulders for having been an exemplary young adult.¹⁹ There would be a splurge

¹⁷ The *agents* would become part-*principals*, just as many managers and chief executives have become largely *principals* (receiving most of their income from capital).

¹⁸ The Enron implosion is indicative of the danger of having elite *principals* divorced from the *agents*, which management is expected to be in shareholder capitalism. If corporate executives received most of their income from share options rather than from their salary, they will not have the interest of their workforce very high in their priority list.

¹⁹ Hissing and loud clapping in the studio would be amplified, with appropriate music.

of sentimentality. If anything it would help legitimise the unequal society by encouraging people to adopt a casino-type set of attitudes.²⁰

By contrast, a CIG is a low-key measure that could reduce the extent of frenzied commercialism, facilitating and encouraging a more gentle pace of life, and facilitating the sort of workstyle that is the essence of all Utopias painted throughout the ages, a mix of labour force work, care work, voluntary community work and constructive leisure.²¹ It would not discourage work per se, and of course would actually encourage labour compared with the current means-tested social assistance, through weakening poverty traps and unemployment traps.

This brings me to a last point. Freedom and complex egalitarianism – the pillars of the Good Society – require basic security (the prerequisite for real freedom), capital sharing (high inequality being freedom-constraining) and basic Voice representation security (equally strong for all representative interests in society). This is why it is instructive to think of Karl Polanyi, and recognise that for any economic system to be sustainable and stable it must have a main functioning system or scheme of *social protection*, a main system of redistribution and a main system of labour regulation, as well as a public structure for providing those services (merit goods), where the drawbacks of paternalistic provision are outweighed by the drawbacks of private deprivation or market failure. Basic income security, capital sharing and Voice regulation should be the mainstays of a Real Utopia. Without those three elements, the Utopia on offer would not be worth visiting.

²⁰ I recall visiting lower ‘middle-class’ families in small-town Pennsylvania who were living from State lottery to State lottery, all their hopes crystallised in the monthly set of numbers. Is this freedom?

²¹ A CIG would also reduce the widespread tendency, induced by flexible labour markets and the international drift to conditionality and means-tested state benefits, for much labour to drift into the grey or illegal economy, evading taxes and contributions, and thereby contributing to pervasive disempowerment. For instance, a CIG would do away with the arbitrary conditionality of unemployment insurance benefits, which have long been a misnomer.