

THE GUARANTEED MINIMUM INCOME

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G.M.I. stands for GUARANTEED MINIMUM INCOME, It's claim to fame is that many people regard it as the solution to that age old social problem- POVERTY. However, as this discussion paper reveals, GMI has far greater and richer possibilities. The paper was prepared by the Welfare Committee*of the U.W.M and we hope it will initiate discussion.

Comment and criticism is welcomed.

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INTRODUCTION

The constitution of the Unemployed Workers Movement (UWM) states that one of the movement's goals is to campaign for the establishment of a Guaranteed Minimum Income Scheme in Australia that will provide everyone with an adequate human standard of living. Apart from the fact that it is an incontestable moral right that each person should receive some minimum standard of living commensurate with their status as a human being, the UNN also sees the GMI scheme as being the only means of mitigating the damaging effects of unemployment if and when it should occur in any society.

It should be made quite clear that the GMI is not just one particular scheme but rather it is name given to a rather wide variety of schemes, aimed at overcoming the problems associated with poverty. In fact the GMI in name is advocated by such disparate organizations as the Australian Labor Party, the Communist Party of Australia, the UWM, Proutist Universal and by a 'variety of conservative schools of economists (for instance that led by Milton Friedman) and their associated right wing political movement. Clearly such groups must conceive the GMI differently in its goals and in its administration. This paper introduces the concept of GMI obviously with the goals and aspirations of the UWM in mind but it has drawn also on material prepared by the Australian Council of social services and the Brotherhood of St. Lawrence.

Part 1 will outline the details of the GMI scheme which could be of a GMI scheme which could be considered as a model or ideal towards which the Australian community might aspire. Part 2 is concerned with a transitional programme from our current income distribution apparatus to the model proposed in part 1.

PART ONE

THE SOCIAL GOALS

If we consider the GMI to be a means of simply reducing poverty by the redistribution of income, we are in fact limiting the fantastic welfare possibilities that

are potentially available in some GMI schemes. Therefore before beginning a discussion of GMI, we must first establish what are our goals and aspirations in the establishment of such a scheme. The following are a list of goals derived both from the UWM and the Brotherhood of St Lawrence:

1. to provide all persons with, at the very least, an adequate human standard of living;
2. to progressively improve this standard of living by making available the fruits of increasing knowledge and technology available to all people;
3. to incorporate the GMI scheme within an economy that is sustainable in the long term.
4. to confer upon all people according to their desire and ability (but irrespective of sex, colour, creed, social importance, etc.) some measure of:
 - (a) power over resources
 - (b) power over decision making
 - (c) power over relationships
 - (d) power over information

Some comment needs to be made on these goals.

The demand for an adequate human standard of living may appear at first to be vague and full of irresolvable value judgements.

It should be quite clear right from the beginning that any discussion from human welfare is entirely based on value judgements and that it is impossible to escape value judgements. Even our interest in the GNI stems from a value judgement that human life is more important than the decisions of an impersonal competitive market place. In fact the UWM simply asserts that people are more important than profits, parties and dogma. This paper on the GNI is an attempt to give practical shape to this value judgement. In broad terms each of us has some concept of an adequate human standard of living. For instance we would all agree that those Aborigines in our society who are condemned to living in parks and gutters are receiving neither an adequate (many die of cold) nor a human standard of living. At the other extreme, we would all agree that those receiving over \$20,000 per annum income (some 2.7% of employees) are earning more than is necessary to sustain them in an adequate standard of living. The problem is to define that area in between which is "adequate". The value judgement which we shall use in this paper is that an adequate standard of living is one which enables a person to develop their full human potential, i.e. their physical, intellectual, moral and emotional potential. Although definitional problems still remain we believe that if a GMI programme is to succeed in making people happier some attempt has to be made to define its goals in human rather than in monetary terms.

Goal number two recognizes that cultural, intellectual and technological development is a fact of human society and will remain so. Any GMI scheme must be flexible enough to adapt to such developments. Goal number three however, recognizes that long term sustainability is an inescapable limitation to any socioeconomic scheme.

The concept of sustainability is not as easily defined as might be thought. There is an economic and an environmental component. In economic terms an economy is sustainable if industrial relations, the exchange of commodities and the creation and destruction of money are managed such that psychological and economic pressures find their outlets and do not build up to socially disruptive levels. In environmental terms, an economy is sustainable if resources are managed such that an equilibrium of environmental forces is maintained. There will always be an element of uncertainty in determining "sustainability" that is due to gaps in scientific knowledge and constant change in technology.

Goal number four is derived from the experience of the experimental GMI scheme managed by the Brotherhood of St Lawrence. They discovered that poverty and the problem of being disadvantaged is not purely an economic one. People become locked into poverty or a disadvantaged state through lack of skills in handling resources, decisions human relationships and information. Any GMI scheme to satisfy goal number one must therefore provide more than a monetary handout once every month or year. It must be designed and administered in such a way as to distribute the above four skills or powers along with material wealth.

DELINEATION OF THE GMI

The GMI scheme can exist in many forms and it is now necessary to pose some fairly basic questions which, when answered, will delineate particular GMI schemes. In our case the answers will be guided by our goals and aspirations and by practical experience where this is available.

1. Should the GMI provide for basic essentials of life only or should it be extended to include nonessentials and even luxuries?

The primary consideration in the answering of this question is the effect of GMI on the work incentive of the recipients. Opponents of GMI schemes consider that any form of guaranteed income will lower the desire to work, hence decrease economic production and therefore decrease overall economic welfare. This type of thinking stems from the old idea that people are inherently lazy, that work is inherently boring and the only way to get work done is to offer a reward. The UWM asserts that there is a minimum standard of living which is everyone's normal right regardless of their contribution to society. It also asserts that most if not all people strive to achieve personal goals beyond a simple sustenance of life and therefore rejects the crude analysis of inherently lazy humans. Experience also shows however that a reward/incentive system does encourage people to work harder and depending on the nature of the reward, they may also enjoy their work more. A satisfactory resolution of this problem can be achieved as follows; The GMI should provide the minimum essentials for human life but not more. This means that the right to life is no longer

dependant on the possession of an income-earning job (i.e. life is no longer a reward for work done but is accepted as a moral right) but also that there will be no diminution in the

incentive to work because people desire to achieve goals beyond mere survival.

2. What are the minimum essentials of life?

We may define the following seven areas of commodities as being essential for human life: food, clothing, housing, health care, education, transport and communications. Obviously these essentials must be provided in a balanced form. For instance, the provision of transport should be designed to give people access to food and clothing and the provision of communication should be to inform people of where the other six commodities are located.

3. Should the minimum essentials be provided in kind or in the form of money income or ration tickets?

Many different schemes have been devised for the distribution of minimum essentials. For instance in Australia, health care is distributed by income in money form. In North Korea, rice and staple foods are distributed by a ration ticket. After studying this question the Brotherhood of St Lawrence came to the common sense conclusion that distribution in kind or in money should be determined by what is to be distributed. As a general rule however we can say that where consumer satisfaction is obviously dependant upon personal choice, as in the case of food and clothing, then distribution by money income is preferable. But where consumer satisfaction is dependant upon the provision of expertise or where satisfaction is already defined by universal human requirements (as in the case of education and medical care) then distribution in kind is to be preferred. The former we may call personal income and the latter social income. The GMI must therefore be composed of personal and social income.

4. What should be the unit of recipient?

Generally there are two units of recipient considered possible, the individual and the family. There are disadvantages and advantages to both systems and these are outlined in the ACOSE publication "GMI, Towards the Development of a Policy". The advantage of individual receipt of GMI is that it offers economic independence to women, a necessary if not sufficient step in their emancipation. However a disadvantage is that we cannot simply assume that families will share their individual incomes. There is not a simple

solution to this problem although the writers' preference lies with individual allocation because of the implications for women's emancipation. It should be noted however that the problem of individual versus family allocation of GMI is not unique to GMI but to any system of allocation of wealth.

5. How will savings and investment be affected by GMI?

A traditional argument against GMI is that it would be so expensive that the community could not afford to save and invest enough to sustain the economy. This argument is usually meant to implicitly imply that poverty is a necessary fact of life if some people are to remain wealthy. The economics of this argument will be discussed later. At this point let us note that the GMI scheme envisioned here would provide for minimum essentials only. The GMI would be supplemented by a reward system (either individual or social reward system) and from such rewards the community could derive its saving and investment. The UWM rejects the philosophy that some people must remain poor if others are to be well off.

6. Will the GMI be universal?

This question must be answered in two parts. Firstly yes, the GMI will be universal in that the society will see to it that every person is receiving the minimum essentials necessary for a human standard of living. But we must qualify this in the second part of the answer by stipulating that not everyone will receive the same monetary value of GMI or the same in kind services. This introduces an extremely important idea into our discussion of GMI, that of Relativity. The GMI must be universal but it must be relative to time, place and person, that is it must be FLEXIBLE to meet changes through time and differences in people and places. For instance, if it is decided that \$2000 per year per person is an adequate GMI personal income for the average middle-class white Australian adult it is clear that income in such a form cannot be given to all. For instance children under a certain age would receive their GMI via one or other of their parents. An alcoholic would be unlikely to make the best use of his/her GMI. A traditional bush Aboriginal would find no use for a \$2000 cheque. Clearly there are differences between people that demand consideration.

There are also differences of place. The minimum essentials of life in Hobart

are different from those in Darwin, differences dictated by weather or topography etc. Another aspect of Income Relativity involves time. The minimum essentials in 1900, had there been a GMI scheme, would have been quite different from those of today. Scientific and technological change have ensured that. In fact technological change must have profound effects on the development of a GMI scheme. For instance, it is generally believed that the relentless march of technology must mean greater and greater centralization of planning, decision making and therefore the imposition of greater uniformity of human behaviour and desires. The consequence of this would be that a greater part of the population's income would be in the form of social income and less as personal income. Although this trend is evident it should not be forgotten that much of modern technology is devoted to individualized labour saving devices, for instance pocket calculators and computers and video communications and this development will best be accommodated by personal income. Overall however, we can expect a trend towards greater centralization and closer cooperation between larger groups of people. It is important to realize that this trend does not necessarily mean that people will become more and more isolated in an impersonal colossus. To prevent this development three conditions will have to be satisfied:

- (a) technological development must find its impetus from a grass roots desire for it and must not be imposed from the top for selfish reasons. This means that the

barriers between "experts" and the public must be broken down.

- (b) it will have to be accepted that the purpose of technology is to liberate all human beings and not just selected groups.
- (c) in particular, priority must be given to improving personal transport and communications technology so that ALL people have, as a minimum essential of life, a convenient and easy means of contacting one another. Communication has the capacity to make the world smaller and more manageable, instead of larger and unmanageable.

This defence of technology is necessary to counter a prevalent belief that unemployment and other social problems can be solved by a return to some mythical period in the past when people were in commune with nature and not alienated as a result of advanced technology. This would imply people operating in smaller more isolated groups and make the development of welfare technology much more different. This report firmly states that improving the collective social welfare must go hand in hand with advancing technology, as long as the above three conditions are met.

This discussion of technology has also revealed the fluid nature of any GMI scheme. The necessity to cope with constant change and respect the RELATIVITY of time, place and person are most compelling reasons for ultimately defining our GMI scheme in terms of human welfare and potential and not in monetary terms. It is also clear from the foregoing, that the balance of social and personal income will change through time and be different from person to person (for instance, those hospitalized or imprisoned would receive little personal income because their condition demands "social" income).

SUMMARY

In summary, our GMI scheme may be described as follows:

- 1) it is designed to provide a common foundation for all people i.e. an equality of opportunity to develop one's full potential;
- 2) it is universal but relative to time;
- 3) it is not an end in itself but is a means to an end, the end being once again the full flowering of individual and collective potential;
- 4) it would provide only minimum essentials but be supplemented by a reward system;
- 5) it would be distributed both as money and "in kind" according to the need for optimum welfare and efficient administration.

ADMINISTRATION

Two questions are always asked with regard to any welfare scheme and particularly to GMI. They are "How much will it cost?" and "Who is going to pay for it?"

These questions can be answered in a number of ways. Firstly, the GMI scheme as outlined above is not a simple welfare scheme. It is much more than a redistribution of income. It is in fact concerned with the INITIAL distribution of income. The above two questions are asked with the assumption that the community's resources are privately owned and that any GNI scheme involves taking from some to give to others. The GMI scheme that we have outlined here implies that the community must accept as collectively owned at least that wealth which is necessary to provide the GMI. : Administratively this is a far sounder and more rational approach to the problem of income distribution for it makes little sense to distribute income



"As you perhaps know, some of our policies have been questioned of late."

in a skewed manner and then, upon observing that some people are not getting enough to live, taking from the rich to give to the poor. Any long term sustainable GMI scheme that is to fulfil the goals we have accepted, must accept that at least some portion of the community's wealth must be communally administered from the outset.

In this light the above two questions of cost and payment can be rephrased as: "Does the community have adequate resources to sustain the given level of GMI." and "How may the GMI best be administered to achieve its goals?"

The answer to the first question "Does Australia have sufficient resources to operate a GMI scheme as we have outlined?" is definitely yes. Buckminster Fuller has

calculated that the resources of the world are sufficient to maintain its entire population at middle American standards.

Since Australia is one of the wealthy countries in the world with a high per capita income, we can safely assume that it is not short of the resources for human life. Furthermore, Australian manufacturing industry is working at approximately 75% efficiency and much of that which is produced could be considered as unnecessary and wasteful, i.e. advertising, knickknacks etc. If we assume that a current GMI scheme would amount to an average of \$2000 per year per person as personal income and a similar amount as social income (including defence etc.), i.e. an effective income of \$16,000 per year per average Australian family, this amounts to an outlay of some \$28 billion which is only 50% of the 1978 GNP of Australia There is clearly enough remaining for investment, reward systems, trade etc.

The answer to the second question "How can the GMI be best administered?" cannot be so easily answered. This is the most challenging aspect of a GMI programme and upon administration depends whether GMI liberates people to

develop their potential or whether it becomes another administrative complexity similar to our current social welfare system. Although GMI is commonly believed to be an automatic solution to poverty, there is nothing miraculous about the GMI. It is simply a commitment to provide all with their minimum essentials. How people administer it is a crucial question.

Rather than outline in detail, possible administrative schemes for each of the seven categories of minimum essentials, we will instead outline the general principles of administration that will be required if our GMI scheme is to achieve its goals. These principles may be summed up as:

- (a) planning;
- (b) decentralization; and
- (c) community involvement.

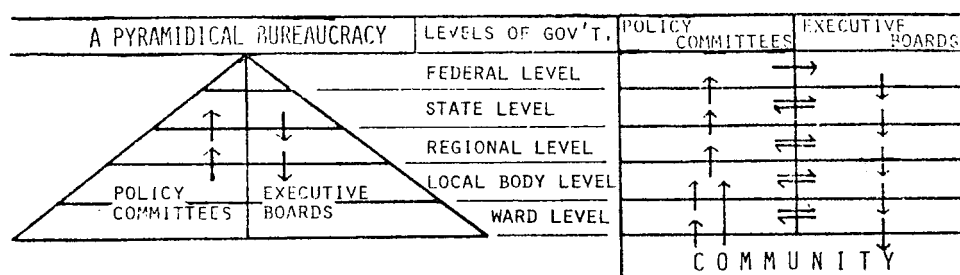
Planning is required to ensure that the minimum essentials are continuously available. Community involvement is necessary to ensure that the GMI programme is genuinely meeting human needs and finally decentralization is required to facilitate the administrative machinery that meshes supply (ensured by planning) with demand (as assessed by community involvement).

It is a common fallacy to regard planning as being incompatible with decentralization and to regard community involvement as leading to inefficiency and indecision. It is true that in Australia today centralization of control has meant less community involvement but this does not have to be the case. A combination of the above three desirable features can be accomplished through a pyramidal bureaucracy which is also split vertically into policy making and executive functions. The horizontal structure from top to bottom might be: federal level, state level, regional level, local body level and ward level (see diagram).

The above pyramidal structure allows for grass roots community involvement at the level of ward and local body communities. The information so gathered is synthesized as it passes up the bureaucratic ladder. Planning is ultimately done at the state or federal level, a policy formulated and then this is passed down the executive ladder. An important element of this structure is that planning must be appropriate to the level of organization. An executive board should not plan more than one or two levels below it and must keep contact with the policy committee at its own level. A bureaucratic structure of this sort would in fact be simpler and more in contact with the people than Australia's existing centralized autocratic system of government.

As far as category-wise distribution of the GMI is concerned, the following generalizations can be made:

- food and clothing would best be distributed as personal money income
- health and education would best be distributed as social income
- housing, transport and communications would best be distributed by a mixture of personal and social income depending on time, place and person.



The personal money incomes could simply be paid into each person's bank account each fortnight by Central Bank Cheque. Any formula which is used to work out the level of personal GMI income should be simple enough that its basis can be understood by the community.

– PART TWO –
A TRANSITION PROGRAM

If we were to present the above GMI scheme to the current Australian population, it would be subject to scrutiny under the following headings:

- (a) is it legally and constitutionally realistic?
- (b) is it administratively realistic?
- (c) is it politically realistic?
- (d) is it economically realistic?

We have already shown that as long as the questions are phrased correctly, our GMI scheme is economically feasible. We also have no reason to believe that administrative problems will be insuperable and most likely they will be less than those associated with Australia's current social welfare and tax receipt procedures.

On the other hand we readily admit that the GMI scheme we have proposed is not legally, constitutionally or politically feasible at present. The scheme would demand a planned economy, public ownership of key industries such as energy, minerals and a change in the wages arbitration process. Each of these obstacles however is really the reflection of a deeper problem, simply that the majority of the Australian public do not appear to recognize as yet the worth of a society in which all people are guaranteed an adequate standard of living and in which the collective concern is the concern of every individual and not just some central government. If every Australian felt indignant in the knowledge that our

society forces some people to sleep in parks and refuses others the right to work, these problems could be quickly overcome. Collective welfare is not yet high on the average Australian's list of priorities.

Despite this pessimistic assessment of Australian social consciousness, we will proceed to outline a transition programme which we believe could provide a feasible path from Australia's current income distribution system to that outlined in Part I of this text. The programme is presented in two steps.

STEP ONE

- 1) the establishment of an Economic Planning Authority with advisory powers and limited statutory powers,"
- 2) the imposition of a wealth tax and a capital gains tax;
- 3) the reintroduction of free education, health and hospital care and legal aid;
- 4) the establishment of a lower limit on employee take home income of approximately \$125 per week (the minimum income) and an upper limit on employee take home income of \$375, a ratio of 3:1 (currently 4% of employees earn over \$375 per week). In addition an upper limit should be placed on total take home income (that is from interest rent and wages) of \$500 per week, an income ratio of 4:1;
- 5) the introduction of a partial GMI scheme to replace all existing social security benefits. This scheme would pay a maximum benefit equal to the poverty line (currently approximately \$80 per week per unmarried adult) to all registered beneficiaries. This payment would be reduced on a graded scale according to the income earned by a beneficiary, the cut out point being reached when a person earns the minimum income (currently approximately \$125 per week). This GMI payment would also be adjusted according to the number of dependants and other relevant factors. The extra benefit for dependants would be sufficient to allow the current child endowment scheme to be terminated. GMI schemes of this type have been previously well discussed in Australian welfare circles, especially by ACOSS and the Department of Social Security.

STEP TWO

- 1) the establishment of government departments for each of the GMI categories with structures and community participation similar to that outlined in the text;
- 2) the Economic Planning Authority to receive increased statutory planning powers and to include representation of the government departments mentioned in the previous point;
- 3) the introduction of public control of key industry and of worker participation in the management of all industry;
- 4) the gradual extension of social income to include transport, communications and housing;
- 5) a gradual reduction in the total income ratio from 4:1 to say 3:1 or 2:1 and the increased use of "social" and "in kind" rewards in place of monetary rewards;
- 6) (i) gradual increase in the base line of the GMI payment up to the minimum wage (with consequent elimination of the graded scale of payments system) to be harmoniously accompanied by, as economic growth permits
- 6) (ii) the gradual extension of the GMI payments to include the entire population.

The combined effects of points 5 and 6 will be to establish a system in which a minimum wage for minimum essentials is provided to all people by payment from the reserve bank. In addition, people will receive income from salaries, wages and capital

sources but this income will now function only as a reward or incentive system. During the transition period, the reward payments will remain static and the GMI payment will be increased as outlined and as permitted by economic growth and redistribution of income. The abuses of economic power that result from inequalities in monetary income can be reduced by the gradual extension of "social" and "in kind" rewards.

We are not suggesting that the above transitional programme is complete or without problems, we present it as a basis for further discussion and planning.