

Citizens' Dividend

Citizens' Income (universal basic income) has been on the Green agenda for many years. However, it appears to be more a statement of aspiration than one of intent. Questions about how it would be financed, how it would be phased in and to what level it might reach seem to have daunted attempts to come up with firm proposals which could be incorporated into a political programme capable of implementation within a 5 year parliament. One of the objections which would undoubtedly be raised against it is that it would be seen as a system of social welfare by transferring earned income through taxation and benefits. That is to say it would be deemed to run counter to the economic orthodoxy that resources are optimally and equitably priced and distributed in accordance with the market forces of supply and demand. In this model social welfare is perceived to be an economic liability. A way to address this objection is to identify a social transfer payment as an economic asset.

Civil society requires a "social contract": an explicit framework of law underpinned by an implicit record of custom and practice which establishes the rights and responsibilities of its citizens in the body politic. The degree to which a society flourishes is directly proportional to the degree to which all its members perceive the social contract to be fair and just and give their consent to it.

The physical capital available to a domestic economy is its natural resources such as land, minerals, the fertility of the soil and the abundance of flora and fauna in its ecosystem. The capital resource which makes the economy possible is the personal capital embodied in the population, their knowledge, skills and resourcefulness in applying this personal capital as entrepreneurs or employees in the process of utilizing the objective capital resources available to them to efficiently and sustainably produce the goods and services required by the society in the economic marketplace. It follows that the most successful economies are those where the population is educated, knowledgeable, possesses the required skills and are motivated to apply their personal capital to invest in the productive process. Such a population is also the optimum to balance the supply of goods and services produced with the purchasing power to buy them in the market place. Thereby money is circulated within the economy between the personal capital holders in their different roles as producers and consumers. Of course, in addition to investing personal capital in an enterprise, both entrepreneurs and employees, will need to invest in ownership, lease or rent of physical resources: premises and equipment in the case of entrepreneurs; homes and domestic property in the case of both. To do this they will need to have accumulated savings or to borrow from other peoples savings through bank loans or bond issues, or set up a joint enterprise in which ownership is shared through the issuing of stocks and shares in the business. In this system the economy as a whole is a collective enterprise in which the citizens are currently unacknowledged shareholders.

An essential factor for any enterprise to succeed is risk management. No one wants to invest in failure, so investors seek an optimum level of certainty before they are tempted to invest their personal or money capital. Risk free investment is impossible and if it were it would yield no reward because everyone would invest in it thus yielding the market value of their returns to zero. So a successful economy requires the optimum predictability in its interdependent game play, where there are necessarily winners and losers.

Therefore, the economy does best where its social capital achieves a balanced risk through an optimal interdependency and reliability within the social contract. Although citizens benefit from their individual transactions, there is no recognition (monetary reward) of the role of the collective investment in the success of the economy or a return to the citizen shareholders. This could be introduced as a citizens' dividend directly related to the success of the collective enterprise: the economy.

In general a thriving economy requires an educated and skilled population who are willing to invest themselves in the process and to take risks in the success of the enterprise in which they invest their personal capital; and the extent to which the economy thrives is proportional to the quality of the personal capital available to invest in it.

A society will benefit if collectively it invests in the education and training of its members and the whole economy is enabled by personal qualities invested in.

It follows that the economy depends upon the personal capital of its citizens.

This is a benefit above the rewards of their employment but the benefit to the economy of their collective capital. There is currently no mechanism whereby the citizens are rewarded for the essential investment of their collective personal capital.

Let us set out an ideal model of how that would work. The social contract would identify the available natural resources and set out the ways in which they can be utilised in the best interests of the society as a whole. These natural resources are the land, minerals, and the ecology of the territorial environment and the skills of the community members and their ability to apply them in the production of goods and services required at any time by the society. Would-be entrepreneurs would need to enter into a bargain in which they can acquire the use of the natural resources they require by contractual agreement with the society's democratically elected representatives (government). In market terms they would pay a rent to society for the use of the natural resources; and if they need to employ workers in their enterprise they would need to pay a rent (wages or salaries) for the use of their labours. Such arrangements would need to be set out in a legally enforceable contract.

Of course that clean slate model is not possible, and to attempt to replace it with a citizens' income, which although egalitarian is in essence the transfer of wealth from the better off to the less well off, and is therefore classed as socialist and conflicts with the capitalist economic model which is held by the establishment to yield the optimum in wealth creation. Historically, natural resources have fallen into private ownership and government has increasingly fallen under the conservative influence of resource owners, so a modern capitalist approach is needed.

So let us take the situation as we find it. A successful economy depends upon its citizens being educated in the required skills and consenting to a social contract, framed by law which enables the economy to flourish. That is more than just economic contracts between individual employers and their employees, but the general social contract which governs the rules (implicitly as culture and explicitly as laws) which enables an economy to exist and thrive. A community which is educated, peaceful and accepts the fairness of the general social contract and its rewards and responsibilities is one where the social conditions exist for an economy to flourish.

It follows that the success of businesses in a free society (as opposed to a totalitarian one) depends upon the nature of the social contract. If it is fair in its opportunities and

rewards, businesses are more likely to succeed and the economy to flourish. A market economy can only emerge and grow in a society where the citizens are educated, skilled and accept the terms of the social contract which enables a stable society. Such a society is therefore an essential resource in an economy. That being so, society as a whole is the fundamental capital on which the economy depends. So the capitalist case is made for the members of the society to receive a dividend related to the success of the social enterprise. This could be a fraction of the GDP.

Everyone in a community would therefore be motivated for the economy to succeed by a social contract which rewards everyone equally in relation to its overall success.

One could argue about what size the fraction of GDP citizens' dividend should be but everyone being an equal shareholder in the community enterprise which depends upon everybody participating in its success has the ring of fairness.

It would enable people to move more easily between jobs, take time out to retrain, and maintain an income stream if they fall on hard times.

Defence expenditure is set at 0.7% of GDP. In xxxx this amounted to £

This sum per capita amounts to £ p.a.

The case can be made that all natural resources are commonwealth. Land, for example, has historically been expropriated (through enclosures etc.) from commonwealth to private ownership. While it is politically impractical at this time to seek to return such "freehold" assets to common ownership, it is perfectly reasonable to make a case that a commonwealth rent should be charged for the use of them. In the case of consumable resources such as minerals, a commonwealth charge would be levied on the materials extracted.

A domestic economy will flourish in proportion to the quantity of money circulating within the economy. That means that citizens must be able to earn money which they then spend on goods and services produced within the economy.

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