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James Meade and his "social dividends"

An intriguing chapter in the history of an idea

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Abstract

An important feature of the institutional framework of James Meade's "Agathotopia" (1989) is the unconditional and equal cash payment made as of right to each and every individual citizen. This idea of a 'basic income' of 'social dividend' has recently been revived in the European debates on social security and labour market reform. In Meade's work, however, this idea is present since at least 1935 and has resurfaced many times in different forms in many of his writings.

The objective of this paper is twofold.

First, it documents the four different uses Meade makes of the idea of a social dividend: 1) as a technique of direct income redsitribution, 2) as a steering mechanism, keeping the economy on a path of full-employment without inflation, 3) as a substitute for for a radical reform towards a property-owning democracy, 4) as a necessary complement of a specific type of share-economy.

Secondly, it traces the possible roots of Meade's 'social dividend. After discarding Lady Juliet Rhys-Williams as a possible candidate, four intellectual circles are left: 1) the early Keynesianism of the Cambridge Circus, 2) the debate on market socialism and the Review of Economic Studies, 3) the Oxford Cole Group, 4) the Social Credit theories of Major Douglas.

In a final part, the paper tells a little story about a remarkable 'rendez-vous manqué' between James Meade and the authors of the first recorded modern British proposal for a social dividend or basic income.

I am saddened that so many of my professional colleagues seem at present to be so exclusively engaged in discussing how best to design fiscal, monetary, foreign-exchange and wage-setting policies and institutions so as to get the best pay-off between inflation and employment, given the present combination of distributional and efficiency objectives in setting rates of pay. This work is very important and very valuable. But I appeal to some of them to divert some of their attention away from making the best of the present bad job and on to the design of a better job. They may well not accept Agathotopia as the best possible model for this purpose, in which case I challenge them to produce a better one. But whatever its precise structure, a model of an Agathotopian kind is needed during a process of a movement towards or a movement away from an ultimate goal and as laying the ideological foundation on which a new political consensus might be built.

James E. MEADE, Liberty, Equality and Efficiency, (1993) p.16

O. INTRODUCTION[1]

A basic feature of the institutional framework of Agathotopia - a good enough place to live in, the existence of which was first revealed by James Meade at a conference organised by the Italian Lega delle Cooperative in 1988 and more elaborately described in a remarkable little book published in 1989 by the David Hume Institute - is the payment, automatically and as of right, of an unconditional and equal cash income to each and every individual citizen. James Meade calls this a "social dividend".

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1 Paper prepared for the Twentieth Annual Meeting of the History of Economics Society, Temple University, Philadelphia, (26-29 June 1993). It is a by-product of a wider project researching the history of basic income schemes. An earlier version has been presented at a meeting of the Dutch 'Genootschap voor de Geschiedenis van het Economisch denken' (Utrecht, 22/01/1993)

Lacking any references as to the intellectual origins of this peculiar device, an occasional reader of the Agathotopian tales could, misleadingly, think that Meade discovered the idea only recently - stumbling over it, as it were, in the course of his Agathotopian wanderings.

Of course, more informed readers can easily evidence Meade's advocacy of something basically similar years before his visiting Agathotopia. At their very best, they situate his conversion to social dividend schemes in the late '40s, resulting from an encounter with the work of Lady Juliet Rhys-Williams, a British liberal politician who published in 1942 an alternative to the Beveridge report, based on something like a universal and nearly unconditional income guarantee.

However, even this more informed view is inadequate in at least two respects. James Meade's advocacy of social dividends precedes the Rhys-Williams proposals with several years. And, conversion to some specific kind of policy model is not an adequate description of what happened when the encounter actually took place. Indeed, the idea of paying an equal and unconditional grant to everyone resurfaces with a most perplexing regularity in Meade's work of the last 60 years. An unpublished paper, written in 1935 and outlining 'an Economic Policy for a Labour Government', contained already a basically similar idea[2].

The main objective in this paper is to document Meade's life-long advocacy of an idea that only gained a wider audience[3] in the 1980's when it became a very controversial element in the European debate about how to mesh income security and labour market flexibility. As we will see, straightening out the historical record is in itself a rewarding activity. Tracing Meade's involvement with social dividends forces one to reconstruct the history of "social dividend" as it was told until recently. Some major characters, not mentioned at all in the recent literature, have to be reinserted. It even enables us to finish this

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2 The paper in question was published for the first time in Meade's Collected Papers:Volume 1 (in 1988). It was originally prepared as a memorandum for the policy Subcommittee of the National Executive Committee of the Labour Party. It was not accepted for publication as a New Fabian Research Bureau pamphlet.

3 By the end of the eighties, it had become accepted as an idea influencing real-life policy by politicians and commentators of very different outlook as the leader of the British Liberal-Democrats Paddy Ashdown, *Citizens' Britain. A Radical Agenda for the 1990s*, London, Fourth Estate, 1989, the assistant editor of the Financial Times (see: Samuel Brittan and Steven Webb, *Beyond the Welfare State. An Examination of Basic Incomes in a Market Economy*, David Hume Institute, Aberdeen University Press, 1990), the former member of the European Commision and former director of the London School of Economics, Sir Ralph Dahrendorf, a Dutch Trade-Union of Food Industry Workers and an Irish Transport Workers Union, and several European Green Parties. In 1986, a Basic Income European Network was founded to link the different people and groups interested in the idea. It organised four bi-annual international conferences and publishes three times a year a Newsletter (editor: Philippe Van Parijs, Université Catholique de Louvain-la Neuve). It can be reached at the following address: BIEN, Bosduifstraat 21, B-2018 Antwerp, Belgium.)

paper with the surprising story of a 'rendez-vous manqué' between James Meade and one of his life-long friends.

Yet, there are at least two more good reasons for looking in a more detailed way into Meade's involvement with 'social dividend'.

First of all, reading Meade may help to gain additional insight in the complexities of the debate today. Indeed, "social dividend" does not always seem to play the same part. Even if, basically, the idea does not change, the reasons to implement it as well as the task(s) it is expected to perform, may vary substantially. In this sense, Meade's work is representative for the contemporary literature as a whole. Although it has been presented recurrently as 'a beautifully, disarmingly simple idea', social dividend is still vindicated 'using the widest range of arguments'[4] and results in an amazingly diverse set of implementation schemes.

Moreover, many contributors to the recent debate see social dividend schemes as signalling a new paradigm in social and economic policy - a new paradigm at odds with the institutional framework of the traditional welfare state, rooted in the teachings of Keynes and Beveridge. The formal identity between social dividends and negative income taxes as well as the fact that several of its advocates do not bother too much about the goal of full-employment seem to be a case in point. In this context, Meade confronts one with a somewhat puzzling case - being a Keynesian, an important architect of the British Welfare State, an adherent to full employment and, yet, advocating at the same time a social dividend scheme.

But, before entering the details of the story of Meade's "social dividend", let us first pause for a brief while to look at what a "social dividend" really is.

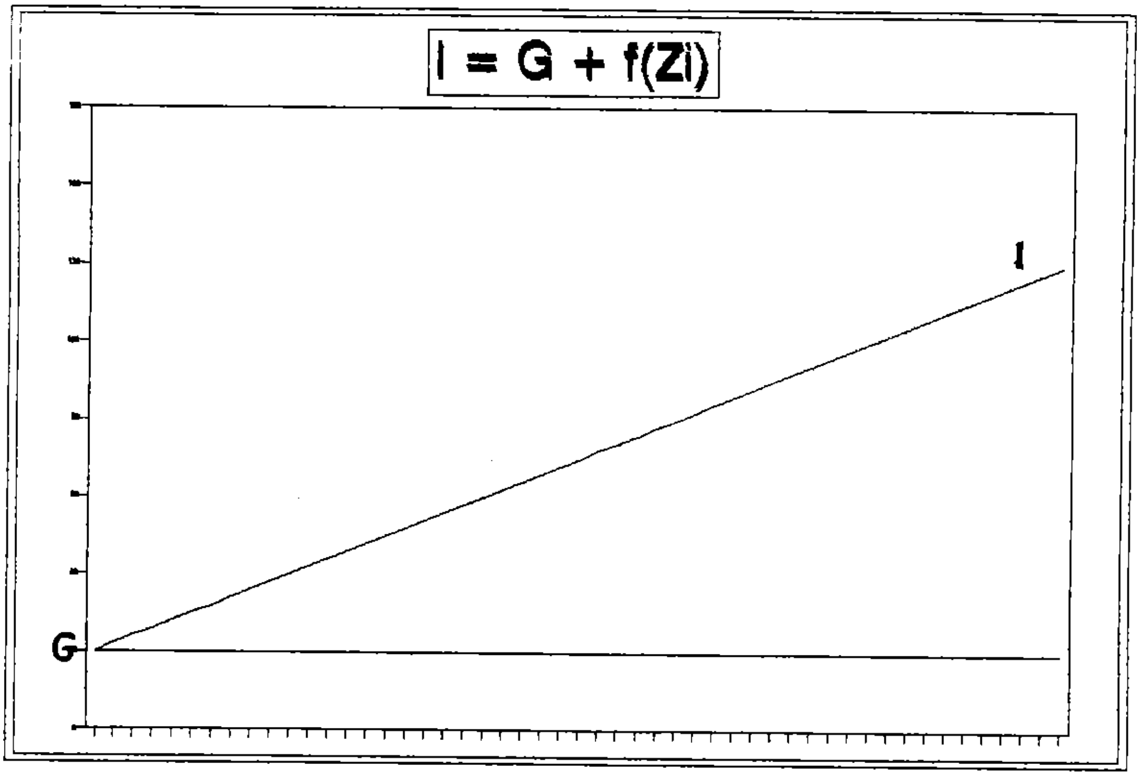
1. ABOUT SOCIAL DIVIDEND OR 'WHAT EXACTLY ARE WE TALKING ABOUT?'

'If ... a cash benefit is paid at a fixed rate to every taxpayer regardless of the level of his or her Unadjusted Income or of any other circumstances we will call this a Social Dividend."[5] So writes Meade in Agathotopia. Yet, during the last decades many different names stood and still stand for the same thing: citizen's income, universal grant, state bonus, unconditionally guaranteed income, social dividend - as in the case of, amongst others, James Meade - and basic income.

[4] P. VAN PARIJS, Competing Justifications for Basic Income, in: P. VAN PARIJS (ed.), *Arguing for Basic Income*, London, Verso Books, 1992, p.3

[5] Meade uses here the term 'Unadjusted Income' to refer to personal incomes before tax-tranfer systems affected it. cfr. (MEADE, 1989: 56)

All of these names[6] are used to refer to proposals that imply a similar type of institutional reconstruction. If fully implemented, they would ultimately lead to states of affairs, having one major feature in common. Still varying widely in many other respects[7], the basic convention ruling the distribution of personal income would be characterised by a two-tier or dual income distribution. Each and every individual citizen would get part of her income as of right and without any condition attached to it - even without any means-test or work requirement. Each and every individual citizen could procure another part of her income through the use of her productive endowments (in the market or through other transfers).



In their simplest form, i.e. stripped from all inessential characteristics, these states of affairs form a class of economic models, one can easily represent by means of two simple metaphors - one graphical, one algebraic - where I represents total net personal income, G stands for the level of the unconditional lump sum grant, and Z plays the part of a vector of an individual's productive endowments or income generating capacities.

It will be noted that this picture is quite similar to those used to illustrate the working of a negative income tax. And, indeed, both the formal rule and the

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6 Presently, basic income would be the standard terminology. But even in the late eighties 'social dividend' was still a much used name. See a.o. STANDING (1989).

7 Strictly speaking, this is correct. One could, however, argue that different names refer to differences in the secondary aspects of a basically similar model. For this see: PARKER (1991) and VAN PARIJS (1988).

graph can be easily transformed so as to represent it[8]. But, this merely indicates that both metaphors only provide us with the picture of a generic model, probably best called universal grant systems, and leaves a lot to be said about what "social dividend" would be like in reality. It does not imply anything at all about the context in which the rule is introduced, the goals it is thought to aim at, or the many different features which unavoidably need to be specified once entering a phase of implementation. In this sense, it would do well to speak of a largely underdetermined model and it should not come as a big surprise that as a result most practical proposals differ widely with regard to their reasons, environment or implementation strategy - and, consequently, with regard to their institutional set-up. Essentially, the move towards a negative income tax only makes explicit some secondary constraints. In this case the scheme is financed out of personal income taxes and is (probably) administered through an integrated tax-benefit system. But nothing in the minimal model illustrated above forces us to implement a social dividend that way.

In other words, even if all states of affairs, falling within this class of models, cater for the idea that any citizen has an unconditional, automatic and equal claim on the national product, the scheme by which the idea is implemented may differ on many scores. Even worse, the metaphor itself may convey very different meanings to different people.

Something similar happens in Meade's work. His neat definition of a "Social Dividend" does not prevent him from using the idea in different ways in different parts of his work. To see this more clearly, let us now return to history.

2. ABOUT LADY RHYS-WILLIAMS OR 'WHY DID SHE ARRIVE TOO LATE?'

An incomplete list of more or less well-known places where James Meade discusses, approvingly, social dividend proposals includes, amongst others, an article on technological development and unemployment in the Journal of Social Policy (1984), his Copenhagen-lecture (1983) marking the centenary of Keynes birth, a well-known article on poverty in the Oxford Economic Papers (1978), the report of the Meade-committee on the reform of Direct Taxation (1978), his books 'The Intelligent Radical's Guide to Economic Policy' (1975) and 'The Just Economy' (1976), the remarkable booklet 'Efficiency, Equality and the Ownership of Property' (1965) - and of course, the recent collection of Agathotopian tales in 'Liberty, Equality, Efficiency (1993).

[8] All one would need to do, is to draw a line through the origin at angle greater than the one representing the final income distribution. This additional feature of the graph would then represent the income distribution before taxes and transfers.

Until recently, only a few commentators would have situated Meade's first encounter with the idea of an unconditional income guarantee somewhere before the 1970s[9]. (Even 'Efficiency, Equality and the Ownership of Property' is hardly mentioned in the present literature about social dividend schemes.) More specifically, only scholars[10] well-acquainted with the work Lady Juliet Rhys-Williams sometimes refer implicitly to 1948 as the time around which Meade discovered "social dividends".

The reason for the latter conjecture is obvious.

In 1948, Meade published 'Planning and the Price Mechanism' - a book treating four important problems: how to walk the narrow path avoiding inflation as well as deflation? what about the distribution of incomes and property? how to tackle the problem of monopoly? and, what about fiscal policy and the balance of payments?

In the chapter on distribution, after treating the taxation of earnings, food subsidies and the national minimum, Meade inserts a section on 'Lady Rhys-Williams' Rationalisation of Income Redistribution'. It discusses, rather sympathetically, a proposal to reform the tax-benefit system worked out in 1942/43 by a liberal politician, Lady Juliet Rhys-Williams. As I mentioned before, the proposal was explicitly presented by its author as an alternative to Beveridge's report 'Social Security and its Allied Services'. Meade describes it as an 'exceedingly stimulating proposal for an architectonic reform ...' and summarises it as follows:

> It is suggested that a straightforward monetary payment or allowance or "social dividend" should be paid to every man, woman and child in the country - although the rate of payment might, of course, be lower for children than for adults. This would take the place of all social security benefits, such as unemployment benefit, old-age pensions, health benefits, children's allowances. Every man, woman and child would thus have his or her basic minimum whether in sickness or in health, in work or out of work, young or old. There need be no means test and no tests whether a man was seeking work or whether a man was genuinely ill. Doctors could stop writing out health certificates and get on with their job of curing their patients. Employment Exchanges would stop fussing about unemployment insurance and get on with their job of introducing employers with vacancies to workers without jobs. The Ministry of National Insurance could be closed down.
> These universal personal allowances would also take the place of the whole apparatus of allowances under the income tax. All income (other

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[9] See Walter (1985,1989) and MILLER (1983) who refer to articles and books published in the 70's.

[10] Consider the following statement by H. PARKER (1989:122-123) : "... Lady Rhys Williams's proposals... In Britain they were worked on by Nobel prize-winner James Meade in books and papers published during the ensuing thirty-five years ..."

> than the "personal allowances" which would be tax-free) would be taxed at a standard rate of tax. The whole apparatus of Pay-as-You-Earn would disappear; and the only task of the inland Revenue in this field would be to ensure that all income was taxed at the standard rate of tax. All personal assessments would cease for income tax purposes, tough not, of course, for sur-tax. (PPM: 43)

Following this description, Meade mentions four major advantages of the proposal: 1) it would mean administrative simplification and bureaucratic economy, 2) there would be a gain in personal freedom, 3) it could be used to lead to a great increase in equality of incomes, 4) 'the system would afford a perfect instrument for the most effective and prompt control over total national expenditures in the interest of avoiding inflation and deflation' (PPM: 44). However, he goes on, although its lack of a means-test (and, therefore, its escape from any poverty or unemployment trap) makes it compare favourably to pre-war arrangements, the lack of a work-test might represent a serious danger due to the adverse effects on incentives.

As a result, the discussion of the Rhys-Williams proposal ends in a questive mode. Is some revolution on the lines of this scheme desirable? Can we afford to face the sort of tax-rates on additional earnings which at present only begin to rule in the middle ranges of incomes below the sur-tax level? Could the scheme with modifications be made workable? "Certainly it deserves the most careful and serious examination; and some rationalisation of our present largely haphazard methods of income redistribution ought surely to be possible." (PPM: 46)

As for the nature of Rhys-Williams' possible influence on Meade's social dividends, two points should be noted.

The **first point** concerns timing. Lady Rhys-Williams' elaborated plea for 'a new Social Contract' is to be found in 'Something to Look Forward to', a book published in 1943. A first, more limited version of the proposal was circulated as a privately published pamphlet in 1942. Two articles in 'The Economist' suffice to witness that the scheme succeeded in gaining a certain public attention. On 25 December 1943, the Rhys-Williams proposal was referred to as a possible way of bridging the gap between the reform of social security and the reform of taxation, i.e. a feasible basis for a 'Beveridge-as-you-go-system'. A few years later, the June issue of the Economic Journal (1946) contained an extensive summary and positive appraisal of the scheme by H.S. Booker[11] (London School of Economics), noting with regret that the scheme seems to have been forgotten. In the same year, on 12 January 1946, it was mentioned again in 'The Economist', in an article on 'PAYE simplified'.

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11 H.S. BOOKER, Lady Rhys-Williams' Proposals for the Amalgamation of Direct Taxation with Social Insurance, in: *The Economic Journal*, vol.56, n°222 (1943) pp.230-243

It is not unlikely that Meade read in 1946 the Booker or/and 'Economist' article(s), or even in 1943 the article in 'The Economist'. But, detailing when exactly Meade learned about the Rhys-Williams scheme is difficult without any further and more direct evidence. In a preface to *Stepping Stones to Independence*[12], a book by Sir Brandon Rhys Williams, Meade mentions to have had 'the great privilege of knowing and working on these subjects with his mother, Lady Juliet Rhys-Williams (as she was then called), at the time when the famous Beveridge Report was being published and discussed'. (p.xi) In a letter to the present author, James Meade writes remembering being introduced to Lady Rhys-Williams (most probably by Lord Robbins) when he was Director of the Economic Section of the Cabinet Office - a post he left in 1947.

For our purposes, however, the matter is not that important. Whether in 1948 or in 1942, neither of these dates moves the encounter back in time so as to establish priority for the Rhys-Williams proposal. Meade was clearly playing with a similar concept years before. As we know, his own reference to a "social dividend" dates at least from 1935. As Meade noted then: "The saving of interest on the Revenue Budget ... can then be used partly to finance capital development and partly as a method of extending the equality of incomes first by the development of social services and later by the distribution of a social dividend."

This leads to the second point, i.e. the relation between Meade's and Rhys-Williams' "social dividend". In this respect, the fragment in which Meade summarises the Rhys-Williams proposal, and which I quoted extensively, is doubly misleading. First, because Meade refers explicitly to the scheme using the name "social dividend", something Lady Rhys-Williams never does. Any reader of 'Planning and the Price Mechanism' not acquainted with Rhys-Williams' book could, thus, easily be lead into thinking that not only the practical scheme but also the name "social dividend" came from her work. Secondly, because there is no clue as to Meade's own advocacy of "social dividend" at a time when Lady Rhys-Williams's scheme did not yet exist. Any reader of 'Planning and the Price Mechanism' not acquainted with some of Meade's earlier work[13] could, thus, easily be lead to conclude that not only the practical scheme and the name, but also the idea was inserted into Meade's writing, after his having read or met Lady Juliet Rhys-Williams[14].

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12 Brandon RHYS WILLIAMS, *Stepping Stones to Independence* (ed. H. Parker), Aberdeen University Press, 1989

13 Or with more contemporary writings. An article published in *The Political Quarterly* (Jan.-March 1949), but originally written as a memorandum for the Labour's Party Research Department in November 1948 contains an essentially similar suggestion without mentioning the Rhys-Williams Scheme (although referring to 'Planning and the Price Mechanism').

14 As clearly is the case with some present day advocates of basic income and as was the case with earlier writers (like D. Berry (1954)) commenting on Meade's 'Planning and the Price Mechanism' - even if you would expect them to be familiar with Meade's earlier work like Richard Kahn (1948).

Why then did Meade readily accept (and without further references to his own earlier work) the Lady Rhys-Williams proposal as part of his view of the world?

The conjecture I would suggest is that a universal grant-like idea is deeply rooted in Meade's view of the world. The Rhys-Williams scheme may have provided - for the first time? - the practical device fitting a concept or a problematic already in his mind since a long time without being able to give it a (proper) instrumental form. If this conjecture holds, one would expect to find the idea of a social dividend clearly expressed in earlier work without, however, any distinct trait of a practical scheme to implement it.

Let us examine, therefore, how "social dividend" appears in Meade's writings prior to his encounter with Lady Rhys-Williams or her scheme.

3. ABOUT THE EARLY DAYS OR 'WHAT HAPPENED AROUND 1936 (AND EARLIER)?'

'An Introduction to Economic Analysis and Policy', a book written by Meade in 1936, gives us the perfect case to examine.

"Social dividend" makes three appearances in that volume. But note, each time the name appears it is put between quotes. Even the index mentions: "social dividend" - quotes included. As if Meade wants to indicate that he takes the term from some other context. Or as if to indicate that the term is newly introduced by himself.

The second and third appearance take place in the third part of the book, chapters four ('Equality by Taxation') and five ('Redistribution or Socialisation of Property') respectively.

In both cases, Meade lists several ways of distributing (parts of) state revenue (either from taxes or from public property): through the provision of 'educational, medical or other services' or directly by payments of 'old age pensions, unemployment relief, widows' and orphans' pensions,...'. To these he adds, in the first case, 'or even of an equal "social dividend" to all persons' (EAP:231), and, in the second case, 'or could be distributed as an equal "social dividend" to all members of the community' (EAP:251).

At first sight, nothing special is happening here. The only thing worth mentioning is the explicit link with an equality condition, as it sets "social dividend" apart from the other transfers. Or, it makes the application of the two metaphors from our first section all the more straightforward.

The earlier appearance of "social dividend" (EAP:197), however, clearly shows a different picture - or a similar character playing a different role.

After establishing - in the seventh chapter of Part II (on the problem of Monopoly) - that most of the methods available for controlling industry (i.e. anti-combination laws, educational measures, rationalisation, taxes and subsidies, price control) are either incomplete or impracticable, Meade scrutinises, in the eighth chapter, one more method of control, i.e. the direct management of monopolistic industries by public bodies.

Meade carefully notes that control does not necessarily imply the control of total industry (but only of the monopolistic sectors). Neither does it equal public property of the industries concerned (but public management). After discussing in detail the conditions guaranteeing efficiency, he treats problems of pricing and management. The 'moral' he draws from all this runs as follows: '... even if all industries were publicly controlled and all capital and land were socially owned, use could be made of a pricing system similar to the pricing system of a competitive economy.' (EAP:197) (Meade underlines, wvt) Next, Meade explains how one should proceed for this pricing system to work: 'The state would receive any profit made on the capital and land invested in each socialised concern; it could pay part of this income as a "social dividend" to consumers and could save part to finance the capital development justified in each socialised concern at the current rate of interest. If there were unemployment, the state bank could fix lower rates of interest in order to justify greater expenditure on capital development by each socialised concern - financed if necessary in the first place by the creation of new money. Alternatively, the state could distribute a larger "social dividend" to consumers in order to stimulate expenditure on consumption goods - again financed, if necessary, by the creation of new money, until the increased expenditure by consumers had increased the state's receipts of industrial profits sufficiently to finance the greater "social dividend".'

Nothing simple here - like the introduction of equal grants in order to equalise the distribution of incomes - but a very complex and complicated picture of fine-tuning and anti-cyclical device, primarily directed towards tackling problems of demand management and stimulating investment[15].

Two major remarks seem needed her. First, none of the fragments containing "social dividends" describes a concrete mechanism or give even a small hint of how it could be administrated. Secondly, in its earliest appearance "social dividend" takes a form exceeding in scope very much the Lady Rhys-Williams scheme (as well as the form "social dividends" have in the rest of the book). Although, the foregoing remarks seem to offer enough evidence to sustain the conjecture formulated at the end of the former section, some qualifications are needed.

[15] Note that "social dividend" is not presented, for instance, as a tool to manage the supply of labour, as is prominent in (some) present day arguments for basic income schemes. Significantly, the later chapter on the optimal supply of labour does not even show the slightest trace of possible effects of a 'social dividend'.

In a certain sense, Meade's work, prior to 1942, did contain an attempt to work out something like a practical social dividend scheme. Remarkably, however, the attempt concerns not the equal transfer-like social dividends, but the complex one, pictured as a fine-tuning device.

The starting point is Meade's treatment of "social dividends" as a tool to stimulate - if necessary by new money, as we have seen - either capital investment or expenditure on consumption goods. This discussion, implicitly, refers to a proposal, worked out much earlier in the book (pp.49-60) in the part on unemployment. There, Meade introduces the argument for consumer credits after discussing two other methods of stimulating economic activity, i.e. banking policy and public works.

Both traditional kinds of intervention may for several reasons not be sufficient, Meade says, an important one being that almost inevitably time-lags will be involved. The decision to speed up (or slow down) the economy only takes effect after some time. It does not immediately result in more (or less) expenditure. If this is the case, Meade goes on, it might be interesting to consider in detail a less orthodox method of controlling the total volume of expenditure, based on the fact that "there is one form of expenditure which should be capable of almost instantaneous expansion, and that is the purchase of consumption goods by individuals." (EAP:50)

In Meade's view, there are two ways to proceed. One can rely on existing Unemployment Benefits and link the level of benefits (and contributions) to the level of unemployment (above what Meade named the 'standard rate'). Yet, this scheme does not level out possible fluctuations in income and expenditure for property owners. One can also try to remedy this by adding some form of tax-rate flexibility to the first scheme. This last feature, Meade names consumer credits.

This argument will be elaborated and slightly modified in 'Consumers' Credits and Unemployment' - a book published by Meade in 1938[16], reviewed by Keynes in the Economic Journal, March 1938 en resulting in an extended discussion between them.

Keynes review begins with the remark that "Mr. Meade has performed a useful service in bringing into the picture consumers' credits - or rather consumers' subsidies, for this, and not aids to instalment purchasing, is what he has in view - not as a magical specific, but as one of the possible means of levelling out fluctuations in effective demand." The proposal is summarised: 'Mr. Meade's own proposal is "to make a monthly payment, which varies with the volume of "depression" unemployment, to every member of the community

16 In his New Palgrave article on Meade, David Vines writes: "That book foreshadows both the 'Full Employment White Paper' (Minister of Reconstruction, 1944) and the Stagflation Project on which Meade has been working over the past few years... It is perhaps the earliest official published advocacy of specifically fine-tuned Keynesian policies."

whose income is below a certain level...". In practice, Keynes says this would mean 'to (i) Old Age Pensioners, (ii) all workers insured under the existing Widows', Orphans', and Old Age Contributory Pensions Scheme, and (iii) the wives and children of such workers.' And he goes on: 'Mr. Meade hopes to get his money back by a progressive tax on employment when times are good. He is not decisive as to whether the employers (who do not receive any part of the subsidy) should pay any part of the tax, but suggests that they should do so.'

There seems to be a good idea behind this proposal, Keynes notes. 'But if the idea is to be brought within the field of practical politics it would be wise, I suggest, to make it part and parcel of the various contributory insurance schemes, even at the expense of somewhat limiting its scope.(...) the policy is obviously an extension and working out of the idea of budgeting for a deficit in depressions and a surplus in recoveries. It is, in fact, a scheme providing that particular sources of savings should accrue only when there is evidence of an outlet for them in investment. All this might be useful in spite of the important criticism that it is directed towards ironing out fluctuations without necessarily raising the average level of activity to the optimum level.' Three more criticisms of the argument are voiced: 1) if Meade wants to finance the subsidies by an increase in cash, there is no reason why the advisable increase in cash is equal to the advisable subsidy to consumers, 2) to arrive at the critical levels of unemployment Meade makes a rather problematic distinction between 'intermittent' and 'structural' unemployment, 3) no attempt is made to compare the effects of a given amount of funds applied to consumers' subsidies with those of an equal sum applied to increased investment. Keynes concludes that 'Mr. Meade must mainly rely ... on the argument that consumers' subsidies can be introduced without preparation and on an easily adjustable scale, on occasions when, for one reason or another, an adequate increase in investment is impracticable.'

As we know, that was more or less the point Meade started from in the first place.

So far for the first qualification. If - and when - Meade searched for a practical scheme, he certainly did look for it in the direction of an instrument to redistribute income, he even considered to introduce something implying a means-test. What he was looking for was a fine-tuning device.

There is, however, a second qualification to make.

As I mentioned before, the third appearance of social dividends in 'Economic Analysis and Policy' took place in a chapter on the redistribution or socialisation of property. More specifically, Meade diagnoses the problem of inequality of income to be first and foremost rooted in the unequal ownership of property. To overcome this problem, one might, therefore, want to reach a more equal ownership by all members of the community. 'The ideal at which this solution would aim is the attractive 'distributist' state in which all men are free, equal and independent, because all men own a modicum of property without any glaring inequalities in such ownership.' (EAP:249) To reach the 'distributist solution' one can impose steeply progressive death duties or alter the inheritance laws so as to prevent the passing on of property above a certain amount. The resulting state income could be used to redistribute property or to make the income distribution more equal by providing free social services or cash benefits, a.o. equal social dividends.

Summing up, we reached the following global picture. In 1936, six years before Lady Juliet Rhys-Williams produced her first scheme, Meade published a book in which "social dividends" - always between quotes, even in the index - made three appearances. However, on each occasion "social dividend" seems to carry a different meaning. In its first role, it refers to a sum of public money, resulting out of public ownership or taxation, which can be used to steer the economy by distributing it in order to manage demand or stimulate investment. In its second role, it points at a mechanism of integrating and replacing the existing taxes and benefits (but without really saying this) - here, Meade mentions equal social dividends. In its third role, it indicates an alternative strategy for a politics of social reconstruction (wanting to aim at restoring an equality of property ownership) - in this case Meade, again, speaks about equal social dividends. No sign, however, of a scheme implying 'a social dividend in practice'; only the germ of a proposal to add 'consumer subsidies' to the box of tools containing already public works and banking policy - although, it is true, "social dividends" made its first appearance in this specific context.

4. ABOUT DIFFERENCES OR 'WHY A "SOCIAL DIVIDEND" IS NOT A "SOCIAL DIVIDEND" IS NOT A "SOCIAL DIVIDEND"?'

Thus, even if in each of these cases a metaphor of the appropriate kind (graphical or algebraic) could very well represent the device advocated, some close reading reveals that the actual meaning of the implied institutional reform varies widely as between different fragments of Meade's work. Proposals relying on what, at first sight, amounts to the use of a basically similar technique of paying to everyone an equal cash sum no strings attached, turn out, at the end, to imply very different notions of what kind of institution one is in fact advocating.

In fact, it is possible to distinguish between four different images or roles, implied by Meade's treatment of "social dividend". It is important to note thate these four images do not represent something like subsequent stages or result from a development of Meade's thinking. On the contrary, three of them are present in 1935-36, the fourth only appears in 1988 when describing the Agathotopian institutions.

The best way to typify these different images or roles is probably by putting them in some sort of two-way table with as discriminating variables the narrow or broad policy goal aimed at, and the direct or radical means of intervention used. These four cases not only represent different ways of looking at what institutions actually are, but can be used to classify different fragments of Meade's work.

1	3
narrow - equality - partial *direct - endogenous - results*	*narrow - equality - general* *radical - exogenous - preconditions*
example: 'Poverty in the Welfare State' (1978)	*example:* Efficiency, Equality and the Ownership of Property (1965)
(Re)distributive Instrument	***Societal Framework***
2	**4**
broad - efficiency - partial *direct - endogenous - results*	*broad - efficiency - general* *radical - exogenous - preconditions*
example: 'Economic Analysis and Policy' (1936)	*example:* 'Agathotopia. The Economics of Partnerships' (1989)
Steering Mechanism	***Institutional Support***

Let us now look a bit more in detail at what these four roles or images, in which "social dividend" can be cast, amount to.

I will not dwell long on the cases at the left side of the table. We have dealt with them at length when discussing 'Economic Analysis and Policy' and 'Planning and the Price Mechanism'

IMAGE 1 or 'Social Dividend as a Redistributive Instrument' refers, clearly, to the most simple and arche-typical use of the idea. In this usage, the goal is unavoidably the eradication of poverty or equalising the income distribution. The technique favoured is paying equal social dividends and other transfers, or integrating the tax-benefit system. Besides the many fragments I have quoted from Meade's older books, the best example is, probably, to be found in 'Poverty in the Welfare State', an article in the Oxford Economic Papers (1978).

IMAGE 2 or 'Social Dividend as a Steering Mechanism' is, again, to be found in Meade's work discussed in the former section. Again, the technique favoured is paying equal social dividends (whether through an integrated system or not). But the goal is broader: walking the narrow path between inflation and deflationg, targetting full employment without inflation - in one word, fine-tuning.

IMAGE 3 or 'Social Dividend as a Societal Framework' relates to the third appearance of the idea in 'Economic Analysis and Policy'. In the context of a widening inequality of property, Meade's argument for social dividend presents it, in fact, as a substitue for a 'distributist state'[17] or 'property-owning democracy'. Later in his work, Meade will revisit this topic regularly. In 1965, the argument even takes a prophetic turn when Meade stresses that in a context of automation the problem may get dramatic proportions. Automation will increase the output per head, but might as well reduce the amount of labour needed in the automated industries. Absorbing new and redundant workers "might require an absolute reduction in the real wage rate on efficiency grounds". Even if this could be avoided, "automation might well cause output per head to rise relatively to the marginal product of labour". We should, then, rephrase the problem of unemployment, Meade urges. "What, we ask, shall we all do with our leisure when we need to work only an hour or two a day to obtain the total output of real goods and services needed to satisfy our wants? But the problem is really much more difficult than that. The question which we should ask is: what shall we all do when output per man-hour of work is extremely high but practically the whole of output goes to a few property owners, while the mass of the workers are relatively (or even absolutely) worse off than before?" (EEOP:25-26) To avoid this 'Brave New Capitalists' Paradise' as Meade calls it, he discusses four alternatives, two of which are readily discarded[18]. Meade's attention goes primarily to a 'Property-Owning Democracy' (EEOP:40-66), clearly a repainted version of the old distributist state. At last, Meade considers the alternative of a 'Socialist State' - combining an efficient level of the real wage rate with an equitable distribution of income by turning to the social ownership of property. Such a

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[17] The notion of a 'distributist state' refers to least implicitly to the works of Chesterton and Belloc, and their critique of the 'Servile State' and of industrial capitalism as causing the destruction of property ownership.

[18] The discarded alternatives are A 'Trade Union State' - 'setting a real minimum wage level' - and a 'Welfare State' - 'taxation of incomes of the rich to subsidise the poor'.

state has the advantage that, even if the efficient wage level is a low one and a larger part of national income goes to profits, these profits would accrue to the state and could be distributed equally to every citizen as a social dividend. Meade notes that this solution has one basic point in common with the distributist solution. "In both cases income from property is equally divided between all citizens." (EEOP:66)

IMAGE 4 or 'Social Dividend as an Institutional Support' is a relatively new role for the idea to play, suggested by Meade while describing the institutions of Agathotopia. The major reform introduced by the Agathotopians was the transformation of Capitalist firms into Capital-Labour Partnerships. From this they expect a more consensual model of industrial relations and a better approach to full employment. However, Meade says, this reform has two drawbacks. Whereas, owners of capital-shares can spread their portfolios, just like before, the incomes of owners of labour-shares are solely linked to the fate of their own firm. Moreover, reaching full employment might imply that not all additional workers own the same amount of labour-shares. Agathotopian workers, apparently, were only willing to accept this wide-ranging institutional reform if, at the same time, a social dividend was introduced to dampen the fluctuations and inequalities now linked to 'wages' or income from labour shares. In other words, social dividend was called in to act as a support-system to secure that the major reconstruction would be socially beneficial.

This typology calls for many qualifications and suggests many questions. For instance, it is far from clear that these four images are mutually compatible. And what about the famous Tinbergen rule - can one and the same institution really deliver this many objectives? Does not Meade, instead, use implicitly some kind of engineering approach?

Whatever may be the answers, let us now turn, again, to history and ask where Meade may have got (the inspiration for) his "social dividend".

5. ABOUT ROOTS OR 'WHERE DOES "SOCIAL DIVIDENDS" COME FROM'?

It will be clear by now that Lady Juliet Rhys-Williams has no place on the list of possible sources for Meade's "social dividend". Yet, several other candidates are available. Before discussing briefly four intellectual circles Meade was connected with in the early '30s and which could have been the source for the name, if not the idea of a social dividend, let me first say something about the name itself.

Terminological problems may, indeed, occur. First of all, one should remember that in his earlier works - as we have seen - Meade always uses the name "social dividend", as I do here, between quotes. This may mean several things. Maybe, Meade wants to indicate that he is forgeing a new concept, eventually by using an old name. Maybe, he simply wants to indicate that he is taking a concept from an alien context to introduce it in a particular framework. Maybe, he wants to convey that the term (or the idea) is still rather controversial.

Moreover, Meade's usage of the term was, surely, not yet standardized in 1935. In 'Outline of an Economic Policy for a Labour Government', he uses as well social dividend as national dividend. National dividend, as one knows, was a term used by Major Douglas and his Social Crediters for giving to everyone an equal and unconditional transfer. But it was also the standard term, used by Pigou and others, for what we now call the national product. Kaldor, for instance, did like Meade. In his well-known article on wage subsidies, published in the *Journal of Political Economy* (december 1936), he used both social dividend and national dividend but in the Pigovian sense. Besides the micro- and macro-usage, still another meaning may have been connected to the term. Much earlier, in the late 1880s, F.A. Walker spoke of 'the social dividend theory of taxation' - 'which is, in effect, that the members of the community should contribute to the public support in proportion to the benefits they derive from the protection of the state, or according as the services they receive cost the state more or cost it less.'[19]

Knowing now that there was room for interpretation, let us leave this terminological problems for what they are, and turn to the question of Meade's possible intellectual roots.

The **FIRST CIRCLE** to be looked at is **the Cambridge Circus and the makers of the Keynesian Revolution.**

If only because Meade's 'Economic Analysis and Policy' (1936) was the first Keynesian textbook on economic policy and one of the first spin-offs of Keynes's 'General Theory' and the discussions about it in the Circus. Meade's use of "social dividend" between quotes may mean, here, that he is trying to import something new into Keynesian thinking, and that therefore he uses deliberately an alien term. What this new element might be, is no great mystery. Meade worked at making consumer credits (or social dividends) into a respectable tool generating effects on aggregate demand more speedily than public works. And, in the process, transformed the term into something refering to a functional equivalent for 'public works' or 'banking policy', i.e. to 'social dividend' or 'consumer credits' disguised as a steering mechanism or fine-tuning device.

There is at least one other member of the Circus who referred to "social dividend" in writing, namely Joan Robinson[20]. Contrary to Meade, she even

19 F.A. WALKER, *Political Economy*, New York, Henry Holt & Co, 1988 (3rd edition), p.487, see also p.489

20 Joan ROBINSON, *Introduction to the Theory of Full Employment*, London, Macmillan, 1937

mentions a very concrete proposal - "1£ to every citizen with the Saturday morning post". But, like Meade; she readily assumes that "social dividends" could be paid for by printing money. Overall, Robinson seems to consider "social dividends" very much in the same way as Meade, namely as a functional equivalent for forms of deficit spending and stimulating aggrgate demand. Nevertheless, she notes that the actual advocates of "social dividends" make their case exceedingly complicated and unconvincingly argued - implying that it may be, in fact, followers of Major Douglas she is referring to.

Although yet another early Keynesian - Abba Lerner - gave 'social dividend' an important role to play in his work, nothing indicates that the concept originated in, or was even congenial to Keynesian thinking. No real indication can be found that it belonged to the cultural capital of the Cambridge Circus. The more so since all three people named - Meade, Robinson and Lerner - took also part in another collective intellectual venture.

Namely, the **SECOND CIRCLE** we have to look at: **the 'Review of Economic Studies' and 'the debate about market socialism'.**

'Social dividend' is, of course, a concept referring directly to the context of market socialism. The link is clear. One of the questions a theory of market socialism (or a theory of planning) needs to answer is "How to distribute the profits from the socialized industries?" (or "How to reward the use of social capital?"). One way to think about this problem is to make the analogy between dividends paid to shareholders in capitalism and 'social dividends' paid to every citizen as if to an alleged shareholder or owner of the socialized industries[21].

The seminal articles on 'Market Socialism' by Oscar Lange appeared in the 'Review of Economic Studies' (1936/1937) - a new undertaking, appearing for

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21 Thus, one can be led to think that the roots of social dividend lay in the debate on market socialism. For instance, James Yunker (1977:91) writes: "The term 'social dividend' was introduced in 1936 by Oskar Lange in his milestone essay 'On the Economic Theory of Socialism'. It refers to the direct distribution equally among the citizen body of property income accruing to the state-owned enterprises under socialism." Looking at the relevant passages in Lange's work, makes clear that the matter is a bit more complicated and even a little different from what Yunker tells us. A first point on which Yunker's statement needs some correction concerns the equal distribution condition. Reading Lange makes clear that, ontrary to what Yunker suggests, equal distribution is not mandatory for him. Neither is there any mention of citizenship rights. But there is even more. Actually, in the original article in 1936 Lange proposed a distribution of the social dividend proportional to wages. A critical remark by the co-editor of the Review, Abba P. Lerner, pointed out that this principle of distribution would affect somehow the allocation of labour. If Lange wants to keep the social dividend from interfering with the labour market, says Lerner, it needs to have lump-sum features. Lange conceded the point in the 1937 volume. And, when reediting his text for final publication in 1938, incorporated Lerner's critique, even without mentioning neither the changes nor their source.

the first time in 1933 and in which Robinson, Meade as well as Lerner were involved from very early on.

For this story, Abba Lerner is important not only because he pointed out that the social dividend should not be distributed proportionally to wages - as was Lange's original proposal - but lump-sum (in order not to disturb the workings of the labour market). More importantly even, "social dividend" plays an important role in his major work 'The Economics of Control: The Economics of Welfare'[22]. Published in 1944, Lerner notes in the introduction that he worked on it from 1932 onwards. Dating any part of the content, thus, becomes very difficult. And so is tracing its possible influence on Meade.

'Social dividend' - sometimes between quotes, but mostly in italics, like any other technical term - enters the story after Lerner formulates on page 266 the commandment: **"The government must adjust consumption and investment so as to prevent inflation and unemployment."** (Emphasis by Lerner, wvt) Lerner explains this rule, meanwhile defining functional finance: "A conscious policy by the government for avoiding the evils of inflation and the evils of deflation we shall call functional finance." The next commandment reads: **"The payment of a social dividend, which enables this to be done, must be independent of the amount of work done by the recipients."** (Emphasis by Lerner, wvt)

To prevent the dual catastrophe of inflation and depression, "government is faced with the task of continuously maintaining a proper total demand for factors, through consumption and investment, so that there is just enough demand to give full employment but not enough to start an inflation." (EC:267) In a collectivist economy this could be done in two ways: first, through an adjustment of the rate of interest, second and more important, through the direct effect of government action on income.

Lerner elaborates on the last point by first treating the way incomes in a collectivist society are distributed.

> The consumers receive part of their income from their work in payment for their labor by the managers of production, who hire labor in accordance with the Rule. The rest of the income of consumers comes to them from the government. This can be considered as the citizen's share of the earnings of the factors of production other than labor, but however it is considered, the government must distribute just enough to induce consumers to spend the right amount which, together with the investment demand for factors, will provide full employment. The distribution of this 'social dividend' may follow any principle that pleases the government. The only proviso that must be made in the

22 Lerner still mentions the social dividend (once) in his '*The Economics of Employment*' (1951), even if only in a minimal form very similar to both limited appearances in Meade's book - as a means of inducing people to spend more by giving them more money ("... (in pensions, subsidies, social-security benefits, and even 'social dividends')...") (Lerner, EE:126).

interest of the optimum use of resources is that the amount paid out to any individual should not in any way be affected by the amount of work he does. This is because of the desirability of having the wage equal to the vmp (= value of marginal product, wvt) of labor (which is what the manager will be paying the worker quite apart from any 'social dividend') so as to induce neither too much or too little labor. In the name of the optimum division of income it can be argued that the distribution of the social dividend should not be very unequal. My personal inclination is for an equal share to be given to each member of society as his right as a citizen, with no questions asked and no exceptions. There could be no better safeguard of the freedom and independence of the individual. (EC:267-268)

Lerner proposes inflation and depression can be prevented by adjusting the level of the social dividend. This could be done very easily, "... even from week to week, in accordance with the state of demand". If spending is still too high after reducing the social dividend to zero - which means that one can still buy more than what is produced by all the factors of production available - one "will need to have a negative social dividend - a tax - which reduces demand to the proper level." (EC:268)

In the next two chapters Lerner treats the unemployment problem in the context of a capitalist economy. This gives us more or less a restatement of the Keynesian doctrine. There is no sign whatever of social dividends. But in the 24th chapter - the one which is subtitled: functional finance - social dividends reappear.

In that particular chapter, Lerner tries to strip the reader's mind of any sign of 'unfunctional' thinking about public spending, the national debt and taxation. Not prejudice, but their function in society should guide our policies, is Lerner's motto. As well the leftist's dogma - 100% collectivism - as the dogma of the right - "to keep fiscal principles appropriate to a grocery store" (1944:302) - are rejected. About the ultimate objective, there should not be any doubt. Maintenance of full employment is the duty, perhaps even the primary duty of the government.

In the course of his argument Lerner explains that borrowing and taxing can also be applied in reverse, if the government wants to increase the quantity of money in the hands of the people and lower the rates of interest. This can be done by repaying some of the national debt or, if there is not any, by creating a national credit, i.e. by lending or, eventually, by printing money. Or by lowering taxes. 'Where this is not sufficient to bring about the required results even when taxes have been reduced to zero, negative taxes can be imposed. This means that the government instead of taking money away from people gives it to them. This may take the form of relief payments, old age pensions, bonuses, and even a social dividend when it is desired to increase consumtion all round.' (EC: 310-311)

Several points are worth noting. First of all, for Lerner the social dividend is clearly a steering device, keeping the economy on the right but narrow track between inflation and depression. Secondly, Lerner stresses the necessity of its being independent from the amount of work done. Thirdly, Lerner states his preference for an equal distribution, based on a dual argument: citizenship rights on the one hand and a more utilitarian argument in terms of the optimal income distribution on the other hand. Fourthly, Lerner mentions the 'distributist state' - in 1951, he will refer to it as 'democratic functionalism' - in a positive way. Fifthly, no trace of a really practical scheme is apparent, although the mention of the negative taxes (and negative social dividends) may foreshadow something of this kind.

As a result, reading Lerner one is several times reminded of Meade's 'Economic Analysis and Policy' or 'Planning and the Price Mechanism'. Does this mean, however, that Lerner influenced Meade, or the other way around? Or was there some common influence on both of them? Or some common view of the world leading to the notion of social dividends?

This last conjecture is not unlikely since both Meade and Lerner, as well as Joan Robinson - again - were members of the **THIRD CIRCLE** we have to look at, i.e. **the Oxford 'Cole Group'.**

G.D.H. Cole was an important figure in Oxford in the thirties, influential with his wife in reorganising the Fabian Society, but also bringing together young intellectuals in what was known as 'the Cole group'. Meade was a member of this group and in the mid-thirties wrote several papers for it.

In 'Principles of Economic Planning' (1935), Cole refers explicitly to 'social dividends' - a proposal he claims to have advocated for years now.Where does the social dividend fit in?

Cole introduces the social dividend in the 11th chapter of the book, when treating the planned distribution of incomes and production. Cole's main objective is to get through that real planning - i.e "to secure that the available resources shall be both fully used, subject to the claims of leisure, and used to the best possible purpose" (1935:220) - not only involves control of the money machine but also needs planning of incomes.

To explain why this is, in fact, the case, Cole starts from the assumption that Socialists introducing planning will want to plan production, "at least to some degree, according to conceptions of social expediency and justice" (1935:224).[23] Next, he considers two such criteria.

23 As we know for Cole, the introduction of planning under a capitalist system is hardly unlikely - the grounds given in this book are similar to the ones presented in his book on money, included the refernce to Fascist Germany.

In the first place, there is need (rather than demand). "... the need for a generally diffused supply of all things which can be regarded as necessaries of civilised living will constitute the first overriding claim upon the available resources of production. A satisfactory minimum of food, fuel, clothing, housing, education and other common services will come before anything else, as a social claim that a planned economy must meet." (1935:224) According to Cole there will hardly be any doubt as to what is necessary for this universal minimum and, thus, as to the corresponding total size of this primary claim.

However, in advanced societies there is a wide range of goods and services which are neither necessaries nor luxuries. Cole terms them subsitutable necessaries. And, to which category some product belongs depends highly on the amount we have of it. So, Cole comes to his second criterium. "... it is necessary for everybody to have at least a minimum income which he can devote to buying goods and services of this second class. What he buys is for the most part his affair; and the more advanced a society is, the wider his range of choice is likely to be. The satisfaction of this need for further goods and services which, while no one of them is a universal necessary, yet form a necessary part of a tolerable standard of living, will constitute the second claim upon the available productive resources." (1935:225) As, in this second region, there will be doubts about what and which amounts to produce, Cole judges it highly desirable "to leave the individual citizen the widest range of choice in deciding which of these secondary goods and services he prefers, and is therefore prepared to pay for out of his limited income."

At this point in Cole's argument, it becomes clear why the planning of incomes is so important. As soon as freedom of choice is assumed, it becomes apparent that the structure of demand for this second class of goods depends on the structure of the income distribution. "The primary necessaries can be distributed free to everybody, or, if they are sold, their prices can be lowered so as to bring them, or the required minimum quantities of them, within everybody's reach, or again a basic minimum income can be assured to everybody without any general control of the distribution of incomes above the minimum. But none of these methods will solve the problem of planning the production of substitutable necessaries. This will have to be done either in the light of the distribution of incomes as it is, or in the light of a planned redistribution of incomes." (1935:225-226) This point being established, Cole mentions a second advantage of planning the income distribution, i.e. getting rid of at least one important cause of fluctuations in demand, thereby making planning easier.[24]

[24] Cole also considers a second cause of fluctuations of demand, namely changes of fashion. A cause one cannot remove, since changes of fashion cannot be anticipated. In this context, Cole points at the danger of large-scale production influencing fashion and pleads for organising consumers' representation as a counterweight. He notes that if one could enlarge everyone's surplus to be spent on substitutable necessaries and cheap luxuries, "the consequent enlargement of freedom of choice is likely very much to outbalance any tendency of the planning authority to persuade consumers into buying what they do not want."

On which principles, then, incomes available for the purchase of consumer goods and services will be distributed?

At present, incomes accrue to individuals either as payments for real or imputed services to production or as 'doles' of one sort or another from the public purse. One of this system's disadvantages is that income is cut down if production is cut down. Therefore, a planned economy will, according to Cole, seek to begin at the other end. "... by distributing enough income to buy at the planned prices all the consumers' goods and servics which can be produced with the available productive resources, so as to leave adequate provision for the making of the requisite supply of capital goods." (1935:234)

On the surface, the new system will not seem very different. Yet, its significance will be altered.

"Incomes will be distributed partly as rewards for work, and partly as direct payments from the State to every citizen as 'social dividends' - a recognition of each citizen's claim as a consumer to share the common heritage of productive power. I believe the tendency will be for a planned economy steadily to reduce the proportion of total income distributed in the first of these ways, and steadily to enlarge the amount of the social dividend." (1935:235) For the distribution of this dividend Cole sees no possible basis except that of need. "The aim should be as speedily as possible, to make the dividend large enough to cover the whole of the minimum needs of every citizen. Being paid as a civic right, it will be of equal amount for all, or rather for all adults, with appropriate allowances for children. It should be from the beginning at least large enough to cover the bare physical necessities of every family in the community." (1935:235)

The level of the social dividend envisaged seems, indeed, fairly high. The next page reveals that Cole reckons them to be higher than wages or salaries for the majority of the people. This way the degree of inequality would be highly reduced. This forces Cole to consider the incentive effects. But, as he still would maintain ten years later in his book on money, the incentive problem does not frighten him.

"If the maximum a man could earn came to no more than the amount of his social dividend, the incentive to earn it, in a society living nearly at a common standard, would be fully as powerful as the incentive to earn many times as much in the class-ridden society of to-day. For the demand for little luxuries and larger supply of substitutable necessaries is the keenest of all human demands. ... Earnings will become, under such a system, more and more of

(1935:231) This idea strangely mirrors the proposal once put forward by Oskar Lange and Marek Breit to counterbalance the monopoly power of socialized industries, endangering the freedom of choice in occupation, by instituting a real right to work, enforcing firms to hire anyone who asks for a job.

the nature of 'pocket money', without any loss of the incentives to effort such as absolute equality of incomes would involve. Work will have its sufficient reward; but the main part of national income will nog longer be distributed as a by-product of industry."(1935:236)

One can see that a social dividend system makes it possible to combine or to make compatible several values Cole would look for in a good society. As I would list them, they comprise amongst others a fairly equal distribution of income, acknowledging human dignity, getting rid of a system linking demand too tightly to production, keeping incentives at work, giving the fullest possible scope to consumer choice (even for the demand of leisure), and all this without relying to much on a bureaucratic system of government. Nevertheless, and contrary to Lange, Lerner and Meade, Cole stays an advocate of administered prices. Moreover, his view seems to rest on very strong assumptions with regard to needs and consumer behaviour[25].

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25 To the 11th chapter is added a 26 pages long appendix, explaining in detail how the new form of distributing incomes would differ from the existing one. Cole illustrates his argument by "... a social dividend averaging 10s. a week for persons under fifteen, £1 a week for persons between fifteen and twenty, and £1 10s. a week for persons over twenty...". This "... would cost in all about £2,763,000,000 a year. The net national income at present is probably in the neighbourhood of £3,500,000,000 a year." To those who find that this leaves only little to be distributed as a reward for work, Cole answers that we should not take the present figures for granted. A better use of productive resources would enable national income to be scaled up by one-third rapidly. Later, Cole tries to figure out how these amounts correspond with the existing sources of income and how a part of the amount needed already is distributed through 'doles'. At the end of the appendix, Cole notes three important advantages of the system he proposes. The first concerns the fact that the new system "would make indispensable, as well as obviously desirable, the fullest possible utilisation of the available resources of production." If the greater part of incomes is paid in the form of social dividends, it will not pay to leave any usable resources unemployed. (1935:265) The second relates to the fact that the system "is capable of being applied by stages, so as gradually to oust the method of distributing incomes in return for actual or implied services to production by the new method of distribution according to need, in such a way that the diminution of the sums applied as incentives to effort can keep pace with the progressive abolition of class distinctions and with the growth of a new collective consciousness of fellowship in the community." (1935:265) The third advantage bears on the problem of incentives and here Cole leads us through a rather labyrintic argument. It goes as follows. "... the system affords a much closer approach to economic equality than the system of distribution which now exists - a degree sufficient to make an end of class distinctions. But it achieves this without destroying or impairing the economic incentives to individual effort. This is possible because, given a close approach to economic equality, a far smaller monetary incentive than at present would suffice to call out superior effort. This follows from the law of diminishing utility of money, which involves that the higher a man's income is, the less inducement to effort the offer of an additional £1 or £100 affords. The higher types of effort will thus be evoked under the new system by far smaller monetary incentives than are needed to-day." (1935:262-263) Apart from the 'diminishing utility of money' argument, there is not very much to be troubled about. But then Cole goes on to consider an argument in terms of what standard neo-classical labour economics would call the higher level of the 'non-wage income' or 'unearned income'. Even if smaller incentives suffice to evoke the higher type of effort, Cole says, the rise in assured incomes of the poorer sections of society might cause the smaller sums, offered to them as rewards in the form of wages or salaries, to be less effective as incentives than wages and salaries are today. This, Cole says, is not the case, for the following reasons. "The incentive to effort under the present system begins in effect only at the point at which the net advantages

In the course of this argument - at on the point where he starts to explain in which way incomes would be distributed under a social dividend scheme - we possibly witness the forgeing of the concept of a 'social dividend' in the sense we are using it here. Cole writes the following line: **"There are two possible ways -payments for work done, and 'doles', or, to give them a less coloured name, 'social dividends'."** (I emphasize, wvt.) Do the quotes mean that Cole took the name 'social dividend' from some other context? Or do they mean that Cole at this spot forged the name?

The possibility that Cole is referring to some other writings is indeed possible. Cole was, as one knows, an old Guild Socialist. And one of the final stages of an agonizing Guild Socialist Movement was **the 'Douglas Social Credit Scheme'** and this is the **Fourth**, and final, intellectual **CIRCLE** we have to look at.

For, not only Douglas Cole might have been influenced by Social Credit Theory - if only by terminology, surely, because he critisized it heavily in writing - but also James Meade was.

The biographical account Meade wrote at the occasion of being awarded the Nobel prize, mentions that he turned from Classics to Economics because he

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of employment outweigh those of unemployment - that is, at which the wages received for work is sufficiently in excess of the income accruing to the unemployed person to offset the unpleasantness or pleasantness of the work minus the pleasantness or unpleasantness of being idle. The major part of the wages now paid out is not an incentive to work well, but only to work well enough to hold the job. But under the new system the social dividend would be payable to able-bodied persons only on condition that they were ready to work, and there would have to be means whereby a man's receipt of the social dividend could be questioned on grounds of proved unwillingnes to perform his part in the common service. There would be no question of any willing worker being unable to find work, or, if any such case did arise on account of temporary economic friction, the social dividend would of course continue to be paid throughout the period of idleness. But inorder to be entitled to receive the social dividend, an able-bodied citizen would have to be prepared to work up to a standard sufficient to justify his claim to share in the common heritage of society, just as now he has to work up to a standard sufficiently high to enable him to evade discharge. This is not the place to discuss what the precise conditions would be under which it would be possible for an individual, on account of proved slacking or negligence, to forfeit his right to the social dividend, or in what alternative and less eligible form society would determine to provide for the needs of those who did thus forfeit their claims. But it is clear that, even if the cases involved were few, some provision for them would have to be made; for it is Utopian to suggest that, if all citizens were entitled to an adequate living income without any obligation to render reasonable service to the community in return, there would be under present conditions none who would fail to pull their weight. Accordingly, the sums payable as rewards for work under the new system should be compared, as incentives to effort, not with the total wages now received, but with the difference between the wage that is just sufficient to enable a man to retain employment and the earnings that can be secured by doing better work. Evidently, if the sum available for wages and salaries under the new system enabled the remuneration for effort to be accorded at half the existing level, the incentive would be considerably greater under the new system, in spite of the rise in the total incomes accruing to the great majority of those in receipt of wages and salaries." (1935:263-264) wanted to do something about the massive unemployment and under the influence of his aunt who was a follower of Major Douglas. When being in Oxford - in the late '20s - Meade invited the Major to speak and lunched with him. In a letter to the present author, Meade remembers having read a paper to the Cole group in 1927 (with Beatrice Webb present). Although Meade stresses that, after starting seriously with economics, he clearly saw the flaws in Social Credit Theory, some features of his writings still bear a strong ressemblance with it. There is the idea of printing money, the name 'national dividend', the National Asset or National Credit and the Topsy-Turvy Nationalisation in Agathotopia, and so forth. So, 'social dividend' may after all have originated from Douglas theories.

Yet, Meade's general framework is quite different. For instance, Meade spends the very first chapter of 'Economic Analysis and Policy', criticising the Douglas framework. Trying to answer the question: 'Can the economic system work?', he dismisses the view that the problem of unemployment cannot be solved without a revolutionary change in the economic system. "It is sometimes held that the existing economic system can never distribute purchasing power sufficient to cover the costs of the output which is produced for sale; but this view is fallacious." (EAP: 2) For Meade, one can accomplish this "without introducing socialism or a complete change in our monetary system" (EAP: 2). In the next few pages he uses an example to refute what he sees as the "essential point in the analysis of Major Douglas" (EAP: 2-5). Significantly, Keynes, in his review of 'Consumers' Credits', takes care to note that "Mr. Meade is not what is usually called a 'social credit theorist', but he thinks that subsidies (as I should prefer to call them) to consumers have not received the attention which they deserve as a weapon in our armory against fluctuation."

6. ABOUT THE STORY OF A RENDEZ-VOUS MANQUE OR 'PROF. JAMES MEADE MEET MR. BERTRAM PICKARD (AND MR. DENNIS MILNER)!'.

Although all fragments enabling us to tell the story about Meade's "social dividend" are now available, one piece could still to be added.

In the preceding sections, I have worked on the assumption that 'social dividend as an idea' is inherent to James Meade's view of a good economic life - a view resting on a deeply rooted life-long held moral conviction based on an equal importance of liberty, equality and efficiency.

Even if Major Douglas's Social Credit Theory has a serious claim to being the prime influence on his general outlook, it is clear that Meade's criticism of the Major's economic theories prevented 'National Dividends' from providing a respectable model for 'social dividend as a practical scheme'. As a consequence, Meade made some attempts to construct such a device himself, but only encountering the Rhys-Williams scheme did a possible solution of the problem come in sight. 'Social dividend as an idea' could now be respectably linked to 'social dividend as a practical scheme'.

Surprisingly enough, a proposal - functionally equivalent to the Rhys-Williams one, but made public as early as 1918 - could have been available to Meade, would it not have been for its complete disappearance from the scene of social policy debate after being discussed and dismissed at the 1920 Labour Party Annual Conference at Scarborough.

The clue to the rediscovery (in 1989)[26] of this proposal lay in 'The Next Ten Years in British Social and Economic Policy', a book written by G.D.H. Cole and published in 1929. Or, more specifically, in the chapter on 'Wages, Family Allowances and Population'.

Socialism, Cole says in the introductory parts of this chapter, "will not be worth a brass button to the ordinary man unless it can improve the standard of life" (NTY:178). If so, however, a very real and difficult dilemma confronts socialist politicians. Since under present circumstances raising wages may drive more workers into unemployment, the standard recipe to improve living standards has become difficult to use. For Cole, but one way allows to escape the dilemma. The only option left is advocating a policy of 'social redistribution'[27].

Twenty pages later, the discussion turns to how to judge the introduction of family allowances.

Cole points out that reforms along these lines could lead to social redistribution, provided one states very clearly the right principles involved. Family allowances should not have anything to do with wages, they ought to be based on the principle of need. If this is taken care of, they may even give way to a new form of social and economic organisation. Through family allowances "the principle of distribution according to need will ... begin to elbow the rival principle of payment for economic value received ..." (NTY:198). And he goes on:

> It seems probable that, on a somewhat longer view, this principle will be pushed a good deal further. This may be done by the complete communisation of certain services, as we have already communised elementary education. We may come to a **'State Bonus'**, or **'Dividends for All'** - to use **two names which have been adopted by advocates of giving every citizen, quite apart from his work, a certain minimum claim**

26 I gave an elaborate account of this proposal as well as of the detective work needed to trace it in: Walter E. Van Trier, *'State Bonus' or Basic Income in the Age of Reconstruction*, SESO-Report 91/280, UFSIA, 1991

27 Note the similarity with the problem Meade tackles in 'New Keynesiana', where automation leads to a state in which one will not be able to count on wages to cater for a acceptable distribution of income. And with Major Douglas who, from his first writings, stresses that in the economic model of the future dividends will replace wages as the prime sources of income.

to a share in the annual social product. Wages and earnings may come to be only supplementary payments for work, and not the main source of men's livelihood." (NTY:199) (emphasis added, wvt.)

The fragment quoted is worth highlighting[28] for several reasons. Not only can one consider it to be, as far as I know, the exact spot where Cole conceives of the idea of an unconditional income guarantee, which he later will name a social dividend. But the fragment is also most revealing with regard to the models Cole may have had in mind when writing these lines. Two are listed: 'Dividends for All' and 'State Bonus'.

As a matter of fact, 'Dividends for All' is easy to bring home. It is the title of a small book by W. Allen Young - an early collaborator of Major Douglas and considered to be his only close friend. The booklet was published in 1921. It explained very clearly the Douglas Scheme and advocated it as the evident solution for the problems of the mining industry. Moreover, 'Dividends for All' may have been the first really accessible presentation of Social Credit Theory - both in terms of easy to read or understand, and readily available outside the circles of the 'New Age' readership.[29]

But what evidence can be gathered about the second model: **'State Bonus'**.

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28 To judge adequately the importance of this fragment, let us put it against the background of 'New Jerusalems', the fascinating account by Elizabeth Durbin of the history of Inter-War British Socialism. G.D.H. Cole figures prominently in it and, important for our purpose, Durbin mentions "Cole's social dividend". Commenting on the significance of Cole's 'The Principles of Economic Planning' (1935), she describes the views held in this book in terms we would today probably call 'Gorz-like'. Cole is said to advocate some form of a dual economic system: a planning system would cater for basic needs and these goods or services would be distributed free or on communal basis, a normal pricing mechanism of demand and supply would be used to allocate the goods and services produced in addition to the necessities. The term 'social dividend' appears twice. The first time Durbin seems to equate it with the whole of the basic needs sector. Only a few lines further she refers to it a second time and writes: "In one sense Cole's social dividend was an obvious descendant of the national minimum, which Sidney Webb had written into the Labour party's constitution, of the 'Living Wage', and of Major Douglas's 'social credit', and a forerunner of the minimum incomes provided in most modern welfare states. Yet Cole's contribution was unique in its recognition of the need to synthesize social policy with economic planning of production and incomes." (Durbin: 182) This paper makes clear that Durbin's statement needs to be qualified in several ways. Describing Cole's 'social dividend' as something akin to present minimum income schemes is largely inaccurate; in fact, even the quoted fragment from the 1929 book makes clear that Cole means something fundamentally different, i.e. a cash sum paid unconditionally. The most important point to be noted is, however, that 'State Bonus' does not appear on Durbin's list of models influencing Cole - in fact, it is completely absent in the book.

29 Two facts warrant this conjecture: 1) W. Allen Young's is the first book on Social Credit to be mentioned in 'The Economist' (books received section on Sept. 3rd, 1921); and 2) when in 1922 the (later famous) Cambridge philosopher and mathematician Frank Ramsey publishes a critical (even devastating) examination of the Douglas theory in the 'University of Cambridge Magazine', he refers to Allen Young's booklet, not to Major Douglas' own writings.

A lot of painstaking and cumbersome work resulted in gathering a collection of writings related to a pamphlet, written by Mabel E. and Dennis Milner in 1918, advocating a State Bonus:

> It is suggested -
> (a) That every individual, all the time, should receive from a central fund some small allowance, which would be just sufficient to maintain life and liberty if all else failed.
> (b) That everyone is to get a share from this central fund, so everyone who has any income at all should contribute a share each in proportion to his capacity.[30]

It is clear that the proposal fits very well the (graphical and algebraic) metaphors I introduced earlier. Moreover, the pamphlet does not only contain the idea. It also tries to work out a way of implementation and even to cost the practical scheme proposed.

Apparently, the 'Scheme for a State Bonus' was first made public by Dennis Milner in February 1918 at a meeting of the War and Social Order Committee of the Yearly Meeting of the Society of Friends[31]. A State Bonus League was formed in July 1918 and, in December 1918, Dennis Milner stood as an independent candidate in the General Elections (at Barkston Ash). In 1920, a negative report on the scheme was presented at the Annual Labour Party Conference.

Although, the State Bonus scheme left a few traces in the literature of the time - one can find it reviewed (negatively) in 1919 in the June-issue of the Economic Journal, Hugh Dalton refers to it in 'Some Aspects of the Inequality of Incomes in Modern Communities (1920), Paul H. Douglas mentions it when reviewing the British debate on Family Allowances in the 'Journal of Social Forces' (1924) - it seems to have disappeared completely from the scene after 1921. In this sense, it is not surprising that Meade, who was only eleven years old when the Scheme for a State Bonus was drafted, never mentions it - even Douglas Cole, maybe the only person still remembering it in 1929, does not give any clear reference to the pamphlet.

Yet, something quite amazing is happening here.

Setting up the 'State Bonus League' was the joint effort of the Milner couple and one of their good friends, Bertram Pickard - a Quaker, just like the

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30 E. Mabel and Dennis MILNER, *Scheme for a State Bonus*, Kent, Simpkin, Marshall & Co., 1918

31 The proposal was incorporated in: *The Next Step in Social and Industrial Reconstruction. Being Papers prepared for Meetings of the Committee on War and the Social Order (Appointed by London Yearly Meeting of the Society of Friends) together with Minutes recording the Considered Views of the Committee & a Short Biography*, London, Headley Bros. Publ., 1918

Milners[32]. Pickard acted as one of the strong 'amplifiers' of the idea and was one of the main organisers of the League. He wrote a book about State Bonus, especially directed towards a Quaker public, and many short articles, spreading the idea through a wide variety of newspapers. The withering away of the League may partly be caused by his getting, from 1921 onwards, more heavily involved in voluntary Peace Work. From 1922 till 1926, Bertram Pickard acted as secretary to the Friends' Yearly Meeting Peace Committee. In 1926 (and until 1940), he moved to Geneva to be the secretary of the Friends' Geneva Centre and a liaison officer between the Society of Friends and the League of Nations. Later and for the rest of his life, Pickard would work for the United Nations in Geneva.

Why is Bertram Pickard so important, you ask?

Well, simply because his wife was a life-long friend of Margaret Wilson - a Quaker and secretary to the strong Oxford branch of the League of Nations with Gilbert Murray as a chairman. "Margaret had close links with Geneva where she had spent some years as a student while her parents had been wardens of the Quaker Hostel there and where she had gone back as secretary to Gilbert Murray."[33] In 1933, Margaret Wilson married James Meade. In the late thirties, the both Pickards and the Meades - young English couples with young children - lived in Geneva. In the late forties, the both Pickards and the Meades - back in Britain because of the war - were neighbours, living in Hampstead, London.

Hence, the following puzzling situation: on the one hand, we have James Meade - fostering since 1935 the idea of a social dividend and developing it until, finally in 1988, he made it into an essential part of the Agathotopian institutional framework; on the other hand, we have Bertram Pickard - joining forces with the Milners to advocate from 1918 to 1921 a scheme of social reconstruction fitting exactly the idea of a social dividend. Both men know each other. Their respective wives are old friends. Yet, no trace of State Bonus is to be found in Meade's work. When in 1948, he refers to a practical proposal, it is taken from Lady Juliet Rhys-Williams[34].

Why, then, did Meade never refer to 'State Bonus'? Unbelievable as it may sound, the answer is simple: James Meade never knew that his good friend Bertram Pickard, early in his life, advocated a scheme of social reconstruction fitting exactly an idea, inherent to his own view of a good enough economic life.

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32 I would like to take this opportunity to thank Allison Bush, daughter of Bertram Pickard, and John Milner, son of Dennis Milner, for the information they gave me about their respective fathers.

33 James E. MEADE, *Collected Papers. Volume I*, (ed. Susan Howson) London, Unwin Hyman, p.2

34 According to John Milner, his father recognised the Rhys-Williams scheme as taking up his old State Bonus idea when the former was discussed in the late '40s and early '50s (personal communication).

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