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# WHO FRAMED 'SOCIAL DIVIDEND'?

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## Abstract

If the present phase in the history of basic income needs to be given a starting date, an obvious event to mark it would be the formation of the Basic Income European Network in September 1986 as a result of the First International Conference on Basic Income, held at the Université Catholique de Louvain-la-Neuve. The conference not only inaugurated the first real 'reflexive' phase in the history of the concept, but it also consolidated the use of the name 'basic income' for this category of proposals.

Indeed, as a brief perusal of the relevant literature will show, around that time many English-speaking participants were still and mainly using the name 'social dividend'. Significantly, at the final meeting of the 1986 conference, when suggestions for a name for the network were considered, it was jokingly proposed that (given the bilingual nature of the country were the conference was held) BIEN (as a French word meaning 'good') should at least be hyphenated with, if not supplanted by (its Dutch equivalent) GOED – as an acronym for the Great Order for a European Dividend.

This paper spans the period from 1917 to 1986 – a period in which 'social dividend' was commonly used to refer to policy-proposals implying an unconditional payment as of right to all and everyone. As indicated this episode closed in 1986 with the First International Conference on Basic Income consolidating the use of 'basic income'. It opened nearly 70 years earlier when G.D.H. Cole - Oxford professor, former Guild socialist and later intellectual leader of the Fabian Society – constructed the name 'social dividend' to refer to the Scheme for a State Bonus, put forward in 1917 by the Quaker Dennis Milner and his wife.

## 1. Prologue

Back in 1984 a small group of young Belgian intellectuals, calling themselves Le Collectif Charles Fourier, wrote an essay, *L'Allocation Universelle*, picturing how the world of work would change if conditional benefits, employment subsidies and some other standard employment policy instruments would be abolished and replaced by a guaranteed income paid unconditionally and as of right to everybody. The essay earned them an award from the King Boudewijn Foundation and they decided to use the money to organise a conference, inviting a wide range of people to debate this idea. Thus, an International Conference came to be organised in September 1986 at the Université Catholique de Louvain-la-Neuve.

Even if this was not the first and certainly not the only sign of a growing interest in unconditional income guarantees - the country reports presented at the conference provided the audience with sufficient evidence for the international spread of the idea[1] - there are good reasons for seeing the Louvain-la-Neuve conference as marking the beginning of a new phase in the history of basic income. Or even as the beginning of the history of basic income proper.

For one because the decision to set up a loose organisational structure for a network, aiming at producing a regular newsletter and bi-annual conferences, proved to be instrumental in sustaining the international debate – as well as introducing it in particular countries – over the next two decades. For another because they choose 'Basic Income European Network' as a name to operate under and by doing so consolidated and generalised the use of that term.

Perhaps 'basic income' was adopted mainly because similar words were used in different countries. The Dutch word 'basisinkomen', the German 'Grundeinkommen' and even the French 'revenu de base': all of them translated easily in 'basic income'. Therefore, the presence of a very international audience might explain largely the choice of a name recognizable to many of them and easily translatable into their own national debates.

Yet, even if around the mid 1980's 'basic income' had clearly gained currency also in the British debate, it is important to note that many of the English-speaking participants were still and mainly using the name 'social dividend',[2] a concept with very different connotations.

For instance, in his 1986 book on unemployment and labour market flexibility in the UK[3] Guy Standing - founding member and co-chair of BIEN – referred to 'basic income guarantee' as the currently popular term for schemes guaranteeing minimum incomes unconditionally to everyone. He mentioned 'social dividend', 'social income', 'tax credit', 'social credit' and 'social wage' as possible alternatives. Nevertheless, in his own writings Standing kept on

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[1] Anne MILLER (ed.), *Proceedings of the First International Conference on Basic Income, Louvain-la-Neuve (Belgium) 4-6 September 1986*, BIEN

[2] People present at the business meeting of the 1986 conference, may remember that when suggestions for a name for the network were considered, it was jokingly proposed that (given the bilingual nature of the country were the conference was held) BIEN (as a French word meaning 'good') should at least be hyphenated with, if not supplanted by (its Dutch equivalent) GOED – as an acronym for the Great Order for a European Dividend.

[3] Guy STANDING, *Unemployment and Labour Market Flexibility: The United Kingdom*, ILO, 1986, p.146

using 'social dividend' in (the subtitle of) a papers written in 1988 and 1989[4]. Later he would prefer to use ‘citizenship income’.

In a similar vein, David Purdy[5] – participant in the Louvain-la-Neuve conference and active in the British debate - wrote in 1988 that ‘basic income’ is a new name for an old idea. A footnote explains that the Belgian Collectif Charles Fourier recently forged ‘universal grant’ for the same idea. 'Social dividend' is said to be the traditional term. ‘Citizen's wage' or 'social wage' are mentioned as less felicitous titles. According to Purdy ‘basic income’ became the accepted term of art due to the work of the Basic Income Research Group.

This London based organisation was started in 1984. It evolved out of a Social Dividend Group co-ordinated by the National Council of Voluntary Organisations, originally set up in 1983 to look into the future of income maintenance policies and the social dividend approach. After two consultative conferences, NCVO decided to help establishing a Basic Income Research Group “in order to promote wide debate about the feasibility of securing long-term change to provide all residents with a guaranteed Basic Income, without regard to an individual’s work status or marital status.”[6]

Yet, despite the name of the group - and even after the conscious change in its presentation by NCVO, i.e. from Social Dividend Group to Basic Income Research Group - not all key figures in the Basic Income Research Group were accustomed to using ‘basic income’.

Bill Jordan, for instance, used 'a social wage' as a title for one of the first widespread articles reintroducing the idea of paying unconditional and universal income guarantees in the British debate on social policy. The term has the inconvenience of being associated with the idea of earning and Jordan did not use it in any other of his many writings. When discovering through his work with the Newton Abbot Claimants’ Union in the early 1970s the need for a system guaranteeing income as of right to everyone in and out of work, he simply referred to it as a ‘guaranteed income’[7]. In the early 1980s, he shifted to 'social dividend'[8] and only started using 'basic income' consistently after 1986. A clear indication for the timing of this shift is his book, ‘The State’, published in 1985. Jordan refers to “the provision of an unconditional basic income for all” in the introductory chapter, but in the rest of the book he uses (only) the term ‘social dividend’.

The same goes for other key members of BIRG. Ann Miller, an Edinburgh based economist, used ‘In Praise of social Dividend’ when writing her 1983 paper. Keith Roberts, an atomic engineer published in 1981 an article subtitled 'towards a National Dividend Scheme'. Roberts's more booklet 'Automation, Unemployment and the Distribution of Income',

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[4] Cfr. a.o. Guy STANDING, *European Unemployment, Insecurity and Flexibility: A social dividend solution*, ILO, 1989

[5] David PURDY*, Social Power and the Labour Market*, MacMillan, 1988

[6] Peter ASHBY, *Social Security After Beveridge – What Next?*, Bedford Square Press/NCVO, 1984

[7] Bill JORDAN, *Paupers. The Making of the New Claiming Class*, Routledge and Kegan, 1973, pp.73-79

[8] Bill JORDAN, *Automatic Poverty*, Routledge and Kegan, 1981, pp.181-184

published in 1982 also uses this name. In his posthumous and privately produced 'A Design for a Market Economy', edited by his brother – a regular participant at BRIG-events – in 1985 the term 'basic income' is used. Philip Vince, a tax specialist of the Liberal Part, used mainly 'tax credit'. Tony Walter – not involved from the very beginning but for a period in the early 1990's chair of BIRG – used 'social dividend' in a book, 'Fair Shares?', published in 1985, but titled his following book, published in 1989, 'Basic Income'.[9]

The person really responsible for introducing the term 'basic income' into the UK-debate[10] is Hermione Parker – a free-lance writer and research analyst educated at St Andrews University. In 1979, H. Parker started to work as a Research Assistant for Sir Brandon Rhys Williams, a Conservative MP, with the aim of updating the scheme for an unconditional income, originally put forward by his mother, the Liberal politician Lady Juliet Rhys Williams in 1942/43 as an alternative for the Beveridge report. In 1982-83 Parker acted as specialist adviser to the Treasury and Civil Service Select Committee Sub-Committee 'Enquiry into the Structure of Personal Income Taxation and Income Support' and a memorandum on the feasibility of a basic income guarantee, including costings, were submitted as evidence.[11] Her subsequent research on costing different versions of the BIG-scheme[12] as well as her being the editor of the BIRG-Bulletin provided powerful channels through which the name 'basic income' became commonly accepted.

I have dwelled a little longer on the shift from 'social dividend' to 'basic income' in the British debate because names are not innocent. Choosing a name implies in a sense a decision on the communities of discourse in which the concept will unavoidably be embedded, the metaphors it will inevitably be linked with, the traditions to which it will of necessity be related.

It is important to stress this because it puts the international setting of the Louvain-la-Neuve conference in another perspective.

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[9] Tony WALTER, *Basic Income*, London, Marion Boyars, 1989

[10] However, an earlier reference to 'basic income' can be found in Jan Tinbergen's 'Economic Policy' (1956). Though he uses it in a paragraph on guaranteed minimum incomes, it is clearly what we are looking for here: "... 'basic income' to certain groups of the population especially exposed to risks of poverty. Such a basic income should not necessarily be a sufficient income, but it might be a contribution to it, to be supplemented by other incomes dependent on the individual's activity or savings, or on other provisions of a less general character. ... The proposals are not very different from social insurance proposals; but the link between contributors and recipients is a looser one. Economically speaking, the proposals are the same; and ... the conclusion might be that such measures are to be recommended if they refer to recipients who otherwise would be very badly off in comparison with other groups of the population. At the same time it will be clear that a basic income of any importance - say 50% of normal wages - and given to an important part of the population, would meet with unsurmountable difficulties ...: stimuli to productivity and saving would be reduced to an appreciable extent." (191-192)

[11] Brandon RHYS WILLIAMS, *Proposals for a Basic Income Guarantee, evidence submitted to the Treasury and Civil Service Committee, 21 July 1982*, House of Commons, May 1983

[12] Hermione PARKER, *The Moral Hazard of Social Benefits*, Institute of Economic Affairs, 1982 and *Action on Welfare*, Social Affairs Unit, 1984. The final result of her work on costing, involving research done as a visiting researcher at the LSE (Sticerd) is published in: H. PARKER, *Instead of the Dole*, Routledge, 1989.

The conference did not merely bring together people from different national backgrounds, thus providing basic income with a wider audience than before. By confronting the different traditions in which income maintenance policies and benefit systems are embedded it also inevitably shifted the discussion from the pragmatic to the principled level – and although the presence and the writings of Philippe Van Parijs (as the central organiser of the conference) excerted a powerful ethical and analytical input for moving the debate in this direction most probably would have done so in his absence. It is no surprise, therefore, that terminological and conceptual clarifications were given an important place in all subsequent conferences of the network as well as in the international debate in general.

The main purpose of this paper is to illustrate the significance and the importance of this shift by presenting material on how 'basic income' was discussed when it was still commonly referred to as 'social dividend' – i.e. in the nearly 70 years between the Louvain-la-Neuve conference and the moment when G.D.H. Cole used the name 'social dividend' to refer to the Scheme for a State Bonus, put forward in 1917 by the Quaker Dennis Milner and his wife.

Looking into its past and trying to disentangle where the social dividend came from may allow us to better understand the meaning and the significance of (the shift to) 'basic income' as it is discussed today.

My story will run in four parts. The first part treats the writings of James E. Meade, Nobel-prize winning economist, member of the Cambridge Circus and as civil servant an important architect of the Keynes-Beveridge welfare state. The second part features two of his contemporaries: Joan Robinson and Abba Lerner. The third part details the contribution of G.D.H. Cole, Oxford professor, former Guild socialist and later intellectual leader of the Fabian Society. The fourth part looks at a proposal, published in 1917 under the name 'State Bonus'.

## 2. James Meade and his many social dividends

A basic feature of the institutional framework of Agathotopia - a good enough place to live in, the existence of which was first revealed by Nobel-prize winning economist James Meade at a conference organised by the Italian Lega delle Cooperative in 1988 and elaborately described in a little book[13] 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'.

Lacking any reference as to the intellectual origins of this peculiar device, an occasional reader of the Agathotopian tales could think that Meade discovered this idea only recently. Of course, more informed readers know this to be wrong. An incomplete list of places where James Meade discussed similar devices 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

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[13] James E. MEADE, *Agathotopia. The Economics of Partnership*, Aberdeen University Press, 1989. For another early, but more concise presentation of the Agathotopian ways see also: J.E. Meade, Can we learn a 'Third Way' from the Agathotopians?, in: *The Royal Bank of Scotland Review*, n°167 (1990) pp.15-28

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, most items in the recent collection of Agathotopian tales in 'Liberty, Equality, Efficiency' (1993).

Yet, until recently even more informed readers would have been surprised to learn that Meade's first encounter with the idea of an unconditional income guarantee dates from long before the 1970s[14]. As became clear when Volume I of Meade's Collected Works was published the name 'social dividend', referring to schemes paying an income unconditionally and as of right to each and everyone, appears in his very first writings. Indeed, a paper written in 1935 – but only published for the first time in 1988 in the collected works – contains the following sentence: "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 throws up something of a multi-facetted puzzle with timing as the most convenient entry to line up and disentangle eventually the different elements. So let's look at timing first.

*a) Lady Rhys Williams, again.*

Scholars[15] who do refer to some of Meade's writings from before 1970 typically suggest that he got acquaintaned with the idea of a social dividend through the work of Lady Juliet Rhys-Williams – a liberal politician who published in 1943 a book, 'Something to Look Forward Too', in which she argued for a New Social Contract and for an unconditional and universal income guarantee as an alternative for the Beveridge report on Social Security.

The reason for this conjecture is obvious.

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[14] See Tony Walter (1985,1989) and Anne MILLER (1983) who refer only to articles and books published by Meade in the 70's.

[15] 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 ..." See also A.B. ATKINSON, "The idea [of a social dividend, wvt] is in fact primarily associated with the name of Lady Rhys Williams, who first put forward a scheme of this type in 1942. She subsequently produced a number of revised versions of the scheme, which was discussed by the Royal Commission on the Taxation of Profits and Income in 1954, together with similar proposals by the Liberal party, Professor J.E. Meade, Sir Paul Chambers and A.T. Haynes and R.J. Kirton." (1969: p.170).

Meade's 1948 book, 'Planning and the Price Mechanism', contains a section entitled 'Lady Rhys-Williams' Rationalisation of Income Redistribution'[16]. Meade presents it as an 'exceedingly stimulating proposal for an architectonic reform ...' and although no definite conclusion is reached its general tone is positive. "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)

What connection between James Meade and the Rhys Williams proposal can be established?

As already mentioned, Lady Rhys Williams' made her plea for 'a new Social Contract' 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[17] (London School of Economics), noting with regret that the scheme had nearly been forgotten. In the same year, on 12 January 1946, it was mentioned again in 'The Economist', in an article on 'PAYE simplified'.[18]

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[16] Meade summarises the Rhys-Williams proposal 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 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. Four major advantages of the proposal are mentioned: 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, Meade 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 constitute a serious danger due to the adverse effects on incentives. (PPM: 43)

[17] 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

[18] A second book by Juliet Rhys Williams, *Taxation and Incentive*, published in 1953 – making again an argument for a New Social Contract based on an unconditional income guarantee – was reviewed by D.C. Hague in *Economica*, November 1953, pp.377-378 and was mentioned in a review of A.T. Peacock's, The Economics of National Insurance, in: *Economica*, February 1953. A sample section was included in H.T. WEILER, W.A. GRAMPP (ed.), Readings in Economic Policy, 1953

In a preface to Stepping Stones to Independence[19], 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) – which would date the encounter back to 1942. 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 exact date of Meade's encounter with the Rhys Williams proposal is not that important because we know that he hit on 'social dividend' already in the mid 1930s. Whether he met Lady Rhys Williams (or her proposal) in 1948 or in 1942, neither of these dates moves the encounter far enough back in time to establish priority for the Rhys Williams proposal.

Yet, reading the relevant section in 'Planning and the Price Mechanism' one could, indeed, very easily be mislead and conclude that Meade simply inserted the scheme as well as the name in his own writing after reading or meeting Lady Juliet Rhys Williams[20]. So, why did Meade in 1948 discuss the Rhys Williams proposal without any reference whatsoever to his own use of it in earlier work? Why did he use 'social dividend' in this context since Lady Rhys Williams herself never did – and neither did any of the articles or reviews referring to it? [21] Why did Meade readily present the Rhys Williams proposal as part of his view of the world?

One way to look at the puzzle is the following. Suppose that the idea of an unconditional and universal income guarantee is deeply rooted in Meade's view of the world without, however, being able to give it a (proper) institutional format. Well, Juliet Rhys Williams may have provided exactly that. Her scheme may have given Meade for the first time a glimpse of a practical device fitting the concept. If this conjecture holds, Meade's writings before 1942 may well contain the idea of a social dividend, but without any trace of a practical scheme to implement it.

*b) Meade's early writings*

To examine this case let us look at Meade's first major book, *'An Introduction to Economic Analysis and Policy'*. Published in 1936 - the same year as Keynes' General Theory, a book the proofs of which Meade had been able to discuss in detail as a members of the so-called

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

[20] 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).

[21] One of Meade's articles, published in *The Political Quarterly* (Jan.-March 1949), adds a particular twist to the puzzle. Originally written as a memorandum for the Labour's Party Research Department in November 1948, it contains an essentially similar suggestion as contained in (and with reference to) 'Planning and the Price Mechanism' without mentioning the Rhys Williams Scheme.

Cambridge Circus - it is the first macro-economic textbook, integrating the lessons of the Keynesian revolution.

‘Social dividend’ appears three times in it. Interestingly, each time the name appears between quotes. Even the index mentions ‘social dividend’ - quotes included.

In two cases, Meade proceeds in basically the same manner. He lists several means one could use to distribute (parts of) state revenue (either from taxes or from public property), i.e. through the provision of “educational, medical or other services” or directly by payments of “old age pensions, unemployment relief, widows' and orphans' pensions,...”. In the context of a chapter on ‘Equality by Taxation he adds the words: “ ... or even of an equal ‘social dividend’ to all persons” (EAP:231). In the context of a chapter on ‘Redistribution or Socialisation of Property’ he adds: “... or could be distributed as an equal ‘social dividend’ to all members of the community” (EAP:251).

Apart from pre-dating the Rhys Williams proposal, all this is not really surprising. The context in which social dividend is used is the expected one. The only thing worth mentioning is the explicit mention of an equality condition, setting ‘social dividend’ apart from the other transfers.

However, the third case – which is actually chronologicalle the first – appears in a much different context. More specifically, Meade mentions ‘social dividend’ when discussing the problem of monopoly. Surprising perhaps, but note that this places the topic in a context prefiguring the central theme of ‘Planning and the Price Mechanism’. Yet, in comparison with the 1948 Rhys Williams section, the 1936 ‘social dividend’ plays a quite different and rather surprising part in the story.

Discussing the problem of Monopoly (p.197), Meade argues that most of the methods available for controlling industry (like anti-combination laws, educational measures, rationalisation, taxes and subsidies, price control) are either incomplete or impracticable, Meade scrutinises, 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), but neither does it equal public property of the industries concerned (but public management). Then he discusses in detail the conditions guaranteeing efficiency and the problems of pricing and management. From this analysis, he concludes that “even if all industries were publicly controlled and all capital and land were socially owned, use <u>could</u> be made of a pricing system similar to the pricing system of a competitive economy.' (EAP:197) (Meade underlines, wvt) For this pricing system to work, Meade goes ons, one should proceed as follows:

“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'."

With respect to how the Rhys Williams proposal fitted a central concern of Meade's view of the world several conclusions follow from this. It is clear that Meade not used the term 'social dividend' sufficiently long time before 1942, but that he also used it in a sense sufficiently close to the Rhys Williams proposal to leave no doubt that his use preceeded hers - or at least was independent of hers, if we want to allow for the possibility that Lady Juliet was working on her proposal already years before she published on it. On the other hand, in two cases Meade uses the term in such a way that it could indeed be seen as a more general form of what was described more concretely in the relevant section in Planning and the Price Mechanism. Both points seem to offer sufficient evidence to sustain the conjecture formulated earlier. The Rhys William proposal may have provided Meade with a device for putting into practice something he had been thinking about in a more general format.

Yet, further detailing is needed in order to qualify the significance and meaning of 'social dividend' in Meade's work. Indeed, despite using it for apparently similar purposes, i.e. to indicate the unconditional payment of equal benefits to each and everyone, scrutiny of the context in which it appears does make clear that they are quite different in character.

*c) Many social dividends?*

As a matter of fact, although a particular tax-benefit structure could be instrumentally useful when implementing a social dividend in any of the meanings Meade gives it, it is clear from the context that in at least two of its appearances its significance exceeds squch a notion.

Let's look first at the context in which the monopoly problem is discussed. There, Meade did draw attention to a potentially practical mechanism. Remarkably, however, it gets the format of an anti-cyclical device, primarily directed at tackling problems of demand management and stimulating investment.[22] Thus, 'social dividend' is meant to fit a very complex picture of fine-tuning. In fact, it refers to a proposal worked out when analysing earlier in the book the problem of unemployment. Meade's starting point on this issue[23] is the fact that traditional methods of intervention, say banking policy or public works, may be insufficient. For instance, since they do not immediately result in more (or less) expenditure, the decision to speed up (or slow down) the economy will only take effect after some time. So, time-lags will almost be unavoidable. 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

[22] Note, moreover, 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'.

h[23] James E. Meade, *Introduction the Economic Analysis and Policy*, pp.49-60 expansion, and that is the purchase of consumption goods by individuals." (EAP:50) In Meade's view, there are two ways to proceed. One could rely on existing Unemployment Benefits and link the level of benefits (and contributions) to the level of unemployment. However, this scheme does not level out possible fluctuations in income and expenditure for property owners. Alternatively, one could also try to remedy this by adding some form of tax-rate flexibility to the first scheme. This last feature, Meade names consumer credits.[24]

Something similar happens in the case when 'social dividend' appeared in the context of a chapter on the redistribution or socialisation of property. In this chapter Meade diagnoses the problem of inequality of income to be first and foremost rooted in the unequal ownership of property. To overcome this problem, he adds, one might 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.

It is clear, therefore, that even if Meade used 'social dividend' – remember: always between quotes, even in the index – in his 1936 book, on each appearance the term seems to have carried a different meaning. Although in each of these cases an identical 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 between different fragments of Meade's work. A basically similar technique of paying to everyone an equal cash sum no strings attached turns out to signal a potential multiplicity of institutional structures.

In fact, it is possible to distinguish between four different images or roles 'social dividend' gets in Meade's work. Three of them are already present in 1935-36, the fourth only appears in 1988 when describing the Agathotopian institutions.

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[24] In 'Consumers' Credits and Unemployment', a book published in 1938, Meade apparently modified and elaborated his proposal. 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." Keynes reviewed it in the Economic Journal, march 1938. "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. (...) 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 whose income is below a certain level'... (...) 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."

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 above. 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'[25] 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[26]. 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 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)

[25] 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.

[26] 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'.

IMAGE 4 or 'Social Dividend as an Institutional Support' is a relatively new role for the idea to play and is 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?

Whatever the answers to these important questions, one point should retain our attention in this context. Do Meade's writings give us any clue on who framed 'social dividend'? Not really.

As I mentioned several times, in 1936 Meade always uses the name 'social dividend' between quotes. This may mean several things. Meade may want to indicate that he is forgeing a new concept, eventually by using an old name. He may want to indicate that he is taking a concept from an alien context to introduce it in a particular framework. Or he may want to convey that the term though borrowed form someone else is still rather controversial. Only one thing is clear, however, one can confidently remove Lady Juliet Rhys Williams from the list of possible sources for Meade's 'social dividend'. Are any other candidates available?[27]

## 3. About Keynesianism, Market Socialism and 'their' Social Dividends

The context in which 'social dividend' appears in Meade's early writings suggest at least two discursive communities as potential sources for the term: the Cambridge Circus or what was

[27] I will not go into detail about potential terminological problems. 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.'F.A. WALKER, *Political Economy*, New York, Henry Holt & Co, 1988 (3rd edition), p.487, see also p.489

happening in the orbit of the Keynesian Revolution, and the debate on planning and market socialism.[28]

*a) Joan Robinson*

With regard to the first potential source, there is at least one other member of the Circus who referred to 'social dividend' in writing and, more importantly, who did so with respect to to Keynes' theories, namely Joan Robinson[29]. More specifically, her writings contains at least two fragments bearing on our problem.

The first is a passage of only a few pages in 'Introduction to the Theory of Employment', a book published in 1937 and referred to by Marc Blaug as "one of the most widely read prewar introductions to the Keynesian system."(BLAUG, p.208). This fragment is important because it shows that 'social dividend' was for Robinson a term referring to an item in the Keynesian toolbox. The second is Robinson's famous article on 'Disguised Unemployment', republished in her 'Essays in the Theory of Employment' (1937).

As she explains in the introduction, Joan Robinson undertook writing 'Introduction to the Theory of Full Employment' (1937) "to provide a simplified account of the main principles of the Theory of Employment for students who find that they require some help in assimilating Mr. Keynes' General Theory of Employment, Interest and Money, and the literature which is growing round it." The tenth chapter treats the possibilities of changing the supply of money. Its third paragraph is titled 'A Social Dividend' - the two preceding one's being 'Gold-mining' and 'Creation of Money through a Budget Deficit'.

In the very first lines of this paragraph Robinson refers to a proposal to institute a Social Dividend, financed by printing money. Next she explains the mechanism ("... every citizen would receive a note for, say, 1 £ by the first post every Saturday, the new notes being printed as required"). She remarks that conventional minds may find such a scheme too fantastic to be taken seriously - a feeling reinforced by the habit of the advocates "to make their case

[28] A third potential source to be considered are the theories of the heretic Major C.H. Douglas and his followers. Major Douglas was a Scottish engineer, who started his career as a writer of social reform schemes in 1918. He gained a substantial amount of followers, amongst them a (rather right-wing) part of the former Guild Socialist Movement. He was heard by the famous MacMillan Committee as a witness. Later, he became very influential in Canada and New Zealand. In the state Alberta (Canada) a Social Credit Party got a Parliamentary Majority in the 3O's and kept this majority for nearly 30 years. The most famous commentary on Major Douglas is probably Keynes's dictum that in the vast army of underconsumptionists Douglas has his place, - as "a private perhaps, but certainly not a Major." (KEYNES, 1937) I will not enter the intricacies of Major Douglas's work in this paper. Suffices it to say that the major feature of his theory was the so-called A+B theorem, which - according to Douglas - explained why underconsumption was bound to exist, because part of the value of production was not paid out. To counter this, the state, therefore, should print money and distribute it to all citizens as a national dividend. This strange theorem, however, was embedded in a second layer of explanation in terms of 'technocratic' development. In this larger theory, somehow, a society of abundance gave way to 'technological' unemployment, because the parts of the economic system were not fully integrated. There is a potential link with Meade's work in two respects: a) he took on the study of economics under the influence of his aunt, who was connected to groups concerned with money reform, b) he invited the Major to lecture and had lunch with him in his early yeats at Oxford. Nevertheless, Meade criticizes the theories of Major Douglas very explicitly in the first pages of 'Economic Analysis and Policy'. I will deal with the place of Major Douglas in the history of social dividend later in this paper.

[29] Joan ROBINSON, *Introduction to the Theory of Full Employment*, London, Macmillan, 1937

exceedingly complicated and unconvincingly argued". Yet, Robinson goes on, the scheme has something to recommend itself to common sense. "If there is unemployment on the one hand and unsatisfied needs on the other, why should not the two be brought together, by the simple device of providing the needy with purchasing power to consume the products of the unemployed?" (1937:73)

Robinson's overall evaluation is rather sympathetic. In practice, she says, the Social Dividend is likely to foster opposition from powerful financial interests, but "assuming that it is allowed to work smoothly, it would produce the desired effect of increasing consumption, and therefore employment, in just the same way as an ordinary budget deficit does. (...) Further, the cumulative increase in the stock of money would bring about a fall in the rate of interest (provided panic was avoided) and so encourage investment, thus giving a further stimulus to activity." However, there exists one major drawback. This scheme "robs the monetary authorities of all their power, for while it is in force they can no longer control the quantity of money." And she concludes: "Economic life presents us always with a choice of evils, and differences between the orthodox bankers and the currency reformers arise because each chooses a different evil. The bankers are afraid, above everything, of inflation, and are light-hearted in allowing unemployment to occur; currency enthusiasts, on the other hand, see the evils of unemployment and mock at the dangers of inflation; while both differ from more radical reformers in hoping to preserve or to patch up the system of private enterprise, rather than to recast it altogether." (1937:74)

If this first fragment is important because it express clearly the idea of a functional equivalence between social dividends and some other tools of Keynesian demand management, then the second fragment is important in view of the present debate on welfare reform and the politics of moving people from welfare to work. Even if strictly speaking ‘social dividend’ does not appear in it, it shows that Joan Robinson might well have been in favour of a basic income scheme if she would have been asked to assess such a scheme on economic grounds.

'Disguised Unemployment' is one of Joan Robinson’s well-known articles. It framed the very concept and introduced it into the framework of Keynes's General Theory. Knowing what the concept looks like in the received view, reading it can be a bit of a surprise. As a matter of fact, Robinson forges the concept to account for the fact that, over the whole range of human history, unemployment in the modern sense is, comparatively speaking, a rare and local phenomenon.

What does 'disguised unemployment' mean?

Robinson explains it as follows: "In a society in which there is no regular system of unemployment benefit, and in which poor relief is either non-existent or 'less eligible' than almost any alternative short of suicide, a man who is thrown out of work must scratch up a living somehow or other by means of his own efforts. And under any system in which complete idleness is not a statutory condition for drawing the dole, a man who cannot find a regular job will naturally employ his time as usefully as he may. Thus, except under peculiar conditions, a decline in effective demand which reduces the amount of employment offered in the general run of industries will not lead to 'unemployment' in the sense of complete idleness, but will rather drive workers into a number of occupations - selling match-boxes in the Strand, cutting brushwood in the jungles, digging potatoes on allotments - which are still open to them. ... Thus a decline in demand for the product of the general run of industries leads to a diversion of labour from occupations in which productivity is higher to others where it is lower. The cause of this diversion, a decline in effective demand, is exactly the same as the cause of unemployment in the ordinary sense, and it is natural to describe the adoption of inferior occupations by dismissed workers as diguised unemployment."(1937:61-62)

In the main part of the article, however, Robinson considers the effects of disguised unemployment, i.e. of individuals taking on hand-to-mouth occupation, on overall welfare in two different states of affairs: first, a state in which there does not exist any right to a form of relief; second, a state in which such a right exist, but where one is disallowed benefit when taking on hand-to-mouth occupation. (Robinson assumes payment of the doles out of borrowing and the inexistence of saleable wealth, charity or credit facilities on the part of the unemployed. She also explicitly notes that by doles she is referring to any form of relief payment.)

In a state of affairs without any relief or dole system, the individual we consider is near starvation and is forced to take on some hand-to-mouth occupation. "Anything that he earns, in kind or in cash, he devotes to immediate consumption. Whatever he succeeds in producing is a clear addition to the total output. As a first approximation we may say that from the point of view of the rest of society, taken as a whole, his activities make no difference to output, one way or another. ... The dole-less individual, who is too poor to save, is a little world to which Say's Law applies with full force." (1937:66-67) She considers some qualifications, but the conclusion stays firm: "... the self-help of a man who in any case does not draw the dole makes no appreciable difference to the rest of the community taken as a whole, though he may damage some sections and help others." Or, as she noted before, "... the products of their efforts, the equivalents of which they consume themselves, is a clear addition to the output of the regular industries." (1937:63)

The case of a man who is disallowed benefit, when taking on hand-to-mouth occupations, is markedly different. The reason for this is clear. Reducing benefits implies reducing demand. "The effect of discontinuing the dole to an unemployed man, and driving him to self-help, is to increase the total of unemployment, while causing a part of it to become disguised." (1937:68)

The conclusion is relatively clear. Depending on the prevailing situation and the views one holds, a case for as well as a case against the institution of a dole system (or its abolishment) can be made.

The next step in Robinson's argument is, from the perspective of the basic income debate, the important one. As she goes on to say: "... a dole for which idleness is not a qualification is an unmixed benefit."(1937:69) Pointing at the example of a scheme instituted at Upholland to make this statement clear.

"Here a community of unemployed men work at various trades for their own benefit. They continue to draw the dole to which they were entitled when they became unemployed, and with this imports in the community are paid for. Their own produce is not exported ... but is divided up and consumed within the community. Our analysis enables us to see that the output of the rest of the world is unaffected by the existence of such a community, because the dole of an unemployed man who enters Upholland continues to be spent upon the output of the outside world while the whole produce of the workers within the scheme is a clear addition to the output of the society." (1937:69) (The example has some rigid features which could be relaxed without altering the overall conclusion. The most important being the distinction between internally produced and imported goods. Robinson shows that lifting this assumption does not alter much to the conclusion.)

Robinson directs our attention to the fact that this kind of schemes is not a remedy to unemployment. It is no substitute for measures calculated to increase effective demand. Yet, it is a peculiarly effective method of reducing the ill-effects of unemployment. "... it allows the advantages of hand-to-mouth production, under unusually favourable conditions, to be obtained without imposing, upon the unemployed and the rest of society alike, the evils of cutting off the dole. Under ideal conditions, the widespread institution of such schemes could remove the ill-effects of unemployment altogether, and could produce the level of consumption corresponding to full employment, or even improve upon it." (1937:70) Communities as the one at Upholland may even become very succesful, if their rate of productivity gets higher, or if they simply get more efficient by getting more experienced. "A day may not be far distant when, taking account both of the standard of consumption and the general amenities, the life of an unemployed man in Upholland may appear preferable to the life of an employed man outside. If things ever came to this pass, it is easy to imagine the protests that would be made against continuing dole payments to men who were actually finding unemployment tolerable. But if the dole were discontinued, the whole merit, from the point of view of outside industry, of the Upholland scheme would disappear." (1937:72) Indeed, even if the rising efficiency made it possible to compensate for the loss of the doles, the outside industries would still suffer from a shrinkage of demand.

Considered in the light of Upholland, we may conclude, according to Robinson, that "provided he does not sacrifice his right to the dole, an unemployed man does himself good, and on balance does others no harm, by occupying himself as usefully as he can." (1937:73)

Why, then, do present regulations of eligibility militate strongly against this. Robinson's answer is enigmatic. "The administrative complications involved, the strong moral objection to scroungers, felt by workers as well as by taxpayers, and the difficulty of preventing employers from obtaining an illicit subsidy, may be regarded as sufficient justification for such regulations. But their economic effects can only be harmful." (1937:74)

From this to considering a social dividend scheme seems to be only a small step. Yet, Robinson does not go this way. One of the reasons might be that she, primarily, thinks of the extended Upholland scheme as something not concerned with the issue of full employment. Indeed, in the december issue of The Economic Journal (1936), Robinson rebukes a critic, who in fact proposes to use the doles to subsidise low waged jobs. She points out that here concern was not with full employment policies: "The Upholland scheme is not, as I say, a cure for unemployment, but a palliative which would cease to be necessary if schemes calculated to cure unemployment were successfully carried out, and schemes to cure unemployment must be discussed on their own merits." (1936b:759)

*b) Abba Lerner*

If asked to guess in what area of economics the idea of a social dividend should be situated, the common answer might very well refer to theories on market socialism and planning.

The potential link is clear and easily made.

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[30].

A most significant and important event in this field of study was the publication in the mid thirties of a series of articles in the 'Economic Journal' and the 'Review of Economic Studies'. These articles centered around the question of the theoretical and practical viability of a planned economy. A problem put before the defenders of a socialist state by a.o. Ludwig von Mises and Friedrich Hayek. Amongst the important contributors to this series of articles are H.D. Dickinson, Maurice Dobb, Evan Durbin and, not in the least, Oscar Lange and Abba Lerner.

The seminal articles on 'Market Socialism' by Oscar Lange appeared in the 'Review of Economic Studies' (1936/1937) - a new undertaking, appearing for the first time in 1933 and in which Robinson, Meade as well as Lerner were involved from very early on.

For the social dividend story, Abba Lerner is doubly important. First of all, because he pointed out that in order not to disturb the workings of the labour market the social dividend should not be distributed proportionally to wages, as was Lange's original proposal, but lump-sum.

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[30] 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.

More importantly, however, ‘social dividend’ plays an important role in Lerner’s major work 'The Economics of Control: The Economics of Welfare'[31].

'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." 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."

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 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)

[31] It was published in 1944, but as Lerner makes clear in the introduction it was actually written from 1932 onwards. Dating any part of the content, thus, becomes very difficult. 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).

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 dividend. But in the 24th chapter - the one which is subtitled: functional finance - social dividend reappears.

In that 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 consumption 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. Fourtly, 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.

### 4. G.D.H. Cole and the conception of social dividend

As I mentioned already, Meade, Robinson and Lerner participated in several overlapping discursive communities were the notion of a social dividend may have been used. As far as the ‘academic’ scene is concerned, all three of them participated in discussions situated in the triangle Oxford-Cambridge-LSE. However, all three of them were also involved in the ‘practical’ debate. More specifically, all three were to a greater or lesser extent involved with work for the New Fabian Research Bureau and all three of them participated in meetings of the so-called Cole group.

It follows, therefore, that the real source of the social dividend needs to be sought in the work done within the orbit of G.D.H. Cole.

Within the debate on market socialism and economic planning, G.D.H. Cole – Oxford professor, intellectual leader of the Fabian Society and one of the main theoreticians of the Guild Socialist Movement – took a quite unique position. More than anyone else, it has been argued[32], Cole recognised the need to synthesise social policy with economic planning and, as will become clear in the next pages, the idea of a social dividend played a central role in this respect.

*a) Principles of Economic Planning (1935)*

In Principles of Economic Planning, a book published in 1935, Cole introduced the term 'social dividend' when treating in detail the planned distribution of incomes and production, i.e. after having explained that a planned economy will "seek to begin ... by distributing enough income to buy at the planned prices all the consumers' goods and services".

On this first appearance, social dividend is put between inverted commas and its use presented explicitly as an alternative to doles. The latter term refers, as Cole explains, to all payments of "some sort or another from the public purse" but it is used here "to include payments of interest on public debts as well as pensions, insurance payments, poor relief, and so on". (Cole 1935, p. 234)

This terminological change is not merely cosmetic. In fact, it signals the deep structural change, Cole expects to occur in the domain of income distribution after moving to a planned economy.

"How will ... incomes be distributed? There are two possible ways - payments for work done, and 'doles', or, to give them a less coloured name, 'social dividends'. I believe the system of distribution will be a combination of these two, but a very different combination from that which now exists. ... There will remain, broadly, two sources of income - work and citizenship. 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 in the common heritage of productive power." (Cole 1935, pp. 234-235)

In addition to this fundamental structural change, i.e. the introduction of a civic right to a share in the national product, Cole also expects a substantial quantitative change. The proportion of total income distributed through payments for work done should be reduced steadily and the amount channelled through the social dividend enlarged accordingly.

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32 See: Elizabeth Durbin, *New Jerusalems*,

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. (Cole 1935, pp. 235-236)

Based on some provisional figures, Cole estimates that nearly two-thirds of the national income will have to be distributed through the social dividend system.[1] Hence, since the great majority of people would draw more income through the social dividend than through salaries or wages, "a situation would result in which earnings would become a means, not as now of supplying the elementary necessities of life, but of enjoying a surplus above the minimum". (Cole 1935, p. 236)

To establish that more is at stake, let us look more in detail at the arguments on which Cole rested his case. More specifically, let us consider how the social dividend with its implied shift from provision in kind to cash payments and its resultant meshing of economic planning and social policy can be conceived of as Cole's theoretical response to the challenge posed by a particular characteristic of advanced industrial societies.

As Cole argued in Chapter 9 of The Principles of Economic Planning "to secure that the available resources shall be both fully used, subject to the claims of leisure, and used to the best possible purpose" (Cole 1935, p. 220) involves control of the monetary system. And, more importantly, it also makes the planning of incomes unavoidable. The first part of this claim was relatively common to many of Cole's contemporaries; the second part was not.

This novelty results from an argument combining an assumption about "conceptions of social expediency and justice" socialists will be using when planning the economy (Cole 1935, p. 224) and a conjecture about an important, but largely neglected feature of advanced industrial societies.

For Cole, a socialist conception of justice demands, first of all, that need rather than demand becomes the primary criterion to judge whether productive effort is worthwhile. From this follows, in his view, that

"… 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." (Cole 1935, p. 224)

If Cole had rested his case at this point, no real need would have arisen to argue for cash payments. This is especially so, because Cole apparently thought that hardly any doubts existed about the content of a minimum basket filled with "necessaries of civilised living" or about the corresponding size of this "first overriding claim upon the available resources of production".

However, one important and immensely troubling qualification is noted and strongly emphasised.

In advanced societies, so Cole argues, the distinction between luxuries and necessaries is no longer that neat. There exists a wide range of goods and services that cannot easily be classified as either or both. To distinguish them from ordinary (or universal) necessaries, Cole proposes to use the label 'substitutable necessaries'.

The existence of this specific category of goods and services is deeply troublesome for the theory and practice of (socialist) economic planning. Even if these labels are useful to categorise goods and services analytically, they do not really cover three different types of output. Cole understands very well that drawing a line between luxuries and substitutable necessaries could prove equally difficult as drawing a line between the latter and universal necessaries. Goods or services may well belong to each of the three categories depending on the amount of goods available in general and to each consumer in particular.

But this is not all. According to Cole, "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." (Cole 1935, p. 225) It is highly desirable, therefore, to leave the individual citizen in an advanced society "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." (Cole 1935, p. 225)

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. (Cole 1935, p. 225)

As a result, qualifying the standard distinction between necessaries and luxuries in the way Cole does, makes it largely impossible to determine ex-ante the exact content of the universal necessary basket and, consequently, a planner will unavoidably remain in doubt as to what to produce and in which amounts.

"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 of 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. (...) ..., except where a service is provided actually free of charge, the demand for it will be affected by the distribution of incomes. The fixing of a certain price for spirits, or theatre-seats, will have quite different effects with different distributions of income among the members of the community. A pricing policy designed to encourage or discourage particular kinds of consumption can be framed only in the light of a given income structure." (Cole 1935, pp. 225-226, p. 228)

The former argument provides Cole with a clear rationale and powerful argument for giving priority to an incomes policy in the process of social and economic planning as well as for using a (cash) social dividend as the main instrument of a redistributive policy.

However, this recurrent emphasis on the evident impossibility “to plan production on a basis of social justice or expediency except in the light of a prior planning of incomes" (Cole, 1935, p. 227) could easily prevent one from noticing that the same line of argument rests on an important general principle.

Except in a limited number of special cases, Cole holds, there exists “no clear reason why a society should wish its members to spend their incomes on one thing rather than another, after the minimum requirements of decent and healthy living have been met." (Cole 1935, p. 227)

“With most things, however, beyond the level of a minimum standard of necessity, the State will be concerned neither to encourage nor to discourage consumption on social grounds. There may in certain cases be strong economic reasons for encouraging one form of consumption against another, where the output of one kind of goods can be more easily increased, so as to lower unit costs as the total output rises. ... Over by far the greater part of the field of production, therefore, the task of a planned economy will not be to dictate what is to be consumed, but to respond to the movements of consumer demand. It will be for the consumers, and not for the planners, to express a preference for more gramophones as against more cigarettes, more commodious houses as against more motor-cars, more mutton as against more bacon - in fact, more of any one thing as against everything else.” (Cole 1935, p. 228)

In Cole’s view, then, the conditions of advanced societies necessitate an important refocusing of a socialist conception of justice. Demands should only be made in terms of a principle of needs. Or, more precisely, demands based on a principle of need should take into account that substitutable necessaries exist in advanced societies and that, therefore, a real freedom to choose becomes for everyone a vital need on a par with all the other basic needs covered by the universal necessaries.

A detailed reading of the relevant fragments in The Principles of Economic Planning helps to clarify, therefore, that the social dividend must be paid in cash, since providing it in kind would never allow individuals to exercise their (vital) need to choose amongst substitutable necessaries. It also illustrates that a language of basic needs can lead to confusion as to what Cole’s social dividend exactly covers; but at the same time it makes also clear that basic needs arguments need not necessarily lead to fostering paternalistic preferences or favouring proposals for provision in kind.

Finally, Cole’s argument also explains why the idea of a cash social dividend is hard to find in earlier socialist or utopian literature. Prior to Cole, several other proposals have been made, based on a vision of a future society with a dualistic social structure, one part of the economy catering for basic needs, another part providing the luxury goods. Fitting examples are, a.o., Pjotr Kropotkin in The Conquest of Bread, or Josef Popper-Lynkeus in Die Allgemeine

Nährpflicht, or Carl Ballod in Konsum und Produktion im Sozialstaat. Yet, all of these regarded the basic needs sector as distributing goods and services in kind. Only the production and distribution of luxury goods would be guided by cash payments through the market.

*b) The Next Ten Years in British Social and Economic Policy (1929)*

Yet, even if Cole uses social dividend for the first time in 1935 to refer to it, the idea of paying a cash amount unconditionally and as of right to each and every citizen can be found in his earlier writings.

Consider, in particular, The Next Ten Years in British Social and Economic Policy, a book Cole wrote in 1929 to restate explicitly his socialist convictions in a format adapted to a changed situation. Major developments to digest were the use of the individual's happiness as the ultimate criterion for judging states of affairs and policies; and the changed international economic and political context. This restatement of Labour's programme led Cole to formulate the nucleus of a proposal, very similar to the device called a social dividend in 1935.

Early in the chapter on Wages, Family Allowances and Population, Cole expressed his conviction that socialism "will not be worth a brass button to the ordinary man unless it can improve the standard of life" (Cole 1929, p. 178). However, if accepted, this position is likely to confront socialist politicians in the future with a very real and difficult dilemma. Stronger international competition, resulting from economic and political changes, implies that raising wages may drive more workers into unemployment. As a result, the standard recipe to improve living standards has become difficult to use, if not practically unavailable. How can socialists escape this difficult dilemma? The only option left is advocating a policy of social redistribution, using mechanisms working through other channels than wages.

Within this perspective Cole considers the potential of introducing family allowances and points out that this policy could easily lead to social redistribution. However, this positive appraisal rests on one important proviso. One should state very clearly and operate carefully on 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 proviso is taken care of, family allowances potentially give way to a new form of social and economic organisation. Through them "the principle of distribution according to need will ... begin to elbow the rival principle of payment for economic value received ...". (Cole 1929, p. 198)

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 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. (Cole 1929, p. 199, emphasis added, wvt.)

This fragment is worth highlighting for several reasons. Not only can it be considered, as far as I know, as the exact spot where Cole adopts the idea of an unconditional income guarantee, later (from 1935 onwards) to be named 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.

Although it has been argued by E. Durbin[33] that Cole's social dividend was a descendent of the National Minimum, inscribed by the Webb's in their constitution for a socialist commonwealth, or of the Living Wage, as it was advocated by Hobson and Brailsford, the elements collected earlier in this paper make it highly improbable either them could be seen adequately as its model. Since Cole mentions neither of them in his 1929 book, this additional evidence only strengthens the case.

However, Durbin also refers to Social Credit as a possible source for Cole's social dividend. Can one establish a link between Dividends for All or State Bonus and the heretic Major C.H. Douglas or his followers?

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 by some to be his only close friend.[6] 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. 'Dividends for All' may well have been the first really accessible presentation of Social Credit Theory both in terms of being easy to read or understand, and readily available outside the readership of The New Age, the weekly that functioned effectively as the main organ of the movement. The title apparently captured the imagination of Douglas' followers, since transformed into a political slogan it became the trade-mark of the Social Credit Movement all over the world.[7]

Does this suffice to demonstrate the claim that Cole's social dividend was inspired by Major Douglas's writings? Or that, at the very least, it was modelled on the main policy proposal of the Social Credit Movement?

In a very general sense, one might be tempted to answer these questions positively. After all, the Douglas Social Credit Scheme was a most remarkable manifestation of an agonising Guild Socialist Movement. Since G.D.H. Cole was one of the main intellectual leaders of this movement, it is not impossible that he may have been influenced, at least in some of his views, by pamphlets or proposals connected to it, if not by the theory itself. Yet, I would argue that in the end such a case would be rather difficult to sustain.

The main reason for this claim is that it is very difficult to find in the early Douglas literature a trace of any practical proposal, paying to each and every individual a cash amount of money. For instance, even when read very carefully, Dividends for All does not offer the smallest trace of a social dividend à la Cole.[8] Despite its title, the main policy instrument contained in W. Allen Young's pamphlet is a specific form of subsidised price reductions for all consumer goods.

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[33] Elisabeth Durbin, *New Jerusalems*,

I do not intend to say that the idea of an unconditional right to income - in the sense of an equal payment to all, not related to work and seen as somehow granting a right to a share of the cultural heritage - was alien to the Social Credit Movement. However, scrutiny of the literature will show that this idea, let alone a practical proposal to implement it, was not part of Major Douglas early writings. Actually, the first publication by Major Douglas adopting the idea of social dividends - or 'national dividends', as he called them - as a practical policy proposal was an article in the Glasgow Evening Times, published on March 11th, 1932.[9] Before this date, there never developed a clear proposal of how a social dividend or something of its kind could have been implemented.

Moreover, after 1935, Cole's writings always make a clear distinction between his own social dividend and the kind of social dividend compatible with social credit theory.

Moreover, it is worth noting that Cole's negative attitude towards Major Douglas's Social Credit, as expressed in his writings from the 1940's, was not the result of a process of gradual scepticism over a theory he formerly accepted. Quite on the contrary, when in 1920 an Extraordinary Conference of the National Guilds League voted against a re-aligning of the movement along Douglasite lines, Cole sided with the majority. Moreover, one week after this event, The Guildsman published a savage review of Major Douglas's Credit-Power and Democracy, judging the scheme "to be unworkable, practically, unsound economically and undesirably morally". The author of the review was G.D.H. Cole.

At its very best, then, Major Douglas and his followers may have shared with Cole the principle of a universal and unconditional entitlement to a share of the common heritage, irrespective of work done and justified on the grounds of citizenship. Yet, this does not leave much room to establish Cole's social dividend as an offspring of Social Credit.

### 5. Dennis Milner and the State Bonus League

This leaves us with only item still to be considered: State Bonus. It was mentioned without any further detail or references in Cole's 1929 book and it is completely absent in from the detailed account of this period in Durbin 's New Jerusalems. So what? Is there any more evidence about what State Bonus stands for? If so, does it fit Cole's social dividend more easily than the other three?

'State Bonus' refers to a pamphlet, published in 1918 and written by Dennis Milner and E. Mabel Milner (née Dymond), his wife. Its object is to advocate the introduction of a truly universal and unconditional payment to each and every individual. In the pamphlet the essence of this proposal is described as follows:

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.[11]

The Scheme for a State Bonus was presented for the first time by Dennis Milner[12], in February 1918, at a meeting of the War and Social Order Committee of the Yearly Meeting of the Society of Friends[13]. It was published a few months later. A State Bonus League was formed in July 1918. Setting up the 'State Bonus League' was the joint effort of the Milner couple and one of their friends, Bertram Pickard - another Quaker[14]. 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. In December 1918, Dennis Milner stood as an independent candidate in the General Elections (at Barkston Ash). Pressure from local Labour Party groups and local trades unionists led to a discussion of the Scheme at the Annual Labour Party Conference in 1920 at Scarborough and, again, in 1921 at Brighton. In both cases it got a hearing, and although the reception was not entirely hostile, it was certainly cool, even negative.

It is not at all clear what caused the League to falter: the bad result at the elections, the negative reactions from within the Labour Party, the practical inability of the League's leadership to proceed with their self-chosen task[15], the competition of a more glamorous Social Credit Movement targeting the same audiences, or simply the lack of money. But the facts are plain. After 1921, the State Bonus Scheme disappeared almost completely from the scene and hardly any further trace of it can be found, even to the point of its being nearly completely erased from the living memory of British social and economic policy.[16]

But let us come back, now that we know a bit more about the details of its short-lived career, to the connection of the State Bonus Scheme with Cole's social dividend. Two questions need still to be answered. Is it possible to connect State Bonus to G.D.H Cole, apart from its mention in the 1929 book? And, are there sufficient reasons to differentiate State Bonus from the three items on Durbin's list?

As for the second question, the answer is rather straightforward. Living Wage and the National Minimum can easily be put aside. Their difference in principle with the State Bonus Scheme must be obvious and the members of the State Bonus League pointed out these differences very clearly in their respective writings.

This allows us to concentrate on Social Credit. Yet, even in that case no doubt is possible. Discounting the chronological problem - Major Douglas's career as a writer on social and economic affairs started only in December 1918 - the implicit reference to taxation as the recommended method to finance a State Bonus effectively rules out any direct link to the Social Credit Movement.

Corroborating evidence for this statement can be found easily in The New Age - the Douglas house organ.[17] When the editor of this weekly commented on the 1921 Annual Labour Party Conference he used its negative appraisal of the State Bonus proposal to chastise the Labour Party. But no positive praise for the Scheme itself was intended. Or, one can refer to two letters to the editor, and printed in the appropriate section of the weekly, in which Dennis Milner clearly shows not to accept the central theoretical claims of Major Douglas's writings.

This question being answered, let's look at last at the relation between State Bonus and G.D.H. Cole.

At first sight, it is rather surprising that Cole still remembered, let alone referred to State Bonus in 1929. Surprising, indeed, because even in the literature of the early 1920's, the State Bonus Scheme left only a few traces. One finds it reviewed (very negatively) by Clara Collett in the June 1919 issue of the Economic Journal. Looking carefully into Eleonor Rathbone's The Desinherited Family, one will find a single reference to State Bonus. And, Hugh Dalton referred to it in a footnote of Some Aspects of the Inequality of Incomes in Modern Communities (1920). The most elaborate reference as well as some more detailed information about the main advocates of the Scheme is contained in an article by Paul H. Douglas, reviewing the British debate on Family Allowances in the Journal of Social Forces (1924).[18] Apart from one other source, that is it. But for our purposes, this one other source, mentioning State Bonus, while the League still existed, is quite important.

Indeed, Dennis Milner's Scheme for a State Bonus was also referred to in Social Theory - a book published in 1920 and written by G.D.H. Cole. So, Cole knew about the Scheme from the days of its conception. Moreover, a letter by Dennis Milner[19], written (most probably) in (March) 1919, confirms that Cole not only knew about it, but that he knew it well and was to some extent in contact with its authors and the State Bonus League. The letter was written on behalf of the League and sent to potential donators to ask for financial help in support of the League's organisational activities. For our purpose, the most important information contained in the letter is the list of people contacted by the League's leaders. The names were put in four categories, one of which is characterised as "people who have definitely agreed to the principles of the Scheme". It is in this specific category that Dennis Milner mentions G.D.H. Cole, M.A.

Though it dates Cole’s knowledge of the Scheme as early as 1920 and documents his positive appraisal of it, the little book is also important for another reason.

In Social Theory Cole refers to the State Bonus Scheme as some sort of new social technology. It is an “advanced example of the new tendency to use taxation as a method of redistributing incomes within the community ... a definite proposal for a redistribution by the State, on a basis of equality, of a considerable proportion of the communal income". (Cole, 1920, p. 85) Moreover, on the level of social theory, the general question addressed is quite indicative, even illuminating. On his own admission Cole aims at formulating a theory concerning the relation of the state and the individual. The main objective is to re-cast this fundamental problematic, taking into account a new situation, i.e. that "the world of creative thought has moved on to the discussion of the functional organisation of Society, and the new problems for the individual to which it gives rise." (Cole 1920, p. 9)

It puts the State Bonus Scheme in a frame of reference similar to that in which social dividend will appear in subsequent writings, like The Next Ten Years in British Social and Economic Policy, The Principles of Economic Planning, Money or The Means of Full Employment. In all these books, Cole casts the social dividend, just like the Scheme for a State Bonus in 1920, as a method of redistribution. Despite Milner's own interpretation, one may add, since the latter always stressed, for somewhat puzzlingly and most probably tactical reasons, that his was a proposal aiming at changing the distribution of incomes, not at redistributing incomes.

Although written in 1944, the following fragment from Money gives us a good view on the general famework in which Cole's social dividend gets its specific meaning and significance since the early 1920's.

"... I regard the social dividend as an indispensable instrument, under modern conditions of large-scale production both for securing that human independence of the individual on which Distributists have particularly insisted, and for ensuring that production shall be pushed to the limits set by the demand for leisure, and not held back by allegations that it pays better to leave productive resources unused when they cannot be so employed as to show a 'profit' over total 'financial costs'. I regard it, too, as a necessary recognition of the essentially social character of production, which depends not only on the current efforts of the individual producers, but also on the accumulated stores of knowledge which are the common birthright of us all." (Cole 1944, p. 306)

To be sure, the exact terms in which the problems are cast change. In 1944 Cole's framework used terms like the "human independence of the individual" and "the essentially social character of production" whereas in 1920 he spoke about "the functional organisation of Society" and "the new problems of the individual".[20] The main difference, however, seems to be that what appeared, in 1920, as an unbridgeable gap is conceived of, in 1944, much less as a problem in principle than as a problem to be overcome in practice by introducing a social dividend. In 1944, the twofold dual character of a social dividend - guaranteeing independence while using it as a check on unlimited production, and symbolising interdependence while paying out the benefits of social production - seems to signal that under modern conditions of large-scale production a bridge between society and individual can effectively be build.

**6. Epilogue**

I started this paper with a little story about how 'basic income' became the accepted term to refer to schemes guaranteeing unconditionally and as of right to everyone a minimum income only around 1985. Instrumental in spreading the term, I have suggested, were the Basic Income Research Group (and more in particular Hermione Parker) and the Basic Income European Network. And it is fair to say that since then basic income schemes have generally been associated with reforms of the tax-benefit system and are considered as mechanisms to integrate, rationalise and harmonise further systems redistributing or guaranteeing (minimum) incomes through taxation or social benefits.

Bringing together some pieces of writing from a time when these schemes were still discusses under the name 'social dividend' reveals that the modern way of looking at them seriously limits our view and streamlines our thinking about it. Moreover, it also becomes clear that the different episodes of the story do not really line up so as to form a real linear development of the theme. In a sense, in each case the idea enters someone's mind without really making a connection with forerunners and in most cases without being picked up explicitly (and with a clear reference) by successors.

To close the circle for the themes treated in this paper, two topics are still worth mentioning.

The first of point concerns the relation between social dividend (or basic income) and the Beveridge report of 1942. It is not only that case, as I mentioned earlier, that the Rhys Williams proposal was initially meant to provide an alternative for it. We know also from recent debates that modernising social security from a 'Back-to-Beveridge' perspective is seen as incompatible with a strategy based on implementing a basic income. Yet, G.D.H. Cole seems to suggest otherwise.

Consider the following lines in 'The Means to Full Employment' (1943): "'Social dividends' could, of course, be paid in the form of 'consumers' credits' out of State-created new money; ... But 'social dividends' could also be paid, as it is proposed in the Beveridge report that children's allowances should be paid, out of the proceeds of general taxation. I agree that it would be very difficult to do this on an adequate scale under the capitalist system." (p.162) The 1954 edition of 'Money' puts it even more strongly: "Family allowances can be fairly regarded as a first instalment of such a policy [of social dividends, wvt]." (p.165)

Cole clearly expected that travelling a social dividend path would lead to the same destination as following the route designed by Beveridge. One can put it even more strongly: Cole considered the social dividend option as a clear extension of the programme contained in the Beveridge Report. This last point can best be appreciated by quoting a final fragment, expressing very clearly Cole's view on the relation between his social dividend and the central message of the Beveridge Report:

"To some of my readers, speculations of this order [= contemplating the introduction of a social dividend, wvt.] will doubtless appear Utopian, and out of place in such a book as this. But is the idea of a 'social dividend' so far away from the spirit of that part of the post-war social programme the country is now debating in which the notions of comprehensive free medical service and comprehensive free education seem to be finding acceptance? If the State assumes the responsibility of seeing to it that all its citizens are to be given the chance of free health service and free education up to a secondary stage - if it is to go further, and to accept the implications of the Beveridge slogan 'Freedom from Want', what is there Utopian in suggesting that a share in the product of industry ought to accrue to every citizen as a money payment which he can spent freely, as well as in the form of certain freely provided services? It is a further step, I agree; but it is a step on a road on which we have already agreed to travel a good deal of the way." (Cole 1944, p. 148)

A last loose end that needs to be picked up is 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 – since his very first writings, but that only in 1948 he found in the Rhys Williams proposal a mechanism allowing him to see how this view could be realised in practice. Surprisingly enough, the State Bonus Scheme - a proposal functionally equivalent to the

Rhys-Williams one, but made public as early as 1918 - could have been available to Meade, if it not have disappeared completely from the scene after being discussed and dismissed at the 1920 Labour Party Annual Conference at Scarborough.[34]

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 Milners[35]. 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."[36] In 1933, Margaret Wilson married James Meade. In the late thirties, both the Pickards and the Meades - young English couples with young children - lived in Geneva. In the late forties, both the 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 well. 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[37].

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34 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

35 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.

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

37 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).

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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[+] S-WAV, Catholic University of Louvain. This paper was written as a senior researcher of the Research Unit on Labour Economics, UFSIA/University of Antwerp (Belgium). Earlier versions were presented at the 1997 HES Conference in Charleston and at All Souls College, Oxford, at the occasion of an executive committee meeting of the Basic Income European Network. I thank Ingrid Rima for her comments as a discussant at the HES presentation, Philippe Van Parijs for organising the All Souls seminar and the participants to these meetings for their comments and remarks. I thank also Guido Erreygers and Tom Schatteman, for their careful reading of (too) many draft versions of this paper as well as for their unrelenting reminders that this paper still needed to be finished, and John Cunliffe, for providing the final impetus to do so.

[1]. In Chapter 9 Cole proposes a social dividend of "30s. a week for every adult, 20s. for each young person above 15, and 10s. for every child, at the present level of the cost of living". However, an appendix following this chapter contains an elaborated and detailed explanation of the differences between the old and the new form of distributing incomes. In this appendix, the figures used differ from those in the main body of the text: "... 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 ... 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." (PEP:265)

[2] This is a position taken by contemporary theorists like, amongst others, Claus Offe (1994) or Michael Walzer (1980). T.H. Marshall’s Citizenship and Social Class (1964) is a classic article, presenting a social rights based welfare state as claiming for everyone “a modicum of economic welfare and his share of the social heritage”.

[3] It is worth noting that, under different names like universal grant, basic income, social dividend, or citizenship income, proposals of this nature have known a considerable revival in recent years as part of the European debate on social security, labour market policies and restructuring the welfare state.

[4] Given the sheer volume of Cole's writings it is somewhat hazardous to be very firm about it. Yet to my knowledge no earlier use of the term can be found in his writings.

[5] "I set about writing this book because, whether I liked it or not, I had been compelled by the movements of events to think out afresh my social and political creed", Cole wrote in the very first sentence of the preface. Hugh Gaitskell has given us a glimpse of the actual conversion process in the following story: "One of my most treasured memories is of a tremendous argument we had when he [=Cole] was writing in - I think - 1929, The Next Ten Years in British Social and Economic Policy. I was attacking Guild Socialism because it was both unrealistic and really directed to what were false aims. One must, I said, always come back to the happiness of the individual. Eventually we went to bed. The next morning Douglas said he had been thinking about it all night and decided I was right." in: H. GAITSKELL, At Oxford in the Twenties, in: A. BRIGGS, J. SAVILLE (ed.), Essays in Labour History, London: Macmillan

[6] See: J.L. FINLAY (1972)

[7] W. Allen Young's book is the first book on Social Credit to be mentioned in 'The Economist', in the books received section on Sept. 3rd, 1921. 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 any of Major Douglas' own writings.

[8] For a detailed analysis of W. Allan Young's pamphlet as well as of the bulk of the Social Credit literature I refer to W. VAN TRIER, Everyone A King, (PhD) Department of Sociology, Catholic University of Louvain.

[9] Major C.H. DOUGLAS, A Draft Social Credit Scheme for Scotland, in: Glasgow Evening Times, March 11th, 1932

[10] These four methods are: minimum-wage laws, provision of communal services or social service payments, targeted on the poor and paid out of taxation, lowering the payments to owners of capital through the reduction of interest rates, and lowering tax rates for the poor.

[11] E. Mabel and Dennis MILNER, Scheme for a State Bonus, Kent, Simpkin, Marshall & Co., 1918

[12] A second meeting, where the proposal was discussed more fully, was held in May of the same year.

[13] 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

[14] 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.

[15] Soon after the negative experiences with the Labour Party Conferences, Dennis Milner experienced some dramatic events in his personal life; He lost a (second) child and separated from his wife (and first child). He remarried around 1925 and at the end of September 1927 went with his second wife - Marion Milner - for two years to the US, where she worked on a Laura Spelman Rockefeller Memorial Fellowship with Elton Mayo and got involved in the famous Hawthorne Experiment. This series of events robbed him from his natural constituency - the Society of Friends. Bertram Pickard, on the other hand, got more heavily involved in voluntary Peace Work from 1921 onwards. From 1922 till 1926, he acted as secretary to the Friends' Yearly Meeting Peace Committee. In 1926, he moved to Geneva to be (until 1940) 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.

[16] A wide search of the relevant literature produced only one book with only a limited reference to the State Bonus Scheme. Private conversation with the author learned that his information on the Scheme was much more limited than the story told in the present paper. See: J. MACNICOL, The Movement for Family allowances, 1918-45: A Study in Social Policy Development, London: Heinemann, 1980

[17] The relevant material can be found in the following issues of The New Age: October 9, 1919 (p.399), June 17, 1919 (p.97-98), June 24, 1920 (p.127), July 1, 1920 (p.143), and August, 25, 1921 (p.198).

[18] A similar article by Paul Douglas appeared the same year in The American Friend. So it may well have been his Quaker connections that directed Douglas towards considering the State Bonus case.

[18] I found this letter - together with some other material regarding Dennis Milner, Bertram Pickard and the State Bonus League - in Box 233 at the Library of the Friends Meeting House in London.

[19] This question is central to Cole's work from his earliest Guild Socialist writing. In Self-Government in Industry, written in 1917, the term "sovereignty of the consumer" refers to the Collectivist position on the sovereignty of territorial association and is used to mark a difference with the Syndicalist position, characterised as a sovereignty of producers. Guild Socialism, for Cole, is an attempt to synthesise both positions, using the principle of function. However, "this separation of functions, which is fundamental to the Guild system, does not solve the problem. The nation is in all its aspects so interdependent, production and consumption so inextricably intertwined, that no mere abstract separation of functions can form a basis for a theory of the modern community. The problem cannot, I admit, be left where it stands: if the old sovereign of Collectivism and the rival Sovereign of Syndicalism are alike dethroned, it remains for Guild Socialists to affirm a new and positive theory of sovereignty." (pp 86-87)

[20] In private conversation, James Meade told me not have any recollection of Cole's advocacy of a social dividend, prior to reading one of my early papers on the history of the idea in which Cole'was presented as an important forgotten link. On the contrary, he alway