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From James Meade's 'Social Dividend' to 'State Bonus': An Intriguing Chapter in the History of a Concept

Walter Van Trier*

An important feature of the institutional framework of James Meade's *Agathotopia* is a 'social dividend', i.e. the unconditional and equal cash payment made as of right to each and every one. Some years prior to the publication in 1989, similar proposals had been widely discussed in Great-Britain and Continental Europe under the name of 'basic income'. Yet, in Meade's writings the idea of a social dividend was not new. In fact, throughout his life, it regularly resurfaces in many books and articles at least since 1935.

The objective of this paper is twofold. First, it documents the appearance of 'social dividend' in the early writings of James Meade. It also discusses different discursive communities Meade was involved in and which might have been possible origins for the term as well as for the idea of an unconditional equal payment to all. Secondly, it shows that in Meade's writings a 'social dividend' plays different roles, prefiguring in a sense different approaches to 'basic income' in the present-day literature. The last part of the paper tells a little story about a remarkable 'rendez-vous manqué' between James Meade and the authors of the first recorded modern British proposal for a basic income, dating from 1918.

Keywords: social dividend, basic income, Meade (James), agathotopia, redistribution, Cole (G.D.H), state bonus

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Du dividende social de James Mead au 'State bonus' :
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Une caractéristique importante du cadre institutionnel de l'Agathotopia de James Meade est le « dividende social », c'est-à-dire, le versement inconditionnel et égal d'un revenu versé de plein droit à chacun et pour tout le monde. Quelques années avant la publication en 1989, des propositions similaires avaient été largement débattues en Grande-Bretagne et en Europe continentale sous le nom de « revenu de base ». Pourtant, dans les écrits de Meade, l'idée d'un dividende social n'était pas nouvelle. En fait, tout au long de sa vie, il refait régulièrement surface dans de nombreux ouvrages et articles au moins depuis 1935.

L'objectif de cet article est double. Premièrement, il documente l'apparition du « dividende social » dans les premiers écrits de James Meade. Il aborde également différentes communautés discursives dans lesquelles Meade a été impliqué et qui peuvent être des origines possibles à la fois du terme et de l'idée d'un paiement égal et inconditionnel à tous. Deuxièmement, il montre que, dans les écrits de Meade, un « dividende social » joue différents rôles, préfigurant en un sens différentes approches du « revenu de base » dans la littérature contemporaine. La dernière partie de l'article raconte une anecdote au sujet d'un « rendez-vous manqué » remarquable entre James Meade et les auteurs d'une proposition d'un revenue de base, qui date de 1918 et qui est la première connue en Grande-Bretagne.

Mots-clés : dividende social, revenu de base, Meade (James), agathotopia, redistribution, Cole (G.D.H), state bonus

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> I am saddened that so many of my professional colleagues seem at present to be so exclusively engaged in discussing how best to design fiscal, monetary, foreign-exchange and wage-setting policies and institutions so as to get the best pay-off between inflation and employment, given the present combination of distribution and efficiency objectives in setting rates of pay. This work is very important and very valuable. But I appeal to some of them to divert some of their attention away from making the best of the present bad job and on to the design of a better job. They may well not accept Agathotopia as the best possible model for this purpose, in which case I challenge them to produce a better one. But whatever its precise structure, a model of an Agathotopian kind is needed during a process of a movement towards or a movement away from an ultimate goal and as laying the ideological foundation on which a new political consensus might be built. (James E. Meade, *Liberty, Equality and Efficiency*, 1993, 16)

1. Prologue

Addressing in 1988 a conference, organized by the Italian Lega Nazionale delle Cooperative e Mutue, James Meade presented the first of a series of papers, describing the institutional framework of what he considered to be a good-enough place to live in—not a perfect place or Utopia, but an Agathotopia.[1] An important, even indispensable feature of this institutional framework, so Meade claims, is "the payment by the State to every citizen … of a given income, called a Social Dividend. This income is tax-free and is paid unconditionally to every citizen whether he or she is employed or unemployed, healthy or sick, active or idle, and—at the appropriate rates—young or old." (Meade, 1989, 30).

Lacking any specific reference as to its intellectual origins, it is not unreasonable to think[2] that Meade hit on this peculiar device as a result of the British social policy debate in the decade prior to the Italian conference and, hence, that he added it only recently to the set of economic policies and institutions he had been considering earlier in his career as potentially beneficial "to cope with the inevitable clashes between three economic objectives: first, citizens' freedom of choice in markets for jobs and for the satisfaction of their wants (Liberty); second, avoidance of any resulting intolerable contrast of poverty side by side with great riches (Equality); and, third, the use of available resources in ways which will produce the technically highest possible average standard of living (Efficiency)" (Meade, 1993, 1).

Indeed, by the late 1980s proposals containing the idea of paying to everyone unconditionally and as of right a guaranteed minimum income had been widely discussed in Britain under the name 'basic income'. For instance, in 1983, the Voluntary Action Group had taken the initiative to bring together a group of academics and policy analysts to form the Basic Income Research Group (now Citizen's Income Trust). Other signs of the growing interest in the idea were its adoption as part of his political agenda by the then leader of the British Liberal-Democrats, Paddy Ashdown (1989) or the positive appraisal of basic income schemes by the then assistant editor of the Financial Times, Samuel Brittan (1990).[3] But, interestingly, in the first half of the 1980s, most British advocates of basic income were still using the term

[1] Meade's first Agathotopian tale was published in 1989 by the David Hume Institute. A reworked version as well as the subsequent Agathotopian tales have been reprinted in Meade (1993).

[2] As is, for instance, suggested by Ralph W. Pfouts (1993) in his review of Meade's collection of Agathotopian tales.

[3] The discussion about basic income was not confined to Britain. In 1986, at the initiative of the Belgian philosopher Philippe Van Parijs, a two-day conference was organised assembling most of the people working on the idea at that time. This conference led to the founding of the Basic Income European (now Earth) Network, linking the different people and groups interested in debating the idea.

'social dividend'. For instance, a 1983 paper by Anne Miller, another BIRG-member, was titled 'In Praise of Social Dividends'. Guy Standing, at that time still working for the ILO World Employment Programme, used the term 'social dividend' for a scheme "by which every individual, regardless of work status, would receive a guaranteed basic income" in the final chapter of his 1986 monograph on unemployment and labour market flexibility in the United Kingdom (Standing, 1986, 138-140). In his 1985 book, *The State*, Bill Jordan used this term throughout the book, thanking his fellow-members of the Basic Income Research Group for allowing him to deepen his understanding of "the implications of the social dividend proposal …" (1985, vii). In fact, what developed into the Basic Income Research Group was originally set-up by the NCVO, in 1983, as the Social Dividend Group. Hence, the conjecture that it was this debate that inspired Meade and stimulated him to adopt a social dividend as an important feature of the Agathotopian institutional set-up is quite understandable.

Yet, this conjecture is wrong. Meade's use of the term 'social dividend' to refer to the idea of paying an equal sum unconditionally to everyone—or, if one wants to use the modern terminology, a 'basic income'—predates with nearly half a century the writing of the Agathotopian tales. Indeed, it can already be found in Meade's writings from the mid 1930's. As a matter of fact, as will be documented below, 'social dividend' resurfaces with such a perplexing regularity in Meade's writings throughout his career that it is difficult not to conclude that, from very early on, it constitutes a core feature of his view on how the world could be made a better place to live in.

Straightening out the historical record is a first objective of this paper. Sections 2 and 3 focus on how 'social dividend' appears in Meade's early writing. Sections 5 and 6 explore different so-called discursive communities in which Meade could possibly have encountered the idea. But apart from the historical record, there are at least two more good reasons for looking in a more detailed way at the place and the role of 'social dividend' in Meade's work.

First, reading Meade helps to gain additional insight in the complexities of the debate today. Indeed, although it has been presented recurrently as "a beautifully, disarmingly simple idea", basic income is still vindicated "using the widest range of arguments" (Van Parijs, 1992, 3). Even if, basically, the implied format, i.e. an equal and unconditional cash amount to be paid to all individually, does not change, the reasons to implement the device as well as the task(s) it is expected to perform may vary substantially, resulting in an amazingly diverse set of implementation schemes. As will be illustrated in Section 4, something similar is the case in the writings of James Meade. A detailed reading reveals that 'social dividend' does not always play the same role. In this sense, reading Meade can be helpful in teasing out the different meanings of basic income in the present-day debate.

Secondly, many contributors to the recent debate see basic income schemes as signalling a new paradigm in social and economic policy—a new paradigm at odds with what some have called the Full Employment Welfare State with its institutional framework roots in the teachings of Keynes and Beveridge. The similarity between basic income and a negative income tax as well as the fact that several basic income advocates do not (seem to) bother too much about the traditional goal of full-employment seem to be a case in point. In this context, Meade's writings may confront present-day basic income advocates with the (for them) somewhat puzzling case of a Keynesian, an important architect of the British Welfare State, and a lifelong adherent to full employment, who, nevertheless, advocated throughout his life the introduction of a social dividend as a necessary feature of a decent society.

2. When Did James Meade Adopt 'Social Dividend'?

An incomplete list of places where James Meade mentions or discusses, approvingly, 'social dividend' includes, amongst others, the remarkable booklet *Efficiency, Equality and the Ownership of Property* (1965), his books *The Intelligent Radical's Guide to Economic Policy* (1975) and *The Just Economy* (1976), a well-known article on poverty in the *Oxford Economic Papers* (1978), the report of the Meade-committee on the reform of Direct Taxation (1978), his Copenhagen-lecture (1983) marking the centenary of Keynes's birth, his 1983 T.H. Marshall Lecture on technological development and unemployment, as well as more recently, of course, his Agathotopian tales, collected in *Liberty, Equality, Efficiency* (1993) and, finally, *Full Employment Regained?* (1995).

As mentioned above, Meade's first use of the term 'social dividend' predates the oldest item on this list with some 30 years. Yet, until the end of the 1980s most participants in the basic income debate situated Meade's first encounter with the idea of an unconditional and universal income guarantee somewhere around the 1970s. Take, for instance, two active members of the London-based Basic Income Research Group or BIRG, Anne Miller (1983) and Tony Walter (1989). Both do refer to James Meade as an important figure in the history of basic income, but the writings they refer to were all published in the 1970s or later.

The few scholars situating Meade's adoption of 'social dividend' at an earlier date considered it as the result of encountering a reform proposal put forward in 1943 by the liberal politician, Lady Juliet

Rhys-Williams[4], as an alternative to the well-known Beveridge report, *Social Security and its Allied Services*. Hermione Parker, another key figure in BIRG as editor of its Bulletin but also the research assistant of Lady Rhys-Williams' son, Sir Brandon Rhys-Williams, writes in *Instead of the Dole*: "Lady Rhys-WilliamsRhys-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" (Parker, 1989, 122-123). Or consider how Tony Atkinson describes his own encounter with basic income: "I was first prompted to look at basic income schemes by James Meade … Not only did he regale me with stories about the early proponents of the idea, such as Lady Rhys-Williams (author of *Something to Look Forward To*, 1943), but he persuaded me to give a seminar in Cambridge on the topic in 1968, which led to my first book." (Atkinson, 1995, x).

The reason for accepting without further ado that the Rhys-Williams proposal was at the origin of Meade's interest in and adoption of social dividend schemes is obvious. Meade's *Planning and the Price Mechanism* (1948) contains a four pages long subsection entitled: "Lady Rhys-Williams' Rationalisation of Income Redistribution".[5] To refer to the Rhys-Williams proposal Meade uses the term 'social dividend'.

Planning and the Price Mechanism (hereafter: PPM) is subtitled *The Liberal-Socialist Solution*. It was Meade's contribution to the debate about how and when Britain would return to normal economic conditions after World War II and whether this would involve planning or not. The thesis of the book is, Meade wrote in the introduction,

> that a large measure of state foresight and intervention is required to guide the economy from war to peace, to prevent inflationary and deflationary pressures, to ensure a tolerably equitable distribution of income and property, and to prevent or control the anti-social rigging of the market by private interests, but that these objectives can be achieved in an efficient and a free society only if an extensive use is made of the mechanisms of competition, free enterprise and the free market determination of prices and output. (PPM, 1948, v-vi)

After dealing with "The Control of Inflation and Deflation" (Chapter II), Meade treats "The Distribution of Income and Property" (Chapter III). The chapter contains subsections on incentives and the progressive taxation of earnings, food subsidies and the national minimum, equality of opportunity, education and the movement to better-paid jobs, inheritance and the capital levy. Between the section on "food

[4] For a detailed analysis of Lady Rhys-Williams original campaign, see Sloman (2016b) and Orsi (2017).

[5] An article by Meade (1949), published in *The Political Quarterly*, but originally written as a memorandum for the Labour's Party Research Department in November 1948, contains an essentially similar suggestion without mentioning the Rhys-Williams Scheme, although referring to *Planning and the Price Mechanism*.

subsidies and the national minimum" and the one on "equality of opportunity", one finds a section bearing the title "Lady Rhys-Williams' Rationalization of Income Distribution". Meade qualifies the proposal as an "exceedingly stimulating proposal for an architectonic reform" and summarizes it as follows:

> It is suggested that a straightforward monetary payment or allowance or "social dividend" should be paid to every man, woman and child in the country—although the rate of payment might, of course, be lower for children than for adults. This would take the place of all social security benefits, such as unemployment benefit, old-age pensions, health benefits, children's allowances. Every man, woman and child would thus have his or her basic minimum whether in sickness or in health, in work or out of work, young or old. There need be no means test and no tests whether a man was seeking work or whether a man was genuinely ill. Doctors could stop writing out health certificates and get on with their job of curing their patients. Employment Exchanges would stop fussing about unemployment insurance and get on with their job of introducing employers with vacancies to workers without jobs. The Ministry of National Insurance could be closed down.
>
> These universal personal allowances would also take the place of the whole apparatus of allowances under the income tax. All income (other 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, though not, of course, for sur-tax. (PPM, 1948, 43)

Following this summary, Meade (PPM, 44) mentions four major advantages of the proposal: 1) it would mean administrative simplification and less bureaucracy, 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. However, he goes on, although its lack of a means-test (and, therefore, its escape from any poverty or unemployment trap) makes it compare favourably to prewar arrangements, the lack of a work-test might represent a serious danger due to the adverse effects on incentives. As a result, the subsection on the Rhys-Williams proposal ends without a clear judgment. Is some revolution on the lines of this scheme desirable? Can we afford to face the sort of tax-rates on additional earnings which at present only begin to rule in the middle ranges of incomes below the sur-tax level? Could the scheme with modifications be made workable? Meade concludes: "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, 1948, 46)

Two points are worth emphasizing.

The first point concerns how the Rhys-Williams proposal is framed. Meade's summary of it is, in a sense, doubly misleading. First, because Meade refers explicitly to the scheme using the name 'social dividend', something Lady Rhys-Williams never does. Secondly, because there is no clue as to Meade's own use and advocacy of 'social dividend' prior to the publication of the Rhys-Williams's scheme. So, readers of *Planning and the Price Mechanism* not acquainted with some of Meade's earlier work could easily be lead to the conclusion that not only the practical scheme, but also the name and the idea were inserted into Meade's conceptual framework after his having read or met Lady Juliet Rhys-Williams. (See, a.o., Berry, 1954 ; Kahn, 1984) Moreover, the fact that Meade literally presented Lady Rhys-Williams as "the first proponent of the scheme" (PPM, 1948, 44) probably lead many people to be in ignorance of his own prior contribution, myself included Tony Atkinson (1996, 91) would write in an obituary article reviewing Meade's contributions to economics. Note also that the phrase 'social dividend' is put between quotes, strengthening thereby the suggestion that Meade quotes Lady Rhys-Williams.

The second point concerns timing. Lady Rhys-Williams' elaborated plea for "a new Social Contract" is to be found in *Something to Look Forward to*, a book published in 1943. 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. as a feasible basis for a "Beveridge-as-you-go-system". Three years later, on 12 January 1946, *The Economist* referred again to the proposal in an article on "PAYE simplified". Yet, after giving an extensive summary and positive appraisal of the scheme in the June 1946 issue of the *Economic Journal*, H.S. Booker of the London School of Economics noted with regret that the scheme seemed to have been forgotten.[6]

Detailing when exactly Meade learned about the Rhys-Williams scheme is difficult. According to Peter Sloman (private communication by email, 23 September 2016) the earliest contact his archival search allowed him to establish is a letter, dated 17 March 1948, in which Lady Rhys-Williams drew Meade's attention to an article in the *Lloyds Bank Review* (Chalmers, 1948) mentioning her ideas. In a letter to the present author, dated 26 April 1989[7], James Meade writes re-

[6] Interestingly, the relevant part of Rhys-Williams 1943 book was included by E.T. Weiler in a collection of writings on economic policy including also a chapter by Milton Friedman (Rhys-Williams, 1956). Her 1953 book, *Taxation and Incentive*, was favourably reviewed in professional American journals. In the early 1970s, the proposal provided the inspiration for Arthur Cockfield's Tax Credit Scheme (Sloman, 2016a).

[7] The letter can be consulted in the Meade archives at the LSE: Meade/4/40.

membering being introduced to Lady Rhys-Williams (most probably by Lord Robbins) when he was working as Director of the Economic Section in the Cabinet Office, a post he occupied in 1946 and 1947. Yet, being heavily involved in the discussion of the Beveridge report at the time of its publication, it is not unlikely that Meade had already read the 1946 Booker or/and *The Economist* article or even the earlier 1943 *The Economist* article. Indeed, in the preface to *Stepping Stones to Independence*, a book by Sir Brandon Rhys-Williams (1989, xi), Meade mentions having 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". However, even if Meade's encounter with the Rhys-Williams scheme[8] would have taken place shortly after the Beveridge report was made public in late 1942 this would not move the event back in time enough to precede Meade's first mention of paying an equal sum to all unconditionally and using the phrase 'social dividend' to refer to it.

In fact, Meade's first known use of the term 'social dividend' is to be found in a paper written in 1935, outlining an economic policy for a future Labour Government. The paper was written for the Policy Subcommittee of the National Executive Committee of the Labour Party and submitted for publication as a New Fabian Research Bureau pamphlet. Since G.D.H. Cole and E.F.M. Durbin recommended against publication[9], it stayed unpublished until 1988, when it appeared in the first volume of Meade's Collected Papers (Howson, 1988, 33-78).

What, apart from his characteristic modesty[10], made Meade adopt without any references to his own earlier work the Lady Rhys-Williams proposal? The conjecture I would suggest is that what is at stake here is not the idea of paying an equal amount unconditionally to every member of the community. In the abstract, this idea is a deeply rooted feature of Meade's view of the world.[11] What the Rhys-

[8] An earlier and in some respect rather different version of *Something to Look Forward To* had been privately printed and circulated in early 1942. Note also that in her later book, *Taxation and Incentive*, Lady Rhys-Williams (1953, 120) remarks that the 1942 proposal was "drawn up many months before the publication of the Beveridge Committee's Report, and in complete ignorance of the schemes to be included …"

[9] For possible reasons for this rejection, see: Durbin (1985, 194-198).

[10] In his recent monograph on James Meade's contributions to economics, David Reisman (2018, 57) quotes a letter in which Meade credits, even still in 1973, Juliet Rhys-Williams with being the originator of the scheme: "No, no, Lady Rhys Williams, not JEM." (letter from James Meade to Sidney Golt, dated 24 July 1973)

[11] Cfr. "For Meade a more equitable distribution of income and wealth really was fundamental to a civilized and ordered society and the lengths to which he was prepared to go to secure such an outcome can be most clearly seen in his comments on social policy." (Greenaway, 1990, 295)

Williams scheme provided him with—probably for the first time?—was a practical device allowing for the implementation of the idea. If this conjecture holds, one would expect to find the idea of a social dividend clearly expressed in earlier work without, however, any distinct trait of a practical scheme to implement it. Let us, therefore, examine how 'social dividend' appears in Meade's writings prior to his encounter with Lady Rhys-Williams or her proposal.

3. Meade and his 'Social Dividend' in the 1930s

In his 1935 paper, *Outline of Economic Policy for a Labour Government*, Meade introduces the term 'social dividend' in the final paragraph of the section on budgetary policy, stating that it will be "the object of the Labour Government to use its budgetary policy to aid it in attaining its objectives of full employment, of socialising different industries and of providing for greater equality." (Meade, [1935] 1988, 50) However, Meade explains, Government will only be in a position to tackle the latter problem after everything is put into place to prevent serious unemployment. Once this latter task accomplished, government could, for instance, more easily raise the income tax to finance the development of social services, like making health insurance non-contributory or lowering the age for old age pensions.

Apparently, Meade did not seem to put a lot of trust in the effect these measures would have on resulting in greater equality. The fragment explaining why is worth quoting at length.

> the only certain way in which a much greater degree of equality can be achieved is by the state obtaining ownership of the national debt and the debt which it has issued in compensation for the socialisation of private undertakings or by obtaining ownership of further forms of property such as the land. For by so doing the state will be able to receive interest, profit or rent from this capital and property without paying interest on compensation debt to the previous owners. It is at this point that certain specific taxes on all forms of privately owned capital such as the Rignano Duties or the levy on capital … should be imposed. … The increased surplus of the Revenue Budget can then be allocated partly for the purpose of developing those services which provide for greater equality and partly as a further income for the Capital Budget. By these means the position will gradually be reached in which the state has a very large income from state property in the Revenue Budget and no expenditure on interest in the Revenue Budget, and at this point it will be possible to allocate part of this income as a social dividend to be distributed from the Revenue Budget on any desired principle of equality, and part as a surplus to be paid as an income to the Capital Budget for further capital development. As this stage is reached the government will, by paying a smaller or larger part of this sum as a social dividend to the members of the community, be able to control the amount of the national income spent on consumption and the amount allocated to capital development. When even at very low interest rates very little development is profitable, a large proportion can be paid out as a social dividend; whereas if new and profitable fields of develop-

> ment appear a much larger part can be apportioned to the Capital Budget for this capital development. (Meade, [1935] 1988, 52-53)

Although according to his own words Meade refers in this paper "to a social dividend very much on distributive grounds" (letter to the author, 26 April 1989), clearly, the device plays also a role similar to the one he would in 1948 attribute to the Rhys-Williams Scheme, i.e. as an instrument for the most effective and prompt control over national expenditures. In *Planning and the Price Mechanism* this device was cast as "useful in avoiding inflation and deflation"; in *Outline for an Economic Policy* as enabling "to control the amount of national income spent on consumption and the amount allocated to capital development". Note that this casting implies in both cases that the amount of cash paid as a 'social dividend' can fluctuate over time. Note also the phrase "on any desired principle of equality" in the 1935 paper, which does not necessarily commit the 'social dividend' to be paid equally and unconditionally to all as was the case in the Rhys-Williams Scheme.

In *An Introduction to Economic Analysis and Policy* (hereafter: EAP), a book published in 1936, i.e. approximately six years before Rhys-Williams's *Something to Look Forward To*, both the equality and the universality conditions are stated clearly. The term 'social dividend' appears four times in the book; three times in the main text, one time in the index. As in *Planning and the Price Mechanism* the phrase is put between inverted commas; even the index mentions: 'social dividend', inverted commas included. I will come back to this point later, but let us first look a bit more in depth at the role 'social dividend' plays in Meade's 1936 book.

The term 'social dividend' appears in three different chapters: the chapter on "Public Management and Planning of Industry" (part II, chapter VIII), the chapter on "Equality by Taxation" (part III, chapter IV) and the chapter on "Redistribution or Socialisation of Property" (part III, chapter V). In the latter two cases, Meade lists several ways of distributing (parts of) state revenue (either from taxes or from public property): through the provision of "educational, medical or other services' or directly by payments of 'old age pensions, unemployment relief, widows' and orphans' pensions ...". To these he adds, in the chapter on equality by taxation, "or even of an equal 'social dividend' to all persons" (EAP, 1936, 231), and, in the chapter on redistribution or socialization of property, "or could be distributed as an equal 'social dividend' to all members of the community" (EAP, 1936, 251). The main thing to notice here is the explicit mention of both the equality and the universality condition typical for the class of social dividend or basic income proposals which were missing in the 1935 paper.

However, in the earlier chapter on "Public Management and Planning of Industry" (part II, chapter VIII) 'social dividend' appears in a rather different guise. This chapter follows the one on the "Control of Monopoly". In it, Meade establishes that most of the methods available for controlling industry, i.e. anti-combination laws, educational measures, rationalisation, taxes and subsidies or price control, are either incomplete or impracticable. The next chapter scrutinizes 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. Only the monopolistic sectors are targeted. Neither does it equal public property of the industries concerned, even and although it implies public management. After discussing in detail the conditions guaranteeing efficiency, he treats problems of pricing and management, noting that "even if all industries were publicly controlled and all capital and land were socially owned, use could be made of a pricing system similar to the pricing system of a competitive economy." (EAP, 1936, 197 ; Meade underlines) Next, Meade explains how one should proceed for this pricing system to work.

> The state would receive any profit made on the capital and land invested in each socialised concern; it could pay part of this income as a 'social dividend' to consumers and could save part to finance the capital development justified in each socialised concern at the current rate of interest. If there were unemployment, the state bank could fix lower rates of interest in order to justify greater expenditure on capital development by each socialised concern—financed if necessary in the first place by the creation of new money. Alternatively, the state could distribute a larger 'social dividend' to consumers in order to stimulate expenditure on consumption goods—again financed, if necessary, by the creation of new money, until the increased expenditure by consumers had increased the state's receipts of industrial profits sufficiently to finance the greater 'social dividend'. (EAP, 1936, 197)

It is clear that when the term was used for the first time in the book, 'social dividend' played a quite different role than in the other two cases. Nothing as simple here as in the case of introducing equal grants to everyone in order to equalise the distribution of incomes, but a very complex and complicated picture of fine-tuning, primarily concerned with tackling problems of demand management and stimulating investment. In fact, as in his 1935 paper or later in his 1948 book, 'social dividend' is framed here as an anti-cyclical policy device or steering mechanism.

Two major remarks seem needed here. First, given that in the recent past basic income proposals have been presented at several occasions as devices allowing to manage the supply of labour and that basic income experiments are mainly set-up trying to establish its effect on the incentive to search for and accept jobs, it is worth noting that Meade does not present 'social dividend' from this angle. Significantly, the chapter on the optimal supply of labour does not even show the slightest trace of possible effects of a 'social dividend'. Secondly, in none of the fragments quoted does Meade describe a concrete mechanism neither does he give even a small hint of how it could be administrated or implemented. Neither is 'social dividend' presented as giving way to a reconstruction of the tax-benefit system.

Yet, Meade's 1936 book did contain an attempt to work out something which could be construed as providing a first step to a practical social dividend scheme. Remarkably, however, the attempt concerns not the equal tax-transfer-like social dividend of the later chapters, but the complex one, pictured as a fine-tuning device in the earlier chapter.

As mentioned above, Meade introduces 'social dividend' for the first time as a tool to stimulate either capital investment or expenditure on consumption goods, if necessary by new money. Implicitly, this refers to a proposal, worked out in the sixth chapter of the first part of the book, "Direct Control of Expenditure on Consumption" (EAP, 1936, 49-60). After discussing two other methods to stimulate economic activity, i.e. banking policy and public works, Meade considers the use of an unconventional method which he calls "consumer credits".

Traditional methods of intervention may not be sufficient for several reasons, Meade says, an important one being that almost inevitably time-lags will be involved. The decision to speed up (or slow down) the economy only takes effect after some time. It does not immediately result in more (or less) expenditure. If this is the case, he goes on, it might be interesting to consider in detail a less orthodox method of controlling the total volume of expenditure, based on the fact that "there is one form of expenditure which should be capable of almost instantaneous expansion, and that is the purchase of consumption goods by individuals." (EAP, 1936, 50) In Meade's view, there are two ways to proceed. One can rely on existing Unemployment Benefits and link the level of benefits (and contributions) to the level of unemployment (above what Meade named the 'standard rate'). Yet, this scheme does not level out possible fluctuations in income and expenditure for property owners. One can also try to remedy this by adding some form of tax-rate flexibility to the first scheme. This last feature, Meade names consumer credits.

This argument will be elaborated and slightly modified in *Consumers' Credits and Unemployment*—a book published by Meade in 1938 and described by David Vines as "perhaps the earliest official published advocacy of fine-tuned Keynesian policies" and foreshadowing both the Full Employment White Paper of 1944 and the Stagflation Project Meade worked on in the 1980's (Vines, 2007, 8).

Keynes reviewed the book in the *Economic Journal* (March 1938), noting that "Mr. Meade has performed a useful service in bringing into the picture consumers' credits—or rather consumers' subsidies, for this, and not aids to instalment purchasing, is what he has in view—not as a magical specific, but as one of the possible means of levelling out fluctuations in effective demand." (Keynes, 1938, 67). The proposal is summarised: "Mr. Meade's own proposal is 'to make a monthly payment, which varies with the volume of 'depression' unemployment, to every member of the community whose income is below a certain level'". In practice, Keynes says this would mean "to (i) Old Age Pensioners, (ii) all workers insured under the existing Widows', Orphans', and Old Age Contributory Pensions Scheme, and (iii) the wives and children of such workers." And he goes on: "Mr. Meade hopes to get his money back by a progressive tax on employment when times are good. He is not decisive as to whether the employers (who do not receive any part of the subsidy) should pay any part of the tax, but suggests that they should do so." (Keynes, 1938, 68). There seems to be a good idea behind this proposal, Keynes notes.

> But if the idea is to be brought within the field of practical politics it would be wise, I suggest, to make it part and parcel of the various contributory insurance schemes, even at the expense of somewhat limiting its scope ... the policy is obviously an extension and working out of the idea of budgeting for a deficit in depressions and a surplus in recoveries. It is, in fact, a scheme providing that particular sources of savings should accrue only when there is evidence of an outlet for them in investment. All this might be useful in spite of the important criticism that it is directed towards ironing out fluctuations without necessarily raising the average level of activity to the optimum level. (Keynes, 1938, 69)

Three more criticisms of the argument are voiced: 1) if Meade wants to finance the subsidies by an increase in cash, there is no reason why the advisable increase in cash is equal to the advisable subsidy to consumers, 2) to arrive at the critical levels of unemployment Meade makes a rather problematic distinction between intermittent and structural unemployment, 3) no attempt is made to compare the effects of a given amount of funds applied to consumers' subsidies with those of an equal sum applied to increased investment. Keynes concludes that "Mr. Meade must mainly rely ... on the argument that consumers' subsidies can be introduced without preparation and on an easily adjustable scale, on occasions when, for one reason or another, an adequate increase in investment is impracticable." (Keynes, 1938, 71) As we know, that was more or less the point made by Meade when proposing the nucleus of the idea in his 1936 book.

So far for the first qualification. If, prior to the 1940s, Meade searched for a practical scheme, he certainly did not look for it in the direction of an instrument to redistribute income by reforming thoroughly the tax-benefit system. What he actually looked for was a fine-tuning device. But in that case he considered something implying targeting or a means-test.

There is, however, a second qualification to make. As mentioned before, the third appearance of social dividends in *Economic Analysis and Policy* was in a chapter on the redistribution or socialisation of property. More specifically, Meade diagnoses the problem of inequality of income to be first and foremost rooted in the unequal ownership of property. To overcome this problem, one might, therefore, want to reach a more equal ownership by all members of the community. "The ideal at which this solution would aim is the attractive 'distributist' state in which all men are free, equal and independent, because all men own a modicum of property without any glaring inequalities in such ownership." (EAP, 1936, 249)

To reach this so-called 'distributist solution' one could, according to Meade, use similar methods as those mentioned already in the 1935 paper, i.e. 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, Meade says, could be used to redistribute property or to make the income distribution more equal by providing free social services or cash benefits, such as equal social dividends to each individual.

4. Intermezzo

From the detailed analysis of Meade's early writings in the former sections, it is clear that, even if the format of the device—paying an equal amount of cash unconditionally to all individuals—is identical in each case, 'social dividend' is cast in different roles, depending on the specific context in which it appears and the task it is expected to perform. In later writings by Meade, each of these different roles will re-appear.

In its *first role* 'social dividend' takes on the character of a *Redistributive Instrument*. It refers, clearly, to the most simple and archetypical use of the idea. In this role, 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 the best example in Meade's writings is, most probably, to be found in 'Poverty in the Welfare State', an article published in 1978 in the *Oxford Economic Papers*. In its *second role* it takes on the character of a *Steering Mechanism*. 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 deflation, targeting full employment without inflation—in one word, fine-tuning.

It is clear that both characters will not necessarily be able to fulfil their respective roles at the same time. Indeed, not only does social dividend as a steering mechanism unavoidably require a level that fluctuates, which would be quite contrary to what one excepts from a policy providing income security to poor people. Worse, it is not at all clear why the level of the social dividend needed to stabilize the economy would be exactly the same as, or very similar to, the level needed to eradicate poverty. Moreover, as has frequently been argued until today, other policy measures might be used to accomplish these two tasks separately and, maybe, more efficiently than is the case by using only one instrument.

However, 'social dividend' performs still a *third role* in Meade's early writings. In that role it takes on the character of, what I would call, a *Societal Framework.* What does this mean?

One of the contexts in which 'social dividend' appeared in *Economic Analysis and Policy* was that of a widening inequality of property. In this context, Meade's argument for 'social dividend' presented it, in fact, as a possible substitute for a 'distributist state'[12] or, what he later would call, a 'property-owning democracy'. Implementing a 'social dividend' would in that case mean, taking a step to a new societal model or institutional framework. Meade would revisit this topic regularly in his later work. The booklet in which he does so most explicitly is *Efficiency, Equality and the Ownership of Property* (1965) (hereafter: EEOP), where the argument—given the present-day discussion about the effect of automation—even takes a prophetic turn when Meade stresses that in a context of automation the problem of the unequal distribution of property may get dramatic proportions.

Automation, Meade writes in 1965, 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, 1965, 25-26)

To avoid this 'Brave New Capitalists' Paradise' as Meade calls it, he discusses four alternatives, two of which—a 'Trade Union State' or "setting a real minimum wage level" and a 'Welfare State' or "taxa-

[12] The notion of a 'distributist state' refers at 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.

tion of incomes of the rich to subsidise the poor"—are readily discarded. Meade's attention goes primarily to a 'Property-Owning Democracy' (EEOP, 1965, 40-66), clearly a repainted version of the old distributist state and characterized by a more or less equal division of property. Lastly, 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, 1965, 66)

5. Where Did 'Social Dividend' Come From?

Earlier I noted that in *Introduction to Economic Analysis and Policy* as well as in *Planning and the Price Mechanism*, most intriguingly, 'social dividend' is always put between inverted commas, even in the index. What does this mean? Does this indicate that Meade borrowed a term used by someone else or in another context? If so, no source or reference is provided. Or did the inverted commas signal, on the contrary, that the term is new and coined by Meade himself? And in the latter case, does this also mean that Meade invents the device? So what?[13]

Section 2 made clear why Lady Juliet Rhys-Williams has no place on the list of possible sources for Meade's 'social dividend'. Neither as a source for the term nor as a source for the idea of paying an equal amount unconditionally to every individual. Yet, several other candidates are available.

But before discussing briefly where Meade may have picked up the name, if not the idea, let me first say something about the term 'social dividend' itself. Meade's terminology was certainly not yet standardized in *Outline of an Economic Policy for a Labour Government*. He used 'social dividend' as well as 'national dividend' referring to a system of cash payment to individuals. This, however, was not the most common meaning of the term. Indeed, at that time, national dividend was mostly used to refer to what we now call the national product. Even if lapses did occur. For instance, in his well-known article on wage subsidies, Kaldor (1936) used both social dividend and

[13] A reviewer remarked that the term 'social dividend' did not occur between inverted comma's in Meade's 1935 paper. This might lead to a third interpretion. Given that in his recollection the paper was not accepted for publication as a NFRB-paper by Cole and Durbin, amongst others, because of the reference to a social dividend, Meade may have used inverted comma's in later writing to indicate the controversial status of the idea.

national dividend in the latter sense.[14] In the case of Meade, however, no doubt is possible. After 1935, he will use the phrase 'social dividend' consistently to refer to a quite specific concept, i.e. the idea of paying everyone equally unconditionally an amount of cash.

In this section I will turn to the question of the potential intellectual roots of Meade's 'social dividend', considering different so-called communities of discourse in which Meade was involved and which could have provided a fertile soil for 'social dividend'.

The *first community of discourse* that comes to mind is, of course, the *Cambridge Circus* and the small group of people witnessing from close by the making of Keynes's *General Theory*. Meade was part of the Circus. His *Economic Analysis and Policy* (1936) can be considered to be the first Keynesian textbook on economic policy and one of the first spin-offs of Keynes's *General Theory*. Putting 'social dividend' between inverted commas may mean, therefore, that he is trying to import something new into the Keynesian discourse and, hence, uses deliberately a novel term. A potential candidate for this new feature, one might conjecture, was the idea of using consumer credits (or social dividends) as a tool generating effects on aggregate demand more speedily than public works or banking policy. But, as noted above, when writing more extensively about consumer's credits, Meade appears to be considering a targeted and not really universal payment.

Although no real indication can be found that the concept originated in or was even congenial to Keynesian thinking, it is worth noting that at least one other member of the Circus referred to a 'social dividend' in writing, namely Joan Robinson (1937). Contrary to Meade, she even mentions a very concrete proposal—"1£ to every citizen with the Saturday morning post". Overall, Robinson seems to consider 'social dividends' very much in the same way as Meade, namely as a functional equivalent for forms of deficit spending and stimulating aggregate demand. Moreover, like Meade, she readily assumes that 'social dividends' could be paid for by printing money. Nevertheless, she notes that the actual advocates of 'social dividends' make their case exceedingly complicated and unconvincing. All in all, this implies that, in fact, she may be referring to followers of Major Douglas, a possible source I will comment on later.

[14] Besides the possible confusion between the micro- and macro-usage of the term or between what is available to be divided and which part an individual gets after the division of what is available, there still is another meaning connected to the term. Much earlier, in the late 1880s, F.A. Walker (1888), amongst many others, 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." (Walker, 1888, 487-489)

A second discursive community to look at is the one related to the Review of Economic Studies and 'the debate about market socialism'.

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

The seminal articles on 'Market Socialism' by Oskar Lange appeared in the *Review of Economic Studies* (1936, 1937a)—a journal appearing for the first time in 1933 and resulting from meetings of predominantly younger faculty from Cambridge, Oxford and the LSE (Durbin, 1985, 108; Wapshott, 2011, 106-108). Abba Lerner, Paul Sweezy and Ursula Hicks formed the original editorial trio. From early on, Joan Robinson and James Meade were involved in the meetings leading up to organizing the journal.

According to James Yunker (1977, 91), it was in his milestone essay 'On the Economic Theory of Socialism' that Oskar Lange introduced, in 1936, "the term 'social dividend'. 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. A first point on which Yunker's statement needs some correction concerns the equal distribution condition. Reading Lange's original articles (1936, 1937a) makes clear that for him, contrary to what Yunker suggests, equal distribution was not mandatory. Neither is there any mention of citizenship rights. Actually, in the original article Lange proposed to distribute the social dividend proportional to wages. A critical remark by the co-editor of the Review, Abba P. Lerner (1936), pointed out that this principle of distribution would affect 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 (1937b) conceded the point in the next volume and when editing his text for final publication (Lange, 1938) incorporated Lerner's critique, even without mentioning either the changes or their source.

For this story, Abba Lerner is relevant not only because he made Oskar Lange change his original proposal. But even more so because 'social dividend' plays an important role in his major work, *The Economics of Control* (hereafter: EC).

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

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, 1944, 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, 1944, 267-268)

Lerner proposes inflation and depression can be prevented by adjusting the level of the social dividend. This could be done very easily, "even from week to week, in accordance with the state of demand". If spending is still too high after reducing the social dividend to zero—which means that one can still buy more than what is produced by all the factors of production available—one "will need to have a negative social dividend—a tax—which reduces demand to the proper level." (EC, 1944, 268)

In the next two chapters Lerner treats the unemployment problem in the context of a capitalist economy. This gives us more or less a restatement of the Keynesian doctrine. There is no sign whatever of social dividends. But in the 24th chapter—the one which is subtitled: functional finance—social dividends reappear. In that particular chapter, Lerner tries to strip the reader's mind of any sign of 'unfunctional' thinking about public spending, the national debt and taxation. Not prejudice, but their function in society should guide our policies, is Lerner's motto. As well the leftist's dogma—100% collectivism—as the dogma of the right—"to keep fiscal principles appropriate to a grocery store" (EC, 1944, 302)—is 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. The alternative is to lower 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, 1944, 310-311)

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

Reading Lerner one is several times reminded of Meade's *Economic Analysis and Policy* or *Planning and the Price Mechanism*. Not only with respect to economic analysis, but also with respect to the ideal societal model, they seem to have in mind when considering policy instruments and institutional reform. Did Lerner influence Meade? Or was it the other way around? Or was there a common influence as may be suggested by the reference to the so-called 'distributive state' appearing in the writings of both of them in nearly the exact same terms?

Answering these questions is difficult. One reason is that although *The Economics of Control* are published only in 1944, Lerner claims in the introduction to have worked on the book since 1932, making it very hard to know which part originated when. Moreover, archives do not seem to contain any correspondence between Meade and Lerner in the relevant period, although they certainly must have had personal contact in the 1930s in meetings leading up to the setting up of the Review of Economic Studies and at other occasions. Yet, if perseverance would count as an indication for the direction of the influence, it is relevant to know that after *The Economics of Control* Lerner would still use the phrase 'social dividend' but only once in his *Economics of Employment* (1951, 126), whereas Meade fostered the idea till the end of his life.

A third community of discourse in which Meade was involved was the so-called 'Cole Group' and the New Fabian Research Bureau.

G.D.H. Cole was an important figure in Oxford in the thirties, professor, influential with his wife in reorganising the Fabian Society, but also bringing together young intellectuals in what was known as 'the Cole group'. Meade was a member of this group as an undergraduate between 1926 and 1930. When in 1931, under the impulse of the Coles, the New Fabian Research Bureau was set up Meade became involved, being one of the New Fabian economist, besides Evan Durbin, Hugh Gaitskell and Colin Clark, who had also been a member of the Cole Group (Durbin, 1985, 97).

In 1935, the same year as the Meade paper, Cole published *Principles of Economic Planning*. In this book, Cole refers explicitly to 'social dividends'—a proposal he claims to have advocated for years.

Cole introduces the social dividend in the 11th chapter of the book, when treating the planned distribution of incomes and production. Cole's main objective is to get through that real planning, i.e. "to secure that the available resources shall be both fully used, subject to the claims of leisure, and used to the best possible purpose" (Cole, 1935, 220), not only involves control of the money machine but also needs planning of incomes. To explain why this is, in fact, the case, Cole starts from the assumption that Socialists introducing planning will want to plan production, "at least to some degree, according to conceptions of social expediency and justice" (Cole, 1935, 224). Next, he considers two such criteria.

The first criterion is need (rather than demand): "the need for a generally diffused supply of all things which can be regarded as necessaries of civilised living will constitute the first overriding claim upon the available resources of production. A satisfactory minimum of food, fuel, clothing, housing, education and other common services will come before anything else, as a social claim that a planned economy must meet." (Cole, 1935, 224) According to Cole there will hardly be any doubt as to what is necessary for this universal minimum and, thus, as to the corresponding total size of this primary claim. However, in advanced societies there is a wide range of goods and services which are neither necessaries nor luxuries. Cole terms them substitutable necessaries. Moreover, to which category some product belongs depends highly on the amount we have of it. So, Cole comes to his second criterion.

> it is necessary for everybody to have at least a minimum income which he can devote to buying goods and services of this second class. What he buys is for the most part his affair; and the more advanced a society is, the wider his range of choice is likely to be. The satisfaction of this need for further goods and services which, while no one of them is a universal necessary, yet form a necessary part of a tolerable standard of living, will constitute the second claim upon the available productive resources. (1935, 225)

As, in this second region, there will be doubts about what and which amounts to produce, Cole judges it highly desirable "to leave the individual citizen the widest range of choice in deciding which of these secondary goods and services he prefers, and is therefore prepared to pay for out of his limited income."

At this point in Cole's argument, it becomes clear why the planning of incomes is so important. As soon as freedom of choice is assumed, it becomes apparent that the structure of demand for this second class of goods depends on the structure of the income distribution.

> The primary necessaries can be distributed free to everybody, or, if they are sold, their prices can be lowered so as to bring them, or the required minimum quantities of them, within everybody's reach, or again a basic minimum income can be assured to everybody without any general control of the distribution of incomes above the minimum. But none of these methods will solve the problem of planning the production of substitutable necessaries. This will have to be done either in the light of the distribution of incomes as it is, or in the light of a planned redistribution of incomes. (Cole, 1935, 225-226)

This point being established, Cole mentions a second advantage of planning the income distribution, i.e. getting rid of at least one important cause of fluctuations in demand, thereby making planning easier. Cole also considers a second cause of fluctuations of demand, namely changes of fashion. A cause one cannot remove, since changes of fashion cannot be anticipated. In this context, Cole points at the danger of large-scale production influencing fashion and pleads for organising consumers' representation as a counterweight. He notes that if one could enlarge everyone's surplus to be spent on substitutable necessaries and cheap luxuries, "the consequent enlargement of freedom of choice is likely very much to outbalance any tendency of the planning authority to persuade consumers into buying what they do not want." (Cole, 1935, 231)

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

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

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

> Incomes will be distributed partly as rewards for work, and partly as direct payments from the State to every citizen as 'social dividends'—a recognition of each citizen's claim as a consumer to share the common heritage of productive power. I believe the tendency will be for a planned economy steadily to reduce the proportion of total income distributed in the first of these ways, and steadily to enlarge the amount of the social dividend … 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, 235)

The level of the social dividend envisaged seems to be fairly high. Indeed, the next page reveals that Cole reckons them to be higher than wages or salaries for the majority of the people. This way the degree of inequality would be highly reduced and forces Cole to consider the incentive effects.

> If the maximum a man could earn came to no more than the amount of his social dividend, the incentive to earn it, in a society living nearly at a common standard, would be fully as powerful as the incentive to earn many times as much in the class-ridden society of to-day. For the demand for little luxuries and larger supply of substitutable necessaries is the keenest of all human demands. ... Earnings will become, under such a system, more and more of the nature of 'pocket money', without any loss of the incentives to effort such as absolute equality of incomes would involve. Work will have its sufficient reward; but the main part of national income will no longer be distributed as a by-product of industry. (Cole, 1935, 236)

Hence, the incentive problem does not worry Cole, a position he would still maintain ten years later when returning to this question in a book on money (Cole, 1945).

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

In the course of this argument, or more specifically, at the point where he starts to explain how incomes would be distributed under a social dividend scheme, Cole writes: "*There are two possible ways—payments for work done, and 'doles', or, to give them a less coloured name, 'social dividends'.*" (Cole, 1935, 234-235; my emphasis) Do we witness here the forging of the term 'social dividend' in the sense of an equal and universal unconditional payment? Did Cole forge at this spot the name? Or do the quotes mean that Cole took the name 'social dividend' from some other context? Note, anyway, that also 'doles' is put between inverted commas.

The possibility that Cole was referring to some other writings is, indeed, not farfetched. Earlier in his life, Cole was, as one knows, an important and ardent advocate of Guild Socialism and a co-founder of the National Guild Movement. One of the major events in the final stage in the life of this Movement was the break-away of particular faction advocating the heretic economic theories of Major C.H. Douglas. One of the main political slogans of this movement was: "Dividends for All".

So, the *fourth community of discourse* from which 'social dividend' could have originated is the *Social Credit Movement*.

In the biographical account he wrote at the occasion of being awarded the Nobel Prize, Meade mentions that he turned, in 1928, from Classics to Economics because he wanted to do something about the massive unemployment and under the influence of his aunt who was a follower of Major Douglas. When being in Oxford, in the late 1920s, Meade invited the Major to speak and lunched with him. In a letter to the present author (27 April 1989), Meade writes remembering having read a paper on Douglas to the Cole Group in 1927 in the presence of, amongst others, Beatrice Webb who vigorously "gave him hell".

On his own account and as made clear already by the criticism voiced at the Douglas framework in the very first chapter of his 1936 book, *An Introduction to Economic Analysis and Policy*, after starting seriously with economics, Meade clearly saw the flaws in Social Credit Theory. Trying to answer the question "Can the economic system work?" he dismisses the view that the problem of unemployment cannot be solved without a revolutionary change in the economic system. "It is sometimes held that the existing economic system can never distribute purchasing power sufficient to cover the costs of the output which is produced for sale; but this view is fallacious." (EAP, 1936, 2) For Meade, one can accomplish this "without introducing socialism or a complete change in our monetary system" (EAP, 1936, 2). In the next few pages he uses an example to refute what he sees as the "essential point in the analysis of Major Douglas" (EAP, 1936, 2-5). Significantly, in his review of *Consumers' Credits*, Keynes (1938, 67) takes care to note that "Mr. Meade is not what is usually called a 'social credit theorist', but he thinks that subsidies (as I should prefer to call them) to consumers have not received the attention which they deserve as a weapon in our armory against fluctuation."

Of course, that Meade no longer accepted the basic analysis on which Social Credit Theory rested does not necessarily mean that he did no longer consider as valuable in its own right the idea of paying unconditionally an equal sum to all individuals. It may well be the case that, as suggested by David Vines and Martin Weale (2009, 426), he remained keen on this one element, taken from Major Douglas' writings and known in the Social Credit Movement as a 'national dividend'. The main problem with this contention is that it is not at all clear when exactly 'national dividends', in the sense of an equal and unconditional payment, entered the discourse of the Social Credit Movement. For instance, the first time Major Douglas published a really concrete policy proposal—a Draft Social Credit Scheme for Scotland—was in *The Glasgow Evening Times* on March 11th, 1932. It proposed the implementation of a 'national dividend', but it was not really unconditional, because no to be paid to someone with an income exceeding four times the amount of the national dividend and to be withheld, at least during the first five years after its implementation from people who did not accept suitable employment. Moreover, when in later writings a national dividend was advocated in the Social Credit literature the arguments were based on the existence of an unearned increment or a social heritage, notions common to many other writers, and not on what constituted the core of the Douglas analysis, namely the A+B Theorem. To mend the latter problem was the task of the Just or Compensated Price[15]. In this context it is interesting that, sixty years later, Meade wrote not having any doubt "that Douglas and Social Credit left a deep impression on me of the usefulness of the idea of giving consumers money to spend when there was a mass of unemployed and other resources." (letter to the author, dated 26 April 1989) This could be interpreted as meaning that what he took from Douglasite Theory was its core idea, i.e. the lack of purchasing power, but not the national dividend of which Meade makes no mention. In the same letter, Meade wrote: "I simply cannot re-

[15] For an extended analysis of the writings of Major Douglas and the Social Credit literature, see Walter Van Trier (1995, 143-342).

member how I came to use the phrase 'social dividend'. But from what you say I may well have picked it up from Douglas Cole in my undergraduate years. I am afraid I simply don't know."

6. About a Rendez Vous Manque

Most fragments needed to tell the story of Meade's 'social dividend' are now available. However, one remarkable piece should be added.

In a preceding section, I conjectured that the idea of a 'social dividend', as an equal and unconditional payment, fitted a conception 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—but without conceiving of a device to put the idea in practice until he encountered the Rhys-Williams Scheme.

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

The clue to the rediscovery (in 1989)[16] of this proposal lay in G.D.H. Cole's *The Next Ten Years in British Social and Economic Policy* (hereafter: NTY), published in 1929—at a time Meade was a member of the Cole Group. In the preface, Cole mentions having started to write this book "because, whether I liked it or not, I had been compelled by the movement of events to think out afresh my social and political creed." (NTY, 1929, vii). One of the elements forcing Cole to do so was the conflict between providing a better standard of living through higher wages and the negative effect of higher wages on unemployment; another was accepting the argument that the happiness of the individual was the ultimate criterion for judging states of affairs.[17]

The relevant fragment is contained in the chapter on 'Wages, Family Allowances and Population'. Socialism, Cole says in the introductory parts of this chapter, "will not be worth a brass button to the ordinary man unless it can improve the standard of life" (NTY, 1929, 178). If so, however, a very real and difficult dilemma confronts socialist politicians. Since under present circumstances raising wages may drive more workers into unemployment, the standard recipe to

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[16] The pamphlet is reproduced in the anthology of historical writings on basic capital and basic income edited by John Cunliffe and Guido Erreygers (2004). For an elaborate description of the proposal as well as an account of the detective work needed to trace it, see Van Trier (1991) and Van Trier (1995).

[17] For an interesting illustration of the latter point, see H. Gaitskell (1967, 13-14).

improve living standards has become difficult to use. For Cole, but one way allows to escape the dilemma. The only option left is advocating a policy of "social redistribution".[18]

Twenty pages later, the discussion turns to how to judge the introduction of family allowances. Cole points out that reforms along these lines could lead to social redistribution, provided one states very clearly the right principles involved. Family allowances should not have anything to do with wages; they ought to be based on the principle of need. If this is taken care of, they may even give way to a new form of social and economic organisation. Through family allowances "the principle of distribution according to need will ... begin to elbow the rival principle of payment for economic value received" (NTY, 1929, 198). And he goes on:

> It seems probable that, on a somewhat longer view, this principle will be pushed a good deal further. This may be done by the complete communisation of certain services, as we have already communised elementary education. We may come to a '*State Bonus*', or '*Dividends for All*'—to use *two names which have been adopted by advocates of giving every citizen, quite apart from his work, a certain minimum claim to a share in the annual social product.* Wages and earnings may come to be only supplementary payments for work, and not the main source of men's livelihood." (NTY, 1929, 199; my emphasis)

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

To judge adequately the importance of this fragment, let us put it against the background of *New Jerusalems*, the fascinating account by Elizabeth Durbin of the history of Inter-War British Socialism. Durbin mentions "Cole's social dividend" when commenting on the significance of Cole's *The Principles of Economic Planning* (1935) and describes it as "an obvious descendant of the national minimum, which Sidney Webb had written into the Labour party's constitution, of the 'Living Wage', and of Major Douglas's 'social credit', and a forerunner of the minimum incomes provided in most modern welfare states." (Durbin, 1985, 182) It is clear, however, that Durbin's description needs to be qualified in at least two ways. Describing Cole's 'social dividend' as something akin to present minimum income

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

schemes is largely inaccurate. In fact, the quoted fragment from the 1929 book makes clear that Cole means something fundamentally different, i.e. an equal cash payment unconditionally to all citizens. However, for our purpose, the most important point to be noted is that 'State Bonus' does not appear on Durbin's list of models influencing Cole. In fact, it is completely absent from *New Jerusalems*.

'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. The booklet was published in 1921. It explained very clearly the Douglas Scheme and advocated it as the evident solution for the problems of the mining industry. Moreover, 'Dividends for All' may have been the first really accessible presentation of Social Credit Theory—both in terms of easy to read or understand, and readily available outside the circles of the 'New Age' readership.[19]

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

Apparently, the 'Scheme for a State Bonus' was first made public by Dennis Milner in February 1918 at a meeting of the War and Social Order Committee of the Yearly Meeting of the Society of Friends. Later that year, it 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* and published separately as a pamphlet, authored by Mabel E. and Dennis Milner. In their pamphlet the Milners advocate what they call "a State Bonus":

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

[19] Two facts warrant this conjecture: 1) W. Allen Young's is the first book on Social Credit to be mentioned in 'The Economist' (books received section on Sept. 3rd, 1921); and 2) when in 1922 the (later famous) Cambridge philosopher and mathematician Frank Ramsey publishes a critical (even devastating) examination of the Douglas theory in the 'University of Cambridge Magazine', he refers to Allen Young's booklet, not to Major Douglas' own writings which he considered to be "always obscure and often absurd." (F. Ramsey, *The Douglas Proposals*, manuscript FR 007-03-01, consulted at https://digital.library.pitt.edu/islandora/object/pitt%3A31735044221558/from_search/fe8a633e2bb88a17ed5ac78d010dee16-0)

It is clear that the proposal fits very well the idea of a social dividend in the sense of an equal and unconditional cash payment to each and every one. Moreover, the pamphlet does not only contain the idea in the abstract. It also tries to work out a way of implementation and even to cost the practical scheme proposed.

A State Bonus League was formed in July 1918. In December 1918, Dennis Milner stood as an independent candidate in the General Elections (at Barkston Ash). In 1920, a negative report on the scheme was presented at the Annual Labour Party Conference. After 1921, no further activity of the League seems to have taken place and State Bonus disappeared from the scene, leaving only a few traces in the literature of the time. One can find it reviewed (negatively) by Clara Collett in the June 1919-issue of the *Economic Journal*. A single reference to the scheme is contained in Eleonor Rathbone's *The Disinherited Family* (1927). Hugh Dalton refers to it in a footnote in *Some Aspects of the Inequality of Incomes in Modern Communities* (1920). Paul H. Douglas mentions it when reviewing in 1924 the British debate on Family Allowances in the *Journal of Social Forces* and in *The American Friend*. But afterwards, it seems to have been completely forgotten. Before the rediscovering of the scheme, the only mention in the social policy literature is in a book on the history of the British movement for family allowances (Macnicoll, 1980). In this sense, it is not surprising that Meade, who was only in his early teens when the Scheme for a State Bonus was drafted and discussed.

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

For our story Bertram Pickard is important because he was a lifelong acquaintance of James Meade's wife, Margaret Wilson, who knew the Pickard family since the 1920s. Margaret Wilson was a Quaker and the secretary of 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." (Howson, 1988, 2).

In 1933, Margaret Wilson married James Meade. In the late 1930s, both the Pickards and the Meades lived in Geneva. In the 1940s, both the Pickards and the Meades, having returned to Britain because of the war, were living in Hampstead, London. After the war, links between the families stayed close. Alison Bush, Bertram Pickard's daughter, visited James Meade regularly till the end of his life.

Hence, the following situation presents itself. On the one hand, we have James Meade, fostering the idea of a social dividend since 1935 and finally fitting it in 1988 as an essential part into the Agathotopian institutional framework. On the other hand, we have Bertram Pickard, joining forces with the Milners to advocate in the period 1918-1921 a scheme of social reconstruction fitting exactly the idea of a social dividend. Pickard and Meade probably met for the first time around 1935.

Did James Meade get the inspiration for his 'social dividend'—an equal and unconditional sum of cash paid to every member of the community—from the State Bonus Scheme advocated by Bertram Pickard? The conjecture does not seem outrageous. But no, he did not. James Meade[20] never knew that 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 place to live in.[21]

7. Epilogue

Looking in detail at the idea of a social dividend in the early writings of James Meade was meant to accomplish two tasks. The main objective was to trace the idea of an unconditional payment to all individuals as well as the phrase 'social dividend' to refer to such a device in James Meade's writings of the mid 1930s and to look at possible sources for the idea and the phrase. Discussing these possible sources lead to the conjecture that Meade encountered the idea of an unconditional equal payment as a citizen's right most probably in circles around G.D.H. Cole with the latter as a possible originator of the term in the sense used here. An unexpected bonus of this search for origins

20 "My wife had known Bertram from the mid-20s and I knew him first from the mid-30s. He had already turned his interest to international problems of War and Peace and we neither of us even heard of his 'Basic Income' Interest." (letter from James Meade to the present author, dated 11 October 1992)

21 Meade only learned about the State Bonus Scheme and Bertram Pickard's involvement in late 1991 when Alison Bush at one of her regular visits told him about being contacted by a Belgian researcher for information about her father. Since Meade wondered why a researcher investigating his own place in the history of social dividend would also be interested in Bertram Pickard, she showed him, on her next visit, copies of old newspaper articles her father had written about the State Bonus Scheme. I would like to take this opportunity to thank the late Alison Bush, daughter of Bertram Pickard, for the information she gave me about her father.

was the discovery of State Bonus, a long forgotten reform proposal and the occasion of a rendez-vous manqué between one of his main advocates, Bertram Pickard, and his good friend, James Meade.

The other objective, expecting to have some relevance for the present-day debate about basic income, was to look carefully at the role 'social dividend' played in Meade's writings. As a matter of fact, the analysis showed that a similar device—equal unconditional individual payments—played three quite different roles and was expected to perform in each of these roles a very different task. Importantly, these different characters 'social dividend' takes on in Meade's early writings do not represent subsequent stages in Meade's theoretical development. In fact, all three of them are present in *Introduction to Economic Analysis and Policy*, published in 1936. Moreover, all three of them will stay equally present in his later work, if not always side-by-side in the same book or article.

However, in Agathotopian tales 'social dividend' seems to get still another role. It takes on the character of an *Institutional Support*, functioning essentially as something that makes other institutional reforms beneficial and acceptable. Indeed, the major reform introduced by the Agathotopians, Meade learns from reports from his alter ego, Prof. dr. Semaj Edaem, was the transformation of Capitalist firms into Capital-Labour Partnerships. From this they expected a more consensual model of industrial relations and a better approach to full employment. However, this reform had 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, although 'social dividend' took on one of the three roles, described in Section 4, in many of his writings from the period 1935-1988, its appearance in Meade's final papers added a fourth possible role a social dividend or basic income could be expected to perform, namely to secure that other major institutional reforms would work out beneficially. Maybe, identifying this role and exploring how it can be played, instead of focussing only on more direct results as, for instance, reducing poverty and inequality, is Meade's most important legacy for the present-day debate on basic income.

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