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*Guaranteed Annual Income : An Integrated Approach*, Papers and Proceedings of the Nuffield Canadian Seminar, Ottawa, Canadian Council on Social Development, 1973, 333 p.

par Douglas A. Smith

*Relations industrielles / Industrial Relations*, vol. 30, n° 2, 1975, p. 272-273.

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**Guaranteed Annual Income: An Integrated Approach**, Papers and Proceedings of the Nuffield Canadian Seminar, Ottawa, Canadian Council on Social Development, 1973, 333 pp.

This volume consists of the proceedings of the Nuffield Canadian Seminar organized in 1972 by the Canadian Council on Social Development. The proceedings include eight background papers prepared for the seminar, summaries of various sessions and an introductory article by Reuben Baetz of the Council on Social Development. The title may be somewhat misleading in that, rather than a unified approach, the volume exhibits a remarkable diversity of views. The common element is a concern with the problem of poverty, or more generally with the search for criteria and vehicles for a more equitable distribution of income.

The background papers begin with an analysis by I. Katz on the philosophical and psychological premises that underlie the guaranteed annual income (GAI). Quoting a noted psychologist, he indicates that the guaranteed income « allows for a degree of freedom to act, think and feel — (and) — reflects a shift from a psychology of scarcity to one of abundance and, as such, it is among the most important steps in human development. A psychology of scarcity generates anxiety, envy and egotism, while a psychology of abundance produces initiative, faith in life and solidarity » pp. 43-4). As several conference papers pointed out, (eg. Zay and Martin) a danger of the GAI is that proponents will oversell the program to such an extent that it would be bound to fail. Certainly from the point of view of economics, to argue that most proposed GAI plans will alter the nature of society in this way is to somewhat stretch the point. The following two papers by D.C. Smith and M.J. Ulmer both deal with the labour market and the role of economic instability in generating inequality. Smith focusses on the distribution effects of unemployment and inflation and concludes that the poor fare relatively better in times of inflation — or at least that policies to combat inflation do not help the poor. These comments are based on evidence prior to the inflation of 1973 and 1974 which appears to have had a more than

proportional impact on lower income groups. Ulmer attempts to provide « a revised approach to the position of work and labor in society » (p. 65). Ulmer is an economist, yet much of his analysis departs from the traditional framework of economic analysis. Although he makes a number of relevant points about externalities, much of his analysis appears to focus exclusively on the demand side of the labour market. Ulmer ends up with his « new » view of work and leisure only because of his apparently arbitrary exclusion of supply factors in analyzing the neoclassical view. His solution for a variety of problems is « a system of tax-financed public employment — (and) — temporary use of direct price and wage control » (pp. 73-5). It is not clear how the set of policies recommended by Ulmer relate to GAI since the distributional impact of the proposals is uncertain. Ulmer mentions the Opportunities for Youth program with approval as an example of public employment yet this program has almost certainly not disproportionately benefited lower income groups. The concept of the government as employer of last resort has great intuitive appeal but Ulmer has in no way demonstrated that this is the most efficient way to provide employment for the poor.

The divergence between economists who support GAI and apparently a good many seminar participants is even more clearly illustrated in a paper by T. Philbrook. Following a review of evidence on the existence of poverty, Philbrook concludes with an approach to equalization that involves substantial direct intervention in the labour market to increase « wages in some spheres of the economy and hold them down in others » (p. 96). This runs counter to much of the rationale of GAI, at least for economists, whose support is in large part for a direct transfer program that would eliminate the need for intervention in specific markets with its usual potential for resource misallocation.

S. M. Miller and M. Rein explore the possibilities of redistribution in western capitalist economies, initially in the context of the apparently comparable degree of inequality in socialist societies

of Eastern Europe. Their data shows that in terms of regional inequality, for example, the ratio of highest provincial income level to the lowest is roughly 2 : 1 whereas other data show that the ratio of highest to lowest regional income for Yugoslavia is roughly 5 : 1. If one looks again at the Yugoslav : Canada comparison of the distribution of personal income, one finds that the Miller and Rein data on inequality in Canada show almost exactly the same degree of inequality that one finds in Yugoslavia. The question of the possibility for income transfer is, therefore, a very real one. Following an interesting analysis of inequality and its sources, the authors conclude with a purely speculative section which has as its thesis that a political consensus for equality will emerge from current concerns with inflation and the environment. They see inflation requiring a program of wage and price controls and environmental problems requiring zero economic growth. I see no current economic rationale for either of these and unlike Miller and Rein, I would be willing to wager that either or both policies would be extremely regressive.

In the concluding background paper, M. Rein addresses the problem of work incentives versus adequacy as an anti-poverty tool in the GAI. If we assume that a fixed budgetary amount is to be committed to GAI, we then face a trade-off between incentives and adequacy. Other things being equal, a higher income floor will necessitate a higher tax rate (reducing work incentives) or conversely a lower tax rate requires a lower floor (reducing adequacy). This was the dilemma that faced the Senate Committee and led them to recommend a floor below their own poverty line. In this context, it is fortunate that the preliminary labour supply results of the GAI experiments suggest that supply responses are not extremely sensitive to tax rate changes. Rein also documents the rather high implicit marginal tax rates in the U.K. for low income families when loss of benefits (such as housing subsidies) are included in the tax calculation. This situation creates what is referred to as a « notch » in the pre-and post-tax earnings profile — a situation in which the marginal tax rate exceeds 100%.

This is, in general, an interesting volume although as the remarks above indicate, there are numerous sections that economists, in particular, may find hard to understand or to agree with. This reflects the fact that the papers are extremely wide-ranging in outlook and encompass viewpoints from those who see GAI as the most efficient way of replacing much of the current welfare apparatus within a market economy, to those who see it as a first step in fundamental social change. There is, therefore, a somewhat inevitable failure to clearly define the precise goals of GAI. Very much of the concern with poverty expressed in this volume is relativistic — it is not as much concerned with absolute levels of real income as it is with inequality. In the initial stages of GAI, the two approaches are convergent but at some point, the fundamental issue of distribution must be faced more squarely than in much of the GAI literature.

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*Sécurité sociale*, par J. Ghestin, Paris, Dalloz, 1972, 103 pp.

Voici une plaquette présentant schématiquement et brièvement la sécurité sociale en France. Partie des *Mementos Dalloz*, cet ouvrage est surtout destiné à l'étudiant et la composition typographique est faite de façon à frapper la mémoire visuelle du lecteur.

Malgré le nombre relativement petit de pages, ce livre s'attaque à une quantité surprenante de sujets. Il ne faut donc pas espérer y trouver un traitement approfondi des points traités.

En plus d'une introduction générale présentant la formation du concept de sécurité sociale (chap. 1) la sécurité sociale et les structures de la société (chap. 2) et les grands problèmes internationaux de la sécurité sociale (chap. 3), cet ouvrage est divisé en trois parties incluant au total quelque vingt chapitres.

La première partie de cette plaquette s'attaque au régime général de sécurité sociale, la seconde présente les régimes spéciaux et la troisième étudie les actions complémentaires.

*Sécurité sociale* peut donc être un ouvrage utile pour référence rapide et pour