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Universal credit and the poor [1]

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Today Britain gets a new welfare system. Well, one tiny part of Britain near Manchester, focused around a single job centre. It is the new Universal Credit system, the brainchild of Welfare Secretary Iain Duncan Smith, who has been thinking about such moves for over a decade.

Britain's welfare system is a patchwork quilt of benefits of different kinds, going to different people, with different qualification rules and different tax implications. Benefits have sprung up under successive governments, all determined to show their credentials in terms of helping 'poor families', often with scant regard for what is already there or what the effects might be. The result is this patchwork quilt ? which is altogether too cosy in some places but full of holes in others.

The idea of Universal Credit is to shoehorn around 54 different benefits into just one. Proponents reckon that will be a lot easier all round ? easier for claimants to understand, easier for the authorities to administer, and cheaper for taxpayers. Critics argue that there will be losers, and that some people will be unable to cope with the new system. Mind you, whenever you move from an irrational hotchpotch of policies to a more rational one, there will be losers. There will be well-deserving winners too, though you won't hear any objections from them, so every such change is greeted with plenty of outrage and little support. Politicians have to get used to that.

And sure, the new system basically gives people cash rather than spoon-feeding them with cash benefits here and practical benefits there, and some people may find that hard to manage. Most won't, though, and we can deal (and should) with the exceptions separately.

Critics also argue that the computer system behind the new benefit is over-complex and unreliable. That's probably a fair point, if previous government IT projects are anything to go by. Remember the NHS IT project? For what it cost not to deliver a joined-up NHS, we could have given all 1.4 million NHS workers nineteen web-enabled laptops, plus a spare for them to forget and leave on the train.

This tiny roll-out of Universal credit reflects something that PM Ted Heath tried to achieve back in the 1970s with Family Income Supplement and which the Nobel economist Milton Friedman proposed in his 1962 *Capitalism And Freedom* - that is, a negative income tax. Above the line, you pay tax, below the line, you get cash. Simples! And probably very efficient and effective. We will see.

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