



EUROPE

Rue Hector Blondiau, 22 7070 Mignault (Belgium)

Tél. FR. : Brasseur J.P. 0499 35 85 72

ENG. : Roussel Pascal 0473 97 49 67



info@vivant.org

www.vivanteurope.org

*In Favour of a Social Europe,
the Developing Countries,
more Humane and
Environment-Friendly Globalisation*

ELECTRONIC VIVANT- EUROPE

N° 10 (September 2004)

SEVEN FREQUENTLY-ASKED QUESTIONS, SEVEN REPLIES

Vivant is in favour of **direct democracy**, with referenda, and of restoring real value to representative democracy (by measures to diminish the stranglehold of the parties – the “particracy”).

Direct democracy will not work well if citizens are too worried about their survival and their incomes. It is for this reason that we think the Basic Income and the true functioning of a civilisation’s direct democracy go together.

1. Why is a new social system needed?

Up to ten years ago our economy was essentially a closed one. Trade was with countries having social security systems similar to our own. There were no obvious opportunities for businesses to re-locate abroad as there are today.

When the Berlin wall came down the world changed. There are today 5 billion consumers in the capitalist world instead of just 1 billion a decade ago.

The number of workers has increased proportionately. But these extra workers earn only a tenth of what our workers earn.

Social security hardly exists in the majority of the countries that are newly participating in the world market.

That is why systems of reduced working hours do not provide a good solution.

Let us look at what would happen if businesses were legally obliged to reduce working hours.

a) If reduced working hours also means reduced salary, there will be less money for people to spend. Not only would they live less well, but lower consumption would lead to lower business sales figures, lower production and thus even more unemployment.

b) If one works less for the same salary, business production costs go up; exports would suffer and also lead to more unemployment.

Inflation, fuelled by higher prices, would take off again. One could always import goods produced at lower cost elsewhere so as to avoid inflation, but then unemployment would go up even more.

In the context of free trade with low-salary countries, reduction in working hours leads to the country's disintegration.

It is high time our governments understood that the social security of the Welfare State is under threat and that the measures put forward up to now show that the politicians no longer see things clearly, even if their intentions are of the best.

A country that obliges its businesses to pay about 40% of their added value for financing social security cannot compete directly with low-salary countries having no social security.

If we do not wish our social security to go under, there is only one solution: *make imported goods share the financing of our social security*.

That can best be done, for goods produced in Europe, by replacing salary charges with higher VAT. As for goods produced outside the European Union, with child labour, for example, they would be more highly taxed than at present.

This measure is not protectionist in the strict sense of the term, because VAT would be the same for goods made at home as for those made in low-salary countries. In fact, this measure provides only partial relief of our businesses' handicap.

The Welfare State therefore needs to be re-thought if it is to survive. The social security financing base **is shrinking** every year. Under the present system, it is based entirely on the salaries of those in work, a small proportion of the population (*only 2,000,000 workers and traders!*).

Reducing working hours reduces this base even further; it is therefore **a mistake**.

It is a mistake **also** because there is plenty of work to be done (health care, maintenance, education...). But this type of work has become *exceedingly* expensive because, precisely, social security is financed by a tax on labour.

Our society is rapidly becoming a service society; and that has economic and philosophical implications.

a) Economically, it is the social security financing system that is called into question. Services cannot be taxed as much as industrial products without producing a parallel “black” system.

b) Philosophically, there has to be a general realisation that in our post-industrial society there is enough material benefit to go round if only society is organised in **an intelligent manner**. Henceforth, it is human well-being that should be emphasised (*of the mind...*); that is, an economic and social context needs to be created which enables everyone, the whole population, to “feel good”. In practice that means a degree of job mobility which allows everyone to find the right, pleasing, occupation, rather than *to go through life chained* to a job simply because it is a source of income and security. From now on, *social security and work must be disconnected*, be it in respect of income when one loses one’s job, or pension rights or medical care.

2. What are the practical effects of Vivant’s socio-economic model?

They are seven, namely:

Effect 1: The cost of labour goes down for the employer, while the employee’s net income stays the same.

Effect 2: Because there is no longer any tax on labour, there is no longer any difference between working “black” and working normally and job opportunities greatly increase.

Effect 3: Since labour becomes less expensive, businesses remain in the country instead of relocating to low-wage countries.

Effect 4: Everyone is free to work as much (or as little) as one wishes. Those who work more earn much more than they do today with limited working hours: ten hours a week or sixty, you choose. Work until you are 76? That’s allowed. Stop at 40? That’s allowed too.

Work becomes flexible, one can join in or withdraw much more easily.

Example: A married woman starts up a small business at the age of 45, when the children have grown up or after a career as a teacher! That becomes a practical possibility. Today, with all the forms to fill in, the rules and regulations, pension calculations, taxes, business risks, such initiatives are very difficult.

Effect 5: Since everyone is unconditionally entitled to the Basic Income, *there is no need to be afraid of a “bad” C4*. One can change employer with ease without being afraid of finding oneself without an income. It will be possible to try various jobs so as to find the agreeable and most suitable one; taking any old job just for the income it gives will no longer be considered a common thing to do

Also, those who work with pleasure are generally more creative and productive, which is a good thing for the economy of the country.

Finally, since there will be no more people “out-of-work”, no shame will attach to remaining without a job. All the procedures, justifications and controls vanish.

Effect 6: VAT (STC) can be adapted to each type of product, unlike taxes on labour, which in principle are the same regardless of the product this labour produces. Using its ability to adjust the rates of VAT (STC), the State can promote access to certain products and services (for example, teaching, health care...) by reducing the relevant VAT (STC) tax rate, even to zero for some

services; or it can decide to increase the rate selectively, for example on environmentally-unfriendly products or luxury goods.

Effect 7: Under the present system, those who work pay more tax (€1,375 of tax on a net income of €1,125, in the example above) than *those who live off income from their capital* (levy of 15%). By replacing income tax with consumption tax, this inequality is wiped out. (See graph showing consumption tax, p. 26.)

In short, the practical effects of the Vivant socio-economic model are the following:

- State expenditure goes down
- Public services are more effective and efficient
- Political patronage and abuse of power are contained
- Employment is strongly promoted
- Flight of businesses stops
- Labour and services become cheap
- Social exclusion largely disappears
- People can change job with ease and find agreeable work
- One can make better use of one's life
- One can work as much or as little as one wishes
- Hard work brings in much money
- Traffic queues will probably diminish because fixed working hours, *at present required by social agreements*, will be partially replaced by flexitime
- Entrepreneurship will be easier.

3. What is meant by “black” and “white”?

The concept “black” means “in a hidden manner”, avoiding the “official channels”. To avoid confusion we shall describe the three “blacks” commonly practised in Belgium:

1. *Working black*
2. *Selling black*
3. *Having black money*

1. Working black

Someone carries out paid work outside the context of the law. For example, an artisan pays his workmen overtime black.

2. Selling black

For example, a street vendor sells his goods to passers-by without declaring sales or paying VAT.

3. Having black money

Money received outside official channels. For example the PS (socialist party) accepts money from Dassault or Agusta – black money. The trader who has sold products black has also generated black money. The money earned by the workman who has worked black is “black”.

Vivant can claim to eliminate working black for the simple reason that neither of the parties concerned, employer or employee, would draw any advantage from it. On the other hand, selling black is not eliminated by abolishing taxation on labour. It is even the case that there is more

incentive to “sell black” in the Vivant model since all taxation is due at the point of sale to the consumer.

This is one of the reasons why Vivant is proposing relatively low or zero rates of VAT (STC) for services where selling black is hard to control.

The classic example is the case of the cleaner “on the black” This is a case of both working black and selling black because **the “employer” is also the final consumer of the service.** Vivant reckons that for that service VAT (STC) should be zero.

At the same time, controls on all taxable sales of products and services **should be strengthened.** (*See: The self-employed and members of liberal professions, p. 34.*)

4. What will happen if we do not change our social system?

We are moving towards a situation where our hard-won social security is **slowly but surely disintegrating.** Politicians of the traditional parties do not wish to admit it, but the base of social security financing, i.e. the number of people who contribute towards it, **is shrinking.**

Fewer and fewer people work, so there are fewer and fewer people who contribute to social security financing through the collection of employees’ contributions and employers’ contributions linked to employment.

At the same time, the load laid on the social security system is increasing because of early pensions and longer life.

If nothing is done, the social security system is heading for bankruptcy.

We already see early signs of it: more and more people are excluded from unemployment benefit and social welfare assistance.

Vivant does not accept that there should be less social security.

In all events, **a new way of financing it must be found.**

At present, the State does everything. Maybe politicians think the citizen is incompetent and of bad faith. There are a thousand regulations and a thousand means of obtaining assistance – and as many controllers – for every decision we have to take.

We want a State based on the rule of law, **but a State based on the rule of comprehensible law.**

The myriad of laws and regulations has become so complex that even the specialists argue and go to court to find out who was right; and we, ordinary folk, do not always understand the rightness. **Think of the suspension of Mr. Conerotte by the Appeals Court, which is the epitome of justice embroiled in procedural procedures (or procedural difficulties).**

Relating to the law of labour and social security, the proliferation of regulations is by no means less. There are about forty systems for promoting employment, which change all the time – as if a tiler, a butcher or the head of a small business can find time to study it all...

It is imperative to **simplify the legislation relating to employment and unemployment.**

5. Will the Vivant model result in something different from what we know today?

No and yes.

No, in as far as, for the majority of people, the new levels of income would not be very different from what they are today.

The big difference is that entitlement to social security will not be conditional on having worked. And the amount one gets will not be influenced by complex calculations or interventions mysterious or political.

Above all, nobody will be left out and *the citizenship income removes the link between work and social security*.

Yes, for it makes work more free, more flexible and better remunerated.

Those who wish to change job can give in their notice before looking for another job, *without suffering a penalty relating to unemployment benefit*.

Naturally, reporting to the labour exchange becomes pointless and it is no social shame to have no work.

People will more easily be able to change job, until they find the work and the boss of their choice. If after several years they want a new professional experience, no problem!

Since there will be fewer people left out, even the well-off will benefit from the new situation, for there will be less criminality and less grinding poverty.

Our society is rich enough to be able to afford to pay a basic income to all citizens. What are we waiting for?

6. Why start a new political movement?

The world is in transition. Since the Berlin Wall fell, the global economic system has grown with the addition of the former communist world (China, India, eastern Europe). The number of inhabitants, and hence the number of economic actors, has gone from 1 billion to 6 billion in just a few years.

No international or national authority seriously asked the question whether a programme of “adaptation” at world level was required. There have just been some interventions, localised (East Germany) and scattered.

No-one has seriously asked what will be the consequences for Europe. Businessmen have seen only the possibility of doing new business in these countries and they have rushed to set up joint ventures and sell our knowhow, often with subsidies paid by the European taxpayer and with the help of our organisations supporting foreign trade.

The results: massive unemployment, accompanied by all its psychological consequences for those concerned, and erosion of the financing of our social security. The young feel the effects immediately, and older people will when there is no more money to pay their pensions.

Globalisation puts Belgium and Europe in direct competition with countries where not only salaries are low, but where there is little or no protection or, therefore, social costs.

Low salary costs in China and India (which represent unlimited manpower reserves – 2 billion inhabitants, 6 times more than in Europe) incite firms to relocate **everything possible**. Even computing services and administrative work join the flight.

In our country, where the cost of labour is artificially high because of the taxation of labour (and social charges), a downward spiral is produced. Increased unemployment is financed through new tax increases which make our labour even less competitive.

There are two ways out of this vicious circle:

1) Decrease salaries by replacing experienced employees with ill-paid young ones with temporary social status, decrease the minimum wage and set up social policing with sanctions against unmotivated unemployed. This is what your government is doing. **It's against this that Vivant objects.**

2) Make imported products (from low-wage countries) pay for a part of our social security. In practice, replace the taxation of labour with taxation of consumption (VAT / STC). That is to say, bring the financial base of our social security back to normal. This is what Vivant wants.

7. Why do the traditional parties have difficulty in hastening to implement the VIVANT “recipe”?

They hesitate because some people in these parties would lose their influence, their power.

The trade unions, which are at the heart of government, are the founders of our relative material well-being. *They did an excellent job in obliging the bosses to share their profits.* Thanks to this battle, they have now been in power for several decades. Their power is based on a social security model *which is well adapted to a country that neither imports nor exports.*

Any change in this model implies a lessening of their influence. For example, if all citizens receive a citizenship allowance (Basic Income), the unions will lose the commission they get at present to pay for unemployment.

Hence, initiatives by well-intentioned politicians in the traditional parties is handicapped by pressures of various kinds.

Those who have studied how large organisations work know that it is impossible to change them if most people belonging to them will thereby lose influence. Think of the large companies that try to change their business culture. It is a huge task that can succeed only with great difficulty.