

MOVEMENT



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

ELECTRONIC VIVANT- EUROPE

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1. EDITORIAL

Some people are worried that the consumption tax that VIVANT-EUROPE is advocating at the European level would raise the prices of goods coming from the Third World. That would have the negative effect of retarding the development of Third World countries by taking away the advantage they have over us at present. The article below aims to respond to this concern. It is particularly topical in view of the recent World Trade Organisation meeting in Hong Kong.

2. EUROPEAN AND THIRD WORLD TAXES

Abolishing tax on work and taxing consumption does not take away from the Third World the advantage they have over us Economically, a country increases its internal wealth by exporting. The foreign exchange paid to the exporting country helps to increase its Gross Domestic Product.

That is what is happening in China, for example. The money paid by the purchasers of Chinese goods goes into China.

For a long time Belgium increased its wealth by exporting, and this is happening still today. Already in the 19th century Belgium sold iron for the construction of railways in America, China and elsewhere.

Today, Belgian beer is sold as far afield as Japan.

On the international level, it is often considered that low salaries are the main attraction for company migration.

The chart below amply shows that they are far from being the primary cause.

What enables Chinese companies to make fat profits is above all the absence of social charges in China.

And that leads to companies leaving Europe, where labour is too expensive.

Price pattern for the same product made in Europe and China

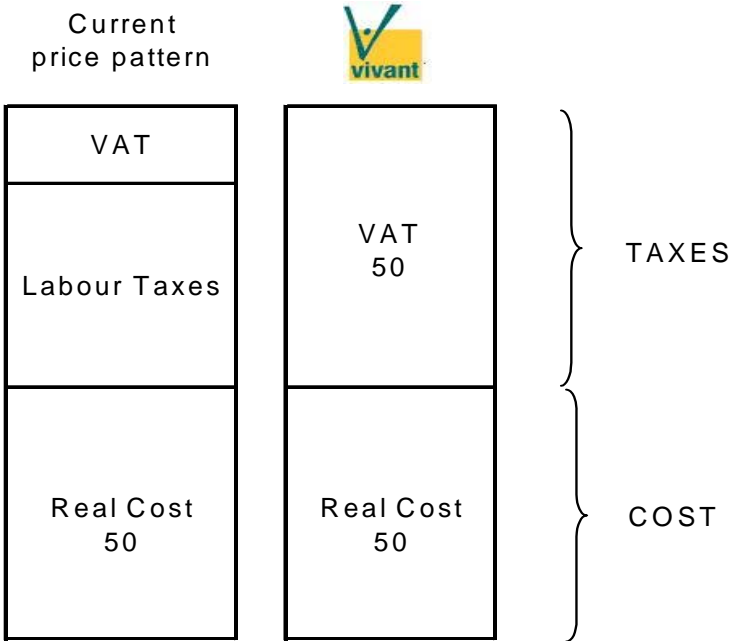
Europe	China
VAT	VAT
Employer Tax	Employer Tax
Income tax	Profit
Payroll Tax	
Profit	
Amortization	
Net salary	Amortization
Raw materials	Net salary
	Raw materials

These fat profits enrich the country, but mainly a privileged class, which is now beginning to invest even in Europe (e.g. Vilvoorde in Belgium).

It is not at all sure that this money is of benefit to the average Chinese citizen.

VIVANT’s programme advocates, at the European level, funding our welfare system by way of consumption, thus freeing work from social charges. This “social VAT” varies according to the product so as, as the chart below shows, **to keep the selling price at the same level as before.**

For products manufactured in Europe
the selling prices in the store remain unchanged



This does indeed have consequences for China (Third World).

In effect, the European selling price does **not change**. On the other hand, the price of goods from China, taxed like the goods from Europe (for like goods are taxed alike regardless of where they come from), may well go up if the Chinese producer keeps **his profit margin**. His goods then become less competitive. VIVANT’s programme implies a reduction not in the already low rate of pay of the Chinese worker but **in the manufacturer’s profit margin**.

Some people are worried that this method of taxation would deprive Third World countries of the advantage they at present have over us and thereby jeopardise their development (see notes 1 and 2).

But this is more apparent than real: for who benefits from **these enormous profits**? Chinese development would be better served by reducing profit margins and raising the purchasing power **of the Chinese people**.

It is also a mistake to think that Europe will **always be rich** and therefore able to finance the development of some rich Chinese.

Is it certain that in a few years’ time China will have a welfare system similar to those of the rich countries? And that **Europe should bear the brunt and contribute to China’s development by continuing to import vast quantities of their products**? And that the whole population of the

country will benefit from the enrichment of Chinese corporations? Just because some Chinese regions (designated by the Party) are developing better than others?

Is it not rather the case that such thinking is a simplistic extrapolation which overlooks the fact **that China is not a democracy?** And that China's success also owes much to **the reduced purchasing power of Europeans**, who are happy to buy cheap goods that keep inflation down and interest rates at minimum levels so that they can borrow (or over-borrow)?

Another point: China needs oil. The Chinese are not champions of ecology or energy conservation, and fuel prices are going up, **further eroding the purchasing power of Europeans**. Inflation could well go up, and interest rates with it, thus further reducing the purchasing power of Europeans who have taken out loans and so will have to reimburse more.

Isn't there another way of handling things?

There are two ways of making a country richer, and they are complementary:

1. By exporting.
2. By increasing citizens' purchasing power - source of work and wealth.

And how is purchasing power to be maintained? **By growth of internal and external trade.**

This makes **the regulatory role** of the WTO necessary, so long as it does not authorise state subsidies that make competition between rich countries and poor countries unfair.

Take away from developing countries their possibility to export and you impoverish them, and **allowing** the development of a privileged class at the expense of social justice is no better. The European agriculture policy, with its extensive subsidies, skews the rules of fair competition and slows down development in the Third World. In a previous article we demonstrated the bad consequences of the subsidy system, which, once in place, is **very difficult to take away**.

(See note 3: "**Subsidise? Yes, but what?**")

At present, **the capitalist system has to be piloted**; if not it will destroy itself, **for robots** are increasingly replacing workers everywhere (even in China). A surfeit of cheap labour on **offer brings down the incomes** of the working classes and of the population as a whole.

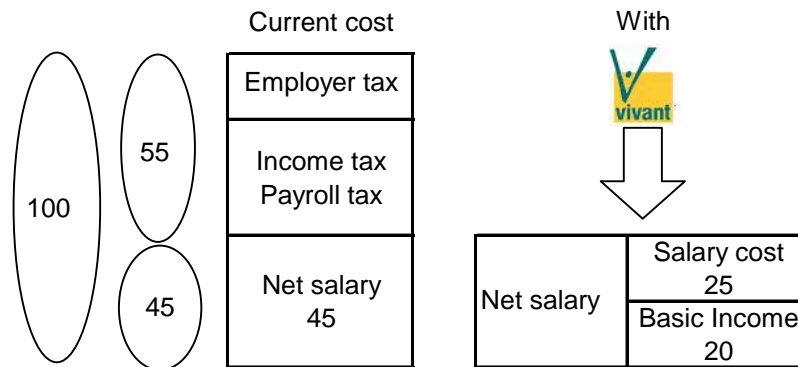
The capitalist system can survive only if purchasing power is spread throughout the population.

The Basic Income (see notes 4 and 5), a new parameter, **reconciles the ideal of solidarity with the free market**.

It constitutes both **a subsidy** to employment and **a support** of purchasing power in the fight against poverty.

When combined with the abolition of taxes on work, the Basic Income preserves the European welfare system and prepares the Third World for financing its own welfare system through consumption.

Pattern of Labour cost



In the end, trade between parties that are too unequal **leads to poverty**; trade between partners on a basis of reciprocity brings development and wealth.

Countries in the North have **an interest** in seeing that countries in the South should develop. If they don't, there is a risk that Europe should turn into a fortress of well-being (and for how long?) **under permanent siege from hordes of immigrants.**

Globalisation presents **an opportunity** for poor countries as long as it is **conducted in another way.**

It presents **an opportunity** for everyone because trade between different peoples, on a basis of **reciprocity**, is favourable to peace and economic prosperity.

In the long term, if globalisation is conducted wisely it should be possible to replace the force of arms with that of the Law.

Talk of **a world parliament** and of world legislation having regard for regional differences is not entirely utopian: it will become necessary if we want to keep our stake in the world.

For its part, VIVANT has a contribution to make to this great undertaking: it offers neither more nor less than a fairer distribution of wealth together with the techniques for achieving it.

Globalisation that will bring good requires wise but realistic management that avoids pompous conflicts and keeps its eye on, and can point others to, the Common Good.

By funding welfare systems in Europe and the Third World through consumption a stable structure of purchasing power and of fairer wealth distribution can be **put in place.**

And the globalisation that seems so problematic today will be replaced by a world-wide structure of socio-economic links at the individual and collective level.

Jean-Paul BRASSEUR

(VIVANT-EUROPE)

Pascal ROUSSEL

(VIVANT Wallonia)

Note 1 Development Cooperation (Extract from the VIVANT Programme)

Vivant doubts whether development cooperation is effective as it is being done today. Vivant is **against “regulated”** aid because it can be the source of corruption and disloyal competition. When Western aid is given because the goods or services it provides are not available locally, it should be consequent upon a European public tender, and should be open to European and non-European companies that can give sufficient financial guarantees for seeing through the project.

According to Vivant, more efficient forms of development cooperation would consist of:

- **the enlargement** of commercial opportunities, so that the beneficiary country creates its own instrument of prosperity;
- **assistance** providing adequate management for the execution of development projects, with partners (local ones for example) that enjoy the confidence of the local population;
- **support** to initiatives that provide small-scale capital in the form of loans to the local population (micro-credit).

In addition, it is necessary to:

- ensure that foreign investments do not favour development inequalities;
- accept as candidates for development aid only countries whose military power has been reduced to a minimum, so that democracy can be established securely without jeopardising sovereignty;
- organise experiments with a Basic Income equivalent (for example, a Basic Income paid out in food) in small isolated communities.

The regular (monthly) distribution of a Basic Income in the third world necessitates effective financial control and social guidance in order to avoid embezzlement of funds.

Note 2 Basic Income in Third World Countries (Extract from the VIVANT Programme)

Vivant also supports the movement in favour of releasing third world countries from their debts. Most of these debts have been contracted by authoritarian regimes. Banks granted credits without properly examining the risks. In general, the population of the beneficiary countries was not able to participate in the decision and the people were not the ones to benefit from the credits awarded by the banks. It is therefore not fair that these populations should suffer a fall in living standards in order to reimburse the debts.

Vivant also believes that the introduction of a Basic Income in third world countries may be **the best way to spend the budget devoted to development cooperation**. It is possible to give a basic income of €40 to each Nicaraguan with only 1% of our GNP. In Nicaragua, with a population of about 2.5 million, these €40 are equivalent to €250 in Belgium, since basic products are cheaper. In this way, local markets are created, as buying power is increased. A Basic Income grants greater autonomy and space for own initiative to those who receive it.

Another possibility is to tax heavily the industrial products imported into these countries, as they are often bought by wealthy people. This would provide partial funding for the Basic Income for the whole population.

Note 3 "Subsidise? Yes, but what?" (Extract from the Electronic VIVANT, special edition of September, 2003)

At first sight subsidies would seem to solve the problem: prices remain artificially low (which is good for consumers lacking purchasing power) and producers are compensated for production costs which are too high in relation to selling prices.

Unfortunately, subsidies bring with them a number of awkward side-effects: they interfere with the competitiveness of those countries that do not have subsidies, and hinder their development; also they trigger a process tending towards ever higher subsidies, and this misused money contributes to impoverishing our "rich" countries; &c.

Once one is caught up the subsidy system, it's not easy to get out of it. Any sudden global abolition of subsidies would bring about **price-hikes** (which people don't have the means to cope with) and **a diminution in the number of producers** in our rich countries (social costs).

Contrary to what one might think, Europeans do not have **the purchasing power** to buy clothes at prices which would include European labour costs. So, because of migration of manufacturing, the number of jobs and the domestic market are diminished.

Meanwhile, the smaller countries, poor or otherwise, are obliged to open up to the world of the Big Countries and follow their ultra-liberal dictates: **reduce their internal markets and export** in order to pay their debts while not being able to feed their own populations.

Note 4 Importance of a Basic Income for the Third World (Extract from the VIVANT Programme)

In June 2001, in São Paulo (pop. 17 million), Brazil, Martha Suplicy, mayor of the city since January 2001, introduced a Basic Income for low wage earners and those with no income. This is accompanied by social aid in the form of management education and protection against theft.

Her ex-husband, Eduardo Matarazzo Suplicy, federal senator of the state of Sao Paulo for the workers' party, has declared: "Basic income is an efficient arm against the economic unfreedom that pushes people into accepting semi-slavery working conditions or into seeking work in unfavourable regions. It is an efficient means in the battle against organised crime (illegal drugs trade, human trafficking) and breaks the vicious circle of poverty and illiteracy."

Note 5 Passing a Law on Citizen's Income in Brazil (Extract from the Electronic VIVANT, No. 41, July 2004)

Conference given by Eduardo Suplicy
in a colloquium at the French parliament in June, 2004

PASSING A LAW ON CITIZEN'S INCOME IN BRAZIL

Eduardo MATARAZZO SUPPLY
Workers' Party Senator for São Paulo
Ph.D. Economics from Michigan State University
Economics Professor at São Paulo School of Business Administration

(...)

So **in December 2001**, after my mandate as senator had been renewed for another eight years, I decided to put forward **a new Bill to introduce a citizen's income in Brazil from 2005**. Today I am absolutely convinced that the unconditional basic income is the common sense way of eradicating poverty, of building a more just society and of securing real freedom for everyone. **It is the common sense way of doing so in the same way as the common sense way of going out of one's house is by the door**. That is precisely what Guy Standing affirmed at the International Conference on Basic Income held in the Brazilian Senate in 1998. 520 years before Jesus Christ, Confucius wrote in the Book of Questions and Answers: "Has one ever seen a person go out of his house except by the door?"

The good news I bring you today is that the Bill in question was adopted by the Senate in 2002, unanimously. It has also been adopted by the Chamber of Deputies, and thereby by the whole Congress of Brazil.

On 8 January 2004, **the President** of the Republic, Luiz Inácio Lula da Silva **gave it the Presidential Assent in the course** of a ceremony attended by numerous personalities, including Professor Philippe Van Parijs. Brazil is thus the first country in which the national Congress has enacted a law introducing a Citizen's Income. (3)

(...)

I took part in **the Congress of the South African Coalition for a Basic Income**.

(...) With a total membership of over **12 million people**, had formed a coalition to fight for **the introduction of a basic income in that country**, where many of the problems were similar to our own.

(...)

There is one place in the world where it has been applied: Alaska.

(...) **Through this system Alaska has become the most egalitarian State of the United States of America**. Between 1989 and 1999, Alaska redistributed 5% of its Gross Domestic Product to all its residents, numbering today nearly 650,000. The consequence is that while in the United States as a whole the average income of the 20% poorest families has risen by 12%, against 26% for the 20% wealthiest families, in Alaska the figures are quite different: the average income of the 20% poorest families has risen by 28%, against just 7% for the 20% wealthiest. QED, as the mathematicians say.

(...)

When **the Brazilian Sergio Vieira de Mello** was appointed United Nations Co-ordinator in Iraq, I sent him a letter suggesting that the Alaskan example be followed there. On 30 May Sergio Vieira de Mello replied that he had favourably received my suggestion. In Jordan on 23 June Ambassador **Paul Bremer III**, Chief Administrator for Iraq, proposed in a speech **that one way of sharing wealth in Iraq** would be to set up a programme funded from receipts *from the sale of oil. Iraqi citizens could receive dividends, as in Alaska. Alternatively, such receipts could fund public retirement pensions or other social security instruments.*