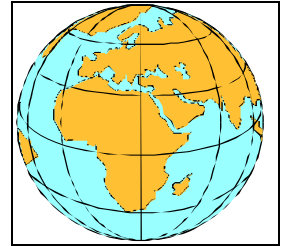




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“Liberate work by removing its tax burden and finance social security by taxing the consumption of goods, which most often are produced by machine.”

ELECTRONIC VIVANT- EUROPE

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1. EDITORIAL

To maintain purchasing power is to fight against poverty.

To fight against poverty is to boost the economy and preserve democracy.

To subsidise people by means of a Basic Income is to provide them with a safety net against the uncertainties of mobility and change.

To tax consumption instead of work, without increasing the cost of living, is

“to tax downstream rather than upstream, i.e **at the moment when income is transformed into consumption**. It is in the broad river of consumption that all the tributaries meet and lose their identity in a great monetary mass that generates purchasing power, the ability to save and the possibility to redistribute. **In this way, far-reaching solidarity is created while taxation is proportional to wealth, since we all consume in accordance with our income.**”

(Extract from an address given by Monique DURIN-MARCHAL, 13 April 2002, Braine-le-Château, Belgium)

Below, you will find an article showing how VIVANT’s socio-economic model results in maintaining **purchasing power**, followed by the Belgian national budget updated for 2007.

This table serves to show how the VIVANT system is funded.

2. PURCHASING POWER

Purchasing power is on the agenda of all the political parties. It reveals the level of **well-being** of our fellow-citizens.

In this connexion, it is necessary to distinguish between income and purchasing power.

Income is, for example, what one receives from an employer in return for work (i.e. salary, on which the State raises taxes) or it may be derived from investments. In general, it is the amount of money a person receives.

The question then is: what can one get for this amount of money ?

If the money has high value, little of it is needed to purchase a thing or a service.

For €1000 (30 grams of gold), one may get 6 supermarket trolleys of food.

In this case gold has a strong purchasing power, as has paper money if the currency is strong.

A priori, it seems a simple thing to measure purchasing power. Yet in practice it is impossible, since nothing remains exactly the same over time, for the **same** quantities and following the **same** rules of demand and supply.

This is shown by the fact that the prices of a computer, a motor car, a house, etc., of 20 years ago can not be compared with today's prices.

Given their respective qualities of greater power, lower fuel consumption or better insulation, some will say, "They may be dearer, but they're better."

Impossible, then, to make the comparison.

If we take a product which is really comparable, like bread ... we find that even there the method of fabrication has changed in favour of the machine.

Another reference : **gold**.

The quantity of gold mined each year is small, yet even there demand has changed : 10 years ago "nobody" wanted the stuff. **Now, people are grubbing for it!**

Consequently, purchasing power is **impossible to measure exactly** and cannot be calculated solely on the basis of the price of things.

Furthermore, price is the reflection not only of demand and supply, but also of monetary inflation.

In fact, prices go up when the money supply furnished by the banks goes up (for it is the banks that create money on the back of credit). That means that money is worth less and people's purchasing power diminishes (even when their net incomes remain the same).

The rarer a thing is, the more it is worth. When money is rare it acquires value and can buy more because **prices are low**.

But if **too much money** is issued it becomes less rare, its value goes down and more of it is needed to buy things. That's when **purchasing power goes down**.

However, it is not because more money has been issued that the consumer has more income, for more money issued signifies more debt. (Much more debt.)

Which is one of the causes of the present financial crisis.

An extreme example is that of Zimbabwe : the banks have issued so much money that it now has no value (hyper-inflation).

Purchasing power is thus linked to the **monetary situation**, and this the usual political groups do not recognise.

They have a **partial** approach, based mainly on incomes.

Each political group goes ahead with its proposals without taking sufficient account of the greater part of the economic and fiscal processes which are on offer in the “research market”.

They are content with solutions that do not take account of all the parameters, lack, therefore, coherence for the longer term and steer the economy away from the desired direction.

The principal reason is that all their proposals are formulated on an old, out-of-date basis, namely :

- To secure cost competitiveness by reducing salaries
- To ensure that the rich pay, who have a facility for moving their capital in order to escape taxation.

We are here on foundations that no longer prove their worth, as the increase of poverty in Europe shows.

What the politicians don't understand, or don't want to understand, is that VIVANT, by its socio-economic programme, is proposing not new recipes, but no more nor less than **two new paradigms** for a globalised society. A paradigm is a basic model that will serve a whole series of socio-economic situations.

The first paradigm VIVANT proposes is **the total abolition of tax on work**, thus liberating it and enabling anyone to undertake business locally, regionally, nationally or globally.

This new model concerning taxation of work brings a security for business enterprise which liberates people instead of **stifling them as they are stifled with the present weight of regulations**.

This paradigm is **both** of the left and of the right : it develops socio-economic **freedom** and protects individuals' possibilities of earning a fair return for their work.

The second paradigm is the unconditional Basic Income. *

that is, an income paid by the State to all citizens **because they exist, and which can be supplemented by income coming from work or from financial investments*

This Basic Income constitutes a safety net (for life) for all our citizens, **immersed** in a world of constant change and movement.

It constitutes a basic reassurance that enables them to undertake business or professional activities and to take control of their lives.

By contrast, the present socio-economic situation is **dramatic**.

On the one hand, those wishing to take initiatives are confronted with such a multitude of regulations that they are “made insecure” from the outset and have little inclination to take initiatives.

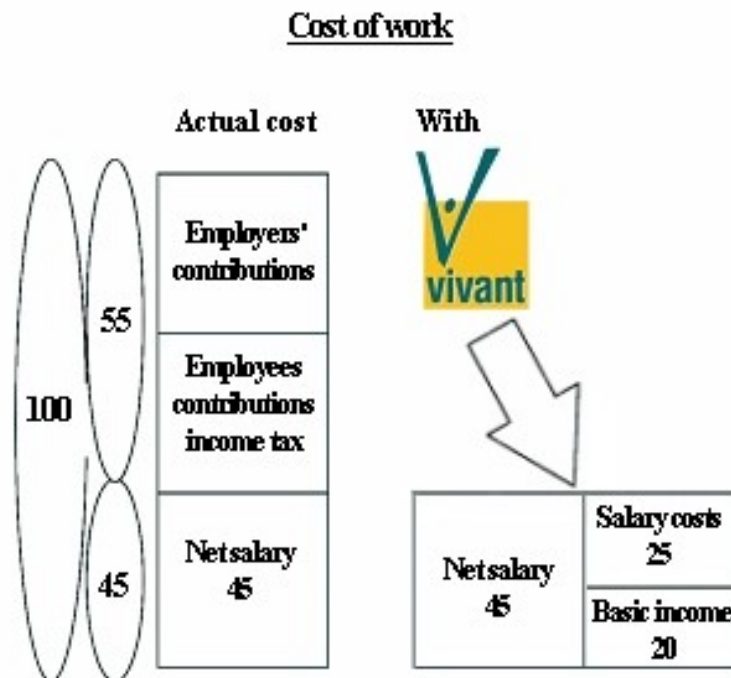
On the other hand, the benefits granted people in case of unemployment or by the Social Security in case of sickness **have a paralysing effect**. As soon as they work a few hours they risk losing their unemployment benefit and their livelihoods. And if a doctor proposes that a patient should

work for a few hours so as to have a better chance of getting better, that is impossible, for one is either “sick” or “at work”.

Administratively speaking, we are in an “**All or Nothing**” situation, which is the cause of much injustice in, and paralysis of, our society. VIVANT’s socio-economic programme, on the other hand, constitutes a **revolution** for tomorrow, bringing the prospect of freedom and well-being in a globalised society.

NOW FOR THE NITTY-GRITTY

A. Figure showing how the abolition of tax on work and the Basic Income work together



B. Impact of the Unconditional Basic Income on everyday life

Basic Income rates : From 0 to 17 years : € 150 / From 18 to 24 years : € 444
(monthly) From 25 to 64 years : € 600 / From 65 years : € 888

Some examples

1. A couple with no children

Basic Income : $600 + 600 = € 1,200$ per month

To this sum may be added the two spouses’ earnings from work – which will be easier to find, being relieved of taxation and costing the employer 3 or 4 times less than at present (see diagram below).

Both members of this household will be exempt from income tax on income up to € 1,500 per month (Basic Income included).

This means that up to € 3,000 per month this couple will not be liable to tax on revenue.*

**Any individual portion that exceeds € 1,500 will be taxed at 50%*

Note that the VIVANT model, by means of the Basic Income and the tax threshold of € 1,500 per month, **maintains the individual's purchasing power.**

2. A couple with 2 children : (aged 12 and 16 years)

Basic Income: $600 + 600 + 150 + 150 = €1,500$ per month

Children's incomes are never taxed except when they are supplemented by a student income of more than € 1,500 per month (or € 18,000 per year)

3. A couple with 2 children : (aged 14 and 18 years)

Basic Income: $600 + 600 + 150 + 444 = € 1794$ per month

4. A couple with 4 children (aged 8,12,19 and 22 years)

Basic Income : $600 + 600 + 150 + 150 + 444 + 444 = € 2,388$ per month

5. The case of a person living alone

At first sight, this particular case seems to point up a weakness in the VIVANT model – one can hardly live on € 600 per month!

But, in general, the VIVANT model will encourage many people to live together, who at present live apart (fictitiously?) to avoid the higher taxes due on joint revenues.

Additionally, two special cases may be envisaged

a. People living alone may apply to the Welfare Office, which, according to the VIVANT Programme, will help them (in cash or in kind) to live **above** the poverty line.

Extract from VIVANT's Programme : *“ Reorienting the mission of the Welfare Offices : For those who are not able to meet their daily requirements we envisage the possibility of appropriate social assistance.”*

VIVANT's Programme provides for a subsidy to Welfare Offices and other specific assistance of € 2.4 millions. (2007 index)

Today, such assistance costs € 13.104 millions. (2007 index)

(See the Belgian State budget below)

b. Handicapped people living alone

They will be assisted financially with a supplementary income from the State.

Extract from the Programme : *With Vivant, they will have their Basic Income, plus supplementary financial assistance. The sum of the two will be **comparable** to what they receive at present.*

In addition, they may earn supplementary incomes through paid work without losing their Basic Income or the assistance they get owing to their handicap. New social and public health initiatives will be taken to address their specific needs.

As for senior citizens, in the VIVANT model they receive a Basic Income of € 888 per month from the age of 65 and have a life behind them when (in principle) their purchasing power will have been more regular, allowing them to take out complementary insurance.

In addition, they are free to continue paid work. **(1)**

***Extract from the Programme** : In VIVANT's socio-economic model, senior citizens will receive a Basic Income of € 888 per month ... Those who at present receive a pension at a higher level will keep it.*

*Those who have worked for several years, and hence contributed towards their pensions, will receive a pension calculated on their contributions. Consequently, where pensions are concerned, Vivant's system will not apply immediately, but will go through a long transitional phase. **(2)***

Senior citizens remain free to participate in private pension schemes.

(1) Senior citizens working 6 hours a week (27 hours a month) will gain from this activity :

- a. Extra income
- b. Probably better health through getting out of the house, taking suitable responsibility and continuing to use their brains
- c. Continuity of social life.

(b + c = savings for the Social Security)

(2) In the transitional period, those who have made contributions will continue to receive their pensions as usual.

Conclusion

We have shown that the Basic Income of the VIVANT Programme **supports** incomes and **limits** the erosion of purchasing power.

On the macro-economic level, € 65 million per year are required to fund the Basic Income in Belgium (2007 index).

This amount will be injected directly into consumption and thus into the real economy instead of going into speculations (like investment fads) that **feed inflation** and decrease purchasing power.

Making a basic purchasing power a right is another way of subsidising employment and the market, for it is a defence against the cannibalisation of the poorest by the rich. **Subsidising the individual** corresponds to the intentions of Article 25 of the Universal Declaration of Human Rights of 1948 :

“Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.”

Subsidising the individual in the context of economic efficacy is in reality strengthening liberty, equality and fraternal solidarity.

Subsidising and helping the individual unconditionally should be the vector of socio-economic action in the context of a more humane globalisation.

Purchasing power will thus be :

- a. **maintained** in the framework of taxation of consumption without increasing the cost of living
- b. **supported** by the safety net of the unconditional Basic Income.

Pascal ROUSSEL
Jean-Paul BRASSEUR

BELGIAN NATIONAL BUDGET (~ 2007) In Billions of EUROS

BUDGET OF PUBLIC ADMINISTRATIONS						
	EXPENDITURE (GEUR)				REVENUE (GEUR)	
	PRESENT		VIVANT		PRESENT	VIVANT
TOTAL BUDGET:	127,332		108,574		122,46	109,86
<u>Economic Affairs :</u>	6,156		1,75		<u>TAXES :</u>	
Employment	3,72		0,25			
Independents, Professionals and Agriculture	1,50		0,30		<u>On Income</u>	
Commerce and Industry	0,936		1,20		Salaried, Self-employed & Lib.Pro.	
<u>Foreign Affairs:</u>	2,532		2,52		84,936	
Relations with countries	0,456		0,42		25,128	
European Union	1,32		1,32		31,62	
Development Assistance	0,756		0,78		16,128	
<u>Social Affairs:</u>	63,792		76,488		9,00	
Pensions	22,08		0,00		42,54	
Health Care	15,60		8,10		<u>On Consumption</u>	
Invalidity	0,396		0,396		32,004	
Unemployment	5,556		0,00		66,372	
Career Break	1,956		0,00		19,668	
Family Allowances	5,10		0,00		2,436	
Other (Welfare Offices, etc,,)	13,104		2,40		6,66	
Basic Income	0,00		65,592		1,368	
<u>Cultural Affairs:</u>	13,956		6,00		1,872	
Education/Cultural Affairs/Sports	13,956		6,00		<u>FISCAL</u>	
<u>Security :</u>	4,236		1,356		<u>CONTRIBUTIONS :</u>	
National Defence	3,30		0,00		5,52	
Police & Gendarmerie	0,936		0,00		6,00	
<u>Justice</u>	1,32		0,90		9,36	
<u>Environment</u>	7,5		2,10		3,00	
Land Use and Transport	7,50		2,10			
<u>General Directorate</u>	6,84		2,40			
<u>Interest Charges</u>	21,00		15,00			

Remark

Present public expenditure can be compared with that proposed by VIVANT only with great prudence. The differences are as great as they are because the present real cost of a public servant is from 60 to 80 % higher (the basic salary the State pays its employees is already included under VIVANT's 'Basic Income' heading).

Most public activities are in the service sector, which brings the cost of contributions calculated on salaries to over 50% of the whole.

For all public sectors personnel costs amount to some € 24 billion ; VIVANT would reduce that figure to about € 9 billion.

- Subsidies to companies would be abolished. Most payments to individuals (scholarships and similar) would be replaced by the Basic Income.

In summary, expenditure proposed by VIVANT cannot be compared with the present situation:

- because in VIVANT's State budget (under both Revenue and Expenditure), the taxes and charges the State pays to itself (on civil service salaries) no longer appear
- because the expenditure on Basic Income in the VIVANT budget covers a large part of the present State budget, notably the Basic Income to public servants.