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How to finance Basic Income

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Date de mise en ligne : Wednesday 17 August 2005

Date de parution : September 1988

Description :

Lecture on Distributive Economy (International Conference On Basic Income, Antwerpen, Belgium, September 1988)

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Introduction

All the attendants of this conference have in common that they believe on the necessity of implementing a basic income in order to counteract non-employment effects, but what is meant by Basic Income may be quite different for all of us, as was revealed by the living debate which took place during the first International Conference on Basic Income held in Louvain la Neuve two years ago.

In short and in a non hierarchic order, it can be asked if Basic Income is :

- due to everybody,
- with or without work counterpart,
- served as a complement or in place of other well-fare allocations,
- allocated per-capita or per family,
- only temporarily attributed.

More thoroughly, from a philosophical point of view, it can be debated if Basic Income is a right or left policy; or, in other words, is Basic income just a fake for keeping people in the hope for a better future, when they will be provided with jobs ... or is it, on the contrary, the normal issue of the technological progress in an affluent society? In the first case, it is just another way to help capitalism to perdure; while in the second, it constitutes a decisive pace towards a convivial society.

More or less openly, more or less consciously, these two positions will be behind the topics of this conference. Actually the debate can be summarized in answering if the funding of the Basic Income must take the form of a redistribution scheme in a social-democratic society or if it is the quite new form of a distribution policy grounded on a new currency, well-matched to the possibilities of modern technology ?

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1- An irrepressible contradiction

My own choice is well-known among the attendants of the Louvain la Neuve Conference. My position is definitely the left policy, that is the distribution policy. I will first recall some facts which constitute the grounds of my choice and upon which we can easily, I hope, reach an overall agreement.

On the one hand, the automatization of production and, more generally, the technologies of information, are destroying jobs at a high rate in the agricultural and industrial sectors, and the sector of services is not creating enough *«real, good jobs»* (1) for all people wishing to work.

Thus, due to the replacement of *«good»* industrial jobs by *«bad»* jobs in the services, the number of people with low living standard is increasing. As an increasing number of unemployed people can no longer be sent to war with the hope they will be killed (this radical solution, which obviously was the one used for getting out of the 1929 crisis, has hopefully become obsolete), governments have to provide them with living means.

On the other hand, the overall production of goods and services is steadily increasing (and could be even more increased if customers were found) in developed and developing countries.

Thus a simple logical conclusion is obvious :

THE INCOMES CAN NO LONGER BE PROPORTIONNAL TO WORK,
BUT INSTEAD
THEY OUGHT TO BECOME PROPORTIONNAL TO PRODUCTION.

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2- A hopeless money

Let us imagine that BIEN obtains from the European Community that a basic income be a right, since huge production possibilities now exist. The first idea that appears for financing these low living allocations is to deduce them from the incomes of the still-working people or from the profits of the enterprises. This is what I called the REdistribution solution.

Obviously, this state is unstable. It cannot last long, and not only because progress in technologies will not stop or regress. The less competitive enterprises will have a lot of difficulties for surviving. In effect, the way to increase their competitiveness is to invest in new technologies, that is to replace costly manpower by robots (the prices of which are decreasing) and thus to increase unemployment (and, by the way, to reduce the global amount of wages that could be taxed). If their benefits are not sufficient for such investments, these small enterprises will have to borrow from their banks, which means to pay interests. If they cannot survive in such conditions, they will disappear. Larger competitors will absorb them.

On the contrary, profits of transnational or multinational enterprises are increasing. Will they voluntarily provide the necessary funds for basic income? No, because they are no philanthropic institutions,

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but, by definition, created to serve a maximum of profits at their shareholders. Will they be constrained to pay? No, because they have much more economic power than States : no government is able to force them to pay, as they have many ways to transfer their funds where they will and thus escape the laws.

Moreover, new deregulations still help them. And there are many examples where such large enterprises obtain from governments an exemption to pay their taxes using blackmail : «if those taxes are to be paid, we will be obliged to fire out many workers». Nowadays such a threat is always efficient !

Therefore, a concentration towards large, transnational enterprises is irresistible and, as I said above, these large enterprises are not conceived to help people they cannot use.

In such a system, there is no hope for funding basic income. In effect, in our society, as it is -I mean conceived for a scarcity era, when the work of a maximum of people was indispensable for the production of essential goods, and thus could constitute a large basis of taxation- the Redistribution of funds can no longer be the solution when the total amount of wages become more and more limited.

Still worse, we find ourselves in a situation in which large quantities of goods are destroyed for maintaining the prices and in which lands are frozen in order to reduce the crops. The E.E.C. spend tremendous amounts of money for encouraging such a policy while an increasing number of starving people in the world need indispensable living goods.

Moreover, beside the physical limits imposed by the «chargeable» wages or profits, the implementation of a low level basic income would have disastrous social consequences. How long, in effect, could last the coexistence of, on the one hand, an increasing number of people with low living standard, submitted to the permanent temptation of luxurious shop windows, full of goods they cannot afford, and on the other hand, a very small number of superwealthy people, monopolizing all the powers?

Clearly, such a society can come out only on violence and criminality.

Finally, let us stress out one decisive aspect of the so-called crisis we are going through : while so many people are losing their jobs, and thus their means of living, the stock exchange is wealthy as never, despite what was described as a terrific krach last October!

How is that possible? For two main reasons :

- first, the economy has lost its fundamental mission which was to provide mankind with, at least, all the indispensable goods for living through the «laws of the market»;

- secondly, money has become immaterial. The economy has lost its fundamental mission when enterprises have discovered that, in our affluent society, they can make more profits through the stock-exchange than by producing goods, the laws of the market being now just a well worn joke for reaganomists or diplodocus economists.

With the advent of electronic banking, money has become immaterial and the implementation on a large scale of the smart-card will enhance this tendency. Huge amounts of money are thus, theoretically, exchanged in a world-wide market without any material (goods, services) counterpart and states are

becoming less wealthy than transnational or supernational enterprises : twenty years ago, capital markets were submitted to the states, the exchange rates were officially secured, or, which is equivalent, governments were in control of their moneys.

Facing the official exchange reserves (mainly gold and foreign currencies), of the ten most developed countries, private assets could hardly enforce their rule : the ratio was 5 against 1. With such reserves, the governments could intervene in the markets in order to regulate the exchange rates. Ten years ago already the so-called «market forces» severely opposed the weight of the states. To keep fixed exchange rates proved impossible. Capital private holding amounted to 700 billions of dollars while the official cumulated reserves reached, gold added, only 200 billions of dollars. From 5/1 the ratio was now 1/3 in favour of the markets! Nowadays this ratio is 1 over 10 (excluding gold, since it has been demonetized).

According to the Bank for International Settlements, in 1986, 2400 billions of dollars were held by banks or enterprises which are displacing them in function of the opportuneness. Governments are overflowed! Thus, not only are markets no longer obeying governments, but they are more and more compelling them to change their policy.

In such a system, it would be just utopian to hope that banks and enterprises would accept to reduce their profits for financing any basic income. And since the states themselves are powerless upon such a money, the only obvious (but not easy, for cultural reasons) solution is to change the nature of the money.

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3- A currency to live

The above analysis has shown that it is impossible to finance durably a basic income from the existing money. In our affluent society, it is a nonsense to limit the possibilities of producing goods and services for all, just for financial reasons. If it is money and financial laws which fail, then it is money and financial laws that have to be changed!

The role of money is to make the economy running for the benefits of all citizens. It has to provide everyone with what he needs for living, now that this has become possible, whatever the amount of work he gives. In other words, a new money will allow to finance an universal and optimum (not minimum) income to which every body is entitled.

The only role of the new currency is to allow the transfert of the production to the consumers. This implies that it has to be created, for a given period, in an amount proportional to the foreseeable global production during the same period and that it is cancelled as soon as it has been used by the consumer.

This could be readily implemented with the help of the new electronic smart-card that could be attributed to everybody. Thus, everyone could get its part of the available production.

Of course and unfortunately, this distributive economy is not likely to be adopted in just one day! People need to be prepared to this idea and it seems that the current nonsense of poverty increasing at the

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same rate as the production possibilities is not enough striking for many people.

A transition is thus necessary.

The first step to get over is that the new currency must not be created by private banks, as it is the case for the existing money. (Let us recall that, nowadays, applying the old principle "loans make profits", banks are creating money, ex-nihilo, in quasi uncontrolled amounts, but only for the use of their own "good" customers).

The new money has to be created only by a central bank, for example, by an European Central Bank, which is a question of the day. This is the only way to actually control the creation of money. This is also the way to create money for the benefit of everyone, and not only for the enterprises. It is the right way to distribute a basic income to every one.

This idea has to be popularized among the governments of the E.E.C. countries, which are, at the moment, looking at the problem of setting up a single currency for the E.E.C.B.I.E.N. has to take a decisive part in this challenge, for example in participating to the efforts of the association entitled "Ideas for Europe" of which you have here a summary of the proposals (2)

References

(1) - Speaking about job creation in the U.S.A., senator Dukakis stated at the democrat convention of Atlanta, last July : "I mean good jobs with decent salaries..." thus acknowledging that the millions of jobs created in the services were not real jobs. ([back to the text](#))

(2) - see "Appel pour un projet social et culturel europ  en", by J. Robin in *La Grande Reli  ve*, N  870. ([back](#))