
INNOVATIVE PROPOSALS FOR RE-THINKING THE ECONOMY

An invitation to dialogue

A B R I D G E D V E R S I O N

Based on the writings of M. Allais, J.N. Casals, A. Chalaux, Ò. Colom, J. and M.L. Duboin, C. Carrasco, A. Gorz, J. Martínez Alier, A. Ricart i D. Schweickart



**EcoConcern team
coordinated by Emil Herbolzheimer,
Martí Olivella and Stefano Puddu**

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Barcelona, 1995

Introductory Note

The contrasting of socio-economic models is a project of EcoConcern, an association dedicated to social innovation.

The Contrast project team, is coordinated by Emil HERBOLZHEIMER (Professor at ESADE, Doctor of Economy, and Technical Engineer), Martí OLIVELLA (Director of EcoConcern and Bachelor of Communication Science) and Stefano PUDDU (Designer, Bachelor of Education), and includes Maite GIMÉNEZ (Bachelor of Economics), Anna LATORRE (Bachelor of Biology and Masters in Business Administration), Pere MORA (Bachelor of History) and Marc PINTOR (Bachelor of Economics).

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PROLOGUE

Just ten years ago most people were still guided by certainties, theories, and referential ideologies. However, some people began to have doubts as to the validity of the theories — which were categorical and in confrontation with each other — that were driving politics and economics on both the European and world scenes. In 1984 a small group of people set up the Joan Bardina Centre for Studies in Barcelona to try to understand and order the immense work of a brilliant, unknown thinker named Agustí Charlaux. Out of this small study centre we discovered the importance of paying attention to other approaches, proposals, and models of social organization.

For the past ten years we have pricked up our ears in order to listen to innovating voices. We have discovered people who for decades have been cultivating doubts and proposals about the models that have dominated politics and economics. We have not been at all worried about labeling them as right or left. Nor have we checked to see if they had won the Nobel Prize or if they had been ignored. We became interested in them because they have not remained embedded in only analysis and critique. We were looking for voices making proposals aimed either at attempting to solve concrete social problems or at trying to organize social matters in another way.

Since 1992 we have intensified this research with the creation of EcoConcern, an association dedicated to promoting social innovation. Through EcoConcern we are seeking to gain knowledge of and contrastive information about new approaches and new proposals in any field of human interest, be it economic, ecological, or ecumenical (intercultural relations). The objective is to show that problems are interrelated and that to solve them we have to be able to choose from different proposals and models that keep this interrelatedness in mind.

Looking for alternatives to socio-economic problems, with their capital importance for society today, is the first topic that we have dealt with.

The outcome of this process is the project entitled “Contrast of Socio-Economic Models”, which has been in preparation since 1990, and which has brought together 7 people to study, synthesize and contrast the proposals of a dozen authors.

The “*innovating proposals for rethinking the economy*” have been conceived for societies in transformation. This transformation of society has made us rethink the

economy, in an attempt to offer solutions for overcoming the blind alleys into which we have been led by the economic theories of this century, among which we include both those that seem apparently to have failed and those that seem to have triumphed. Nevertheless, we must also rethink the economy in terms of freeing ourselves from the dictatorship of “economic reason”, to which any political, social and cultural topic is reduced today.

The “proposals” combine a series of concrete **objectives** and **mechanisms** required to transform 21st century societies.

Identifying points of departure for these questions does not imply knowledge of our destination. We can begin by trying to sort out what we do not want, or by stating those things which have no future, those things which will fail... And we must, therefore, open roads to lead us out of this situation. In this attempt we cannot afford to reject any proposal, no matter how much certain proposals may clash with our present models. Nothing new will arise unless we listen to other proposals.

An economically liberal, technologically revolutionary, and socially conservative society is condemned to unresolvable conflicts. We cannot continue living within models of social organization anchored in the French Revolution and the Industrial Revolution after a century of technological revolution that has deeply affected our daily behaviour in every way. We are living under the impact of organized synergies — scientific, technical, industrial and commercial — which are fostering technological innovation. We must begin to organize synergies of intellectual associations and movements that will impel social innovation.

Our intention here is to cooperate in opening up a wide-ranging social dialogue that can bring together the ideas and energy needed to confront the major challenges facing us all. If one thing is capable of moving us, it is the task of designing an economy that can guarantee a decent life for every human being. We can all contribute something to this task. We are all invited to do so!

EcoConcern

1.

CONTRASTING PROPOSALS FOR DESIGNING POSSIBLE FUTURES

It is true that very often economics, dry and complicated as it is, frightens us. We think that economic questions are the private reserve of experts and we avoid looking up words or concepts that are not easily understood. We avoid asking ourselves why things are the way they are, the why of the economic crisis we are subject to, the why of imbalances that affect our world. Nevertheless, the economy is undoubtedly something that affects all of us, and very closely: when we suffer from difficulty in finding a job, or for having lost one; when we have to bear high interest costs on our housing payments, on our work tools and materials, on our studies; when we see the indirect effects that economic dysfunction causes in terms of the closing of companies, unemployment, marginalization, ill feeling, and the declining prestige of politics. We are living and experiencing all these things with a feeling of impotence, and we are seeing it happen on a global scale in terms of growing environmental degradation and the progressive impoverishment of a large part of the world's population.

Each day, a majority of the citizens of the world must bear the weight of the dysfunctions in the economy — the economy which we avoid understanding. But this can be reversed. This is precisely why we have made the attempt to draft a text which can be understood by everyone, a text which is open to all readers and not aimed only at experts.

Our desire is, **firstly**, to **awaken an active concern** with the direction of our society and economy.

Our **second objective** is to offer keys to understanding **what it is which is not working**, which rules or instruments of the game are generating imbalances or impeding their correction.

And, **thirdly**, to **offer proposals** that can help us to imagine a different reality. We are dealing here with feasible, real proposals and new instruments that we can take up without major upheavals and bloody conflicts, options for change for our own future, which can make us see each other as actors in the historic process which still lies open before us. We complain that the major decisions are made by just a few and that we are kept in the dark about them or kept out of them entirely. But we cannot become involved if we do not have concrete proposals for different futures.

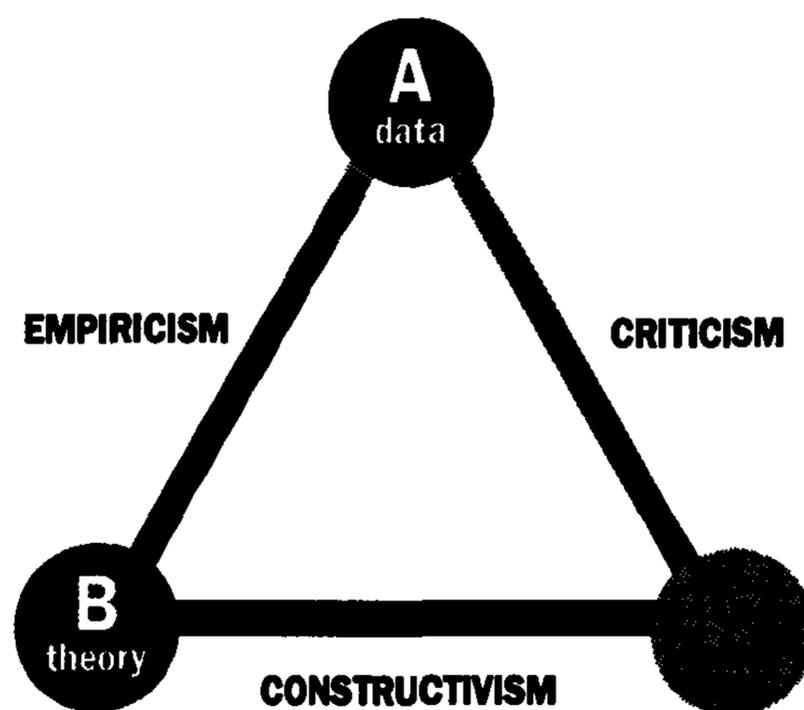
This publication has brought together the joint innovating thought of various authors, who, for many years, have taken up the challenge of designing proposals for change. Additionally, we offer the reader a synthesis of what we have considered to be the main contributions of both the authors and key topics¹. There are a few brief chapters summarizing common elements in terms of diagnosis and proposals — **objectives and mechanisms** — preceded by a short contextualization of the same.

In the appendix you will find extracts of selected models accompanied by a short commentary by their authors. The proposals under study are those of Maurice ALLAIS (*Against Unearned Earnings*), Joan N. CASALS (*The Solid Model*), Agustí CHALAUX (*To rationalize Money*), Òscar COLOM (*Social Transformation*) and Jacques and M. Louise DUBOIN (*The Distributive Economy*), as well as contributions by five additional authors: Cristina CARRASCO, André GORZ, Joan MARTÍNEZ ALIER, Antoni RICART, and David SCHWEICKART.

The study has been guided by two priorities:

First of all, we wanted to emphasize the **vision of the whole** in trying to approach the complexity of the problems in question. Instead of getting bogged down in analyzing elements that are not linked to one another we have sought out points of contact. We have also made an effort to **integrate diverse contributions** of the authors and also, in several cases, of social movements that have raised criticisms and proposals for change.

The **second priority** was to give special emphasis to the proposals themselves. We are used to seeing how most studies are made up of **data** that contradict or confirm **theories** (*empiricism*), or else in the critical reading of certain **data** as a function of specific **values** (*criticism*). There are very few authors who dare to suggest new proposals based on **theories** that meet the needs of certain **values** we consider desirable (*constructivism*).



Source: Johan Galtung

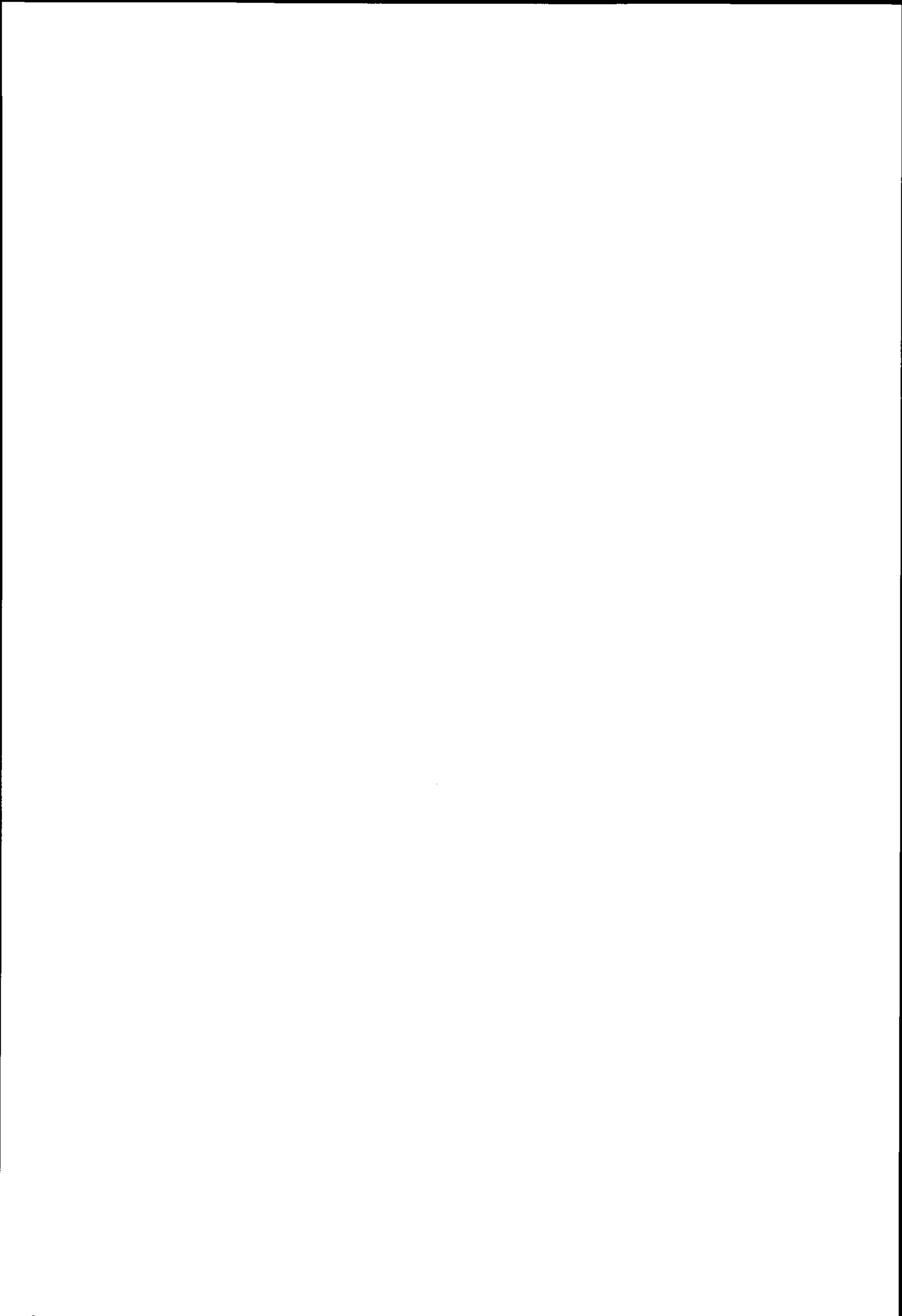
¹ The complete text of the study is available and includes a broad summary of the model proposed by each author.

The authors under study form part of the third group. Almost all of them are dedicated to concretizing the instruments or rules of the game that would make possible the changes they consider desirable. The models under study — without forgetting that the political factor is all-important — focus their attention on the economic area, both in terms of productivity and financing.

We have discovered that the authors share a common reference point inasmuch as none of them poses the prior need for a new man or a generalized change in consciousness, religion, or ideology as a pre-condition for the application of their proposals. On the contrary, all of them argue for changes that will affect the instruments or rules of the game that glean to the functioning of the system: changes capable of strengthening a transformation destined to consolidate itself and grow by means of its own dynamic. In other words, a common element among most of the authors is the emphasis they have placed on **instrumental changes**. Ideals are known by their results, not by speeches. Their project of deep transformation has been stripped of any rhetoric: there has been a favouring of silent changes. The utopias of these authors are “low intensity utopias” that are specific, concrete, well-orchestrated, and technically and socially possible.

In conclusion, we would like to thank all those who have made this publication possible: firstly, to the authors under study, who, in addition to their ideas, have offered us their aid in clarifying them. We would like to thank the Consell d'EcoConcern for their encouragement and support throughout the entire process, as well the dedication of all the members of the “Contrast” team. We have received valuable advice especially from Xavier Castañer, Carles Comas, Magda Grau and Antoni Monleón.

Without the generous contribution of collaborators who have decided to place their support behind this project, especially that of the Fundació Jaume Bofill, to whom we are indebted for publication of this text, this book would not have seen the light of day. We would also like to thank in advance anyone who will make suggestions that will enable us to continue to move forward with this project.



2.

THE TRANSFORMATION OF SOCIETIES AT THE END OF THE 20TH CENTURY

The diagnostics proposed by the authors that we have analyzed in this study refer to various historical moments of this century, which range from the period between the two world wars and the immediate post-war to the 80s.

In order to show that the events of the last few years do nothing more than confirm and reinforce many of our arguments, we would like to highlight, in this chapter, some of the main tendencies affecting contemporary societies and especially those areas that we consider to be most relevant to bringing up to date and completing the diagnostics of the authors.

2.1. A single international economic model

The western economies have evolved progressively towards a global economy. On the one hand, regional integration processes have emerged, especially in Europe, North America and Southeast Asia. At the same time, 34 countries in the Americas have pledged to create the world's largest single market by the year 2005, a market which will have 850 million potential "consumers". An unprecedented opening of markets has also come about on a world scale within the three blocks themselves, in their dealings with each other, and in relation to third-party countries outside these blocks.

The most global market is, without a doubt, the financial market, which is the outcome of the liberalization of currency exchange and capital transactions. Thanks to the process of deregulation and new information technology, a high degree of integration among the principal international financial markets has been achieved, and this has facilitated enormous movements of capital. This movement, much of which is speculative in nature, today represents a flow of currencies which, by prudent estimates, is more than 30 times higher than that of payments for real commercial goods and services on a world scale.

In this new environment, industrial and commercial companies, especially the largest among them, consider the whole world as a field for potential operations, both from the perspective of the market and production and from the perspective of supply of

materials, and research and development. The setting up of their activities is determined by the relative prices of labour or raw materials prevalent in each region, as well as by the existence of infrastructure, knowledge or differentiated skills.

Thus, a hierarchy of economies has been established on three levels: a first, which includes a few decision-making centres that dominate technology, capital, marketing and communications; a second, which participates in production; and a third, which includes a major part of national economies, that are progressively reduced to the role of consumers.

This evolution is a consequence of the expansion of liberal (and democratic) neo-capitalist models around the world. The models of real socialism of the East European countries collapsed during the nineties. Likewise, the models of autonomous development or self-sufficiency, as in the case of India and Tanzania, as well as models based on the substitution of imports, such as Brazil and Mexico, have stagnated.

The only model which governs the world economies — with the important exception of China (at least in part) and a few other countries, such as North Korea or Cuba — is the type of capitalism that ranges from Anglo-Saxon neo-liberalism to North-Central European social democracy.

The latest GATT negotiations (Uruguay Round) are a reflection of this new single model reality. Not only have we seen the signing of agreements governing economic and commercial relationships for almost all the countries in the world, but we have also seen steps taken toward the establishment of the Organization of World Trade, as an affirmation of the supremacy of today's single model. The principles and rules for the world economy will be based on the philosophy of this new Organization in concert with the World Bank and the International Monetary Fund. ²

Millions of people are trying to live at the margins of these game rules, immersed as they are in self-sufficiency and exchange, while feeling the ever greater pressure of development programs that are destroying the subsistence systems of the majority in order to gain access to the markets of the minority.

2.2 Acceleration of Technological Change

At the same time there has been tremendous technological development. Technological changes have always played a central role in the evolution of society. However, the differentiating element in today's situation has been the acceleration of technological changes and their tremendous power. Since the beginning of the seventies, we have been experiencing a new paradigm based on computer science and

2. S.GEORGE and F. SABELLI in their recent book "*La religió del crèdit: el Banc Mundial i el seu imperi secular*". Col.lecció Intermón, 1994.

new telecommunications (telematics), biotechnology, new materials (such as “composites”) and new sources of light-based energy (electro-optics).

Each of these technological advances has brought with it an increase in mechanization and automation. Likewise, today’s evolution is causing an important qualitative change with respect to those that have gone before it, and this is so for two reasons:

Firstly, the increases in productivity are much greater today and cause the direct replacement of labour on a higher level and at a quicker pace. The transfer of labour which has taken place during the century from the primary sector (agriculture) to the secondary sector (manufacturing) and from the secondary to the tertiary sector (services) — as the growth in productivity takes place — has been slowed by the increase in automation in all three sectors.

Secondly, current automation is different, as it permits the substitution or complementing of not only physical labour but mental labour as well. The substitution in these cases of workers by machines may become total. The latest prospective reports (1994) from various European sources, including the OCDE, claim that, in spite of an improvement in the economy in the next few years, it is estimated that there will be a progressive reduction in the number of workers in industrial companies and services. We are living in a stage of economic growth without the creation of — and in many cases with the reduction of — jobs.

In addition to the repercussions caused by micro-electronics on the productive process and labour (see, among others, the 1982 report of the Club of Rome entitled “Micro-electronics and Society, For Good or Bad”), we must also bear in mind the ecological impact of bio-technology and new materials. Both represent advances that go beyond the limits of nature, which up to now have been impassable, inasmuch as genetic engineering and laboratory processes can create living species and materials that do not exist in nature. Finally, electro-optic technology is based on an energy and motor force (light) that is, in principle, unlimited.

We can deduce that in the near future we will have to confront a new technological paradigm replete with opportunities, but also with risks, in terms of an eventual marginalization of segments of the population — and countries — as well as ecological repercussions that may result.

2.3. The transformation of labour

The preoccupation with the displacement and redefinition of labour, as a result of the growth of technology, is a priority in many of the texts under study³.

3. For other authors, on the other hand, this question is not such a direct consequence of technology, but rather depends on many other factors that are more governable politically with simple measures, such as, for example, lower taxation on labour, a greater productive utilization of pockets of speculative capital, an acceleration of vocational training, etc.

In the academic world, there is a concurrence of opinion in affirming that we are moving from a society based on production to one based on information and knowledge ⁴.

This transition especially affects the poorly skilled, as work will be carried out mainly by creative and multi-skilled (and well-paid) workers who will complement the work done by machines.

In the absence of social innovation running parallel to technological innovation, the northern societies are going through a growing process of dualization in the labour market. Three labour markets are emerging: one for highly skilled employees with good salaries and permanent, protected jobs; another for poorly skilled workers with ephemeral salaries and temporary, unprotected jobs; and a third and growing category of people working in illegal or precarious situations without any rights whatsoever.

On the other hand, as noted by A. Toffler ⁵, "these tendencies foretell an economy in which the measure of wealth will neither be money nor labour time, but rather free time, which will have become something productive and creative..."

Obviously, this freedom to choose and to be able to develop one's own personal project, and often one's own business, will be an exclusive privilege of the first group of skilled people, unless there is a change in the system of sharing out work and incomes.

Nevertheless, one objective of the economic system is to guarantee that the population as a whole shares in the benefits of technological process and enjoys the opportunities that this progress offers in terms of freeing workers from the traditional modality of labour. This is one of the central aspects of the critique of the authors of these texts, who perceive current capitalism as a model anchored in the past, incapable of conceiving of new, transforming structures of labour.

2.4. The demographic explosion

We are experiencing a demographic explosion unprecedented in human history. Between 1950 and 1986 the world population grew from 2.5 billion inhabitants to 5 billion, and it is foreseen that world population will reach 7 billion by the year 2008.

One important aspect of this question is the unbalanced and counterpoised situation that exists between the poor countries and the rich.

While the super-industrialized countries are in a stabilized situation, with the pyramid of age groups widening as they get older, many other countries are experiencing high rates of population growth (which may mean that their populations will double within the next 25 years) with an extremely high proportion of young people.

4. M. CORBI, *Proyectar la sociedad, Reconvertir la sociedad*. Herder, Barcelona, 1992.

5. A. TOFFLER, *The Third Wave*. 1980, London, Pan Books.

The implications of this growth are multiple and critical. Firstly, as countries become more industrialized, there is fear of the impact that this may have on the ecology if strict measures are not adopted concerning productive processes and consumption. Several studies have shown that consumption habits similar to those in the North would be unbearable from the ecological standpoint. The average consumption — the destruction of resources — of the inhabitants of the North is more than 20 times that of the South. We must bear in mind additionally that the northern countries, in many cases, are already withstanding a higher population density with the accompanying pressure this places on the environment.

Secondly, the resources needed for job creation and capital formation, in order to implant our levels of consumption, appear quite out of the reach of most of these countries.

Thirdly, we can already see a growing marginalization of the young population in the South, which leads to desperate forms of migration to richer countries, as well as the emergence of extremist political movements ⁶. Such marginalization cannot do anything but become sharper in a global market system where knowledge and training are dominant, and, in most regions, lie beyond the reach of most of the population.

Finally, we have to face the question of how to save “the welfare state” that has been built by social democracy, within a framework in which an ever decreasing number of people pay taxes to support a growing population of retired people, students, and unemployed. In this demographic context it is perhaps easier to see the limits of today’s labour market and income distribution. It would be dangerous to make people believe that today’s system is viable or capable of being universalized.

2.5. The vicious cycle of competitiveness and growth reaches its maximum expression

In the changing framework of an open economy and the rapid spread of new technology, and in spite of an intensification of competitiveness at the national and international level, there is a sharpening concentration of capital due to mergers, acquisitions, alliances, and agreements on a world scale. The leitmotif is competitiveness ⁷. More than ever before we are experiencing the disjunction of the growth of the capitalist system.

6. It would be difficult to understand the roots of fundamentalism among Algerian youth, for example, if the unemployment rate did not exceed 50% for that sector of the population.

7. One of the most widely-used textbooks on Production Management offers the following definition: “Competitiveness refers to the relative position of a company in the market. The point is to win. A boxing match would be an example of competitiveness. The one who obtains the most points or who manages to stay on his feet at the end of the fight, wins.” (V.R. CHASE and N. AGUILANO, “*Management of Production and Operations*”. Addison - Wesley Iberoamericana, 1994). Defined in this way, competitiveness is a zero sum game.

On the one hand, there is a sharpening of the violence of competitiveness, and on the other hand — as a result of the above-mentioned process of concentration — the scale of the competitors is growing — competitors who need to conquer new, ever larger markets, and to apply new technology in order to obtain higher profits. In complementary fashion, there is a reinforcement of networks and “cartels” grouping companies together in order to face up to the growing risk and uncertainty that this changing framework brings with it.

That is to say, there is more and more competitiveness among agents who at the same time are cooperating and concentrating major economic powers. Almost all of these agents, moreover, are from a few countries where new knowledge, which is fundamental to today’s capitalist system, is generated.

Within this context, governments play a minor role in comparison to the veritable powerhouses of the economy — the large companies. In the absence of a supranational government, the margin for manoeuvre of national governments by means of economic policy has been greatly diminished, firstly as a result of the limited control they have over the workings of companies operating internationally or globally, and, secondly because of the competitive race they are running with other countries. In the “Age of Global Interdependence” the capitalist economy follows its own logic, as a system that in great measure transcends the activity of national governments. The “national **democracies**” have become outmoded by the “**transnational plutocracies**”⁸.

Likewise, national governments continue orienting their local policies towards continuous growth, under the illusion that they are ensuring domestic job creation and the generation of incomes needed to absorb what is produced by the companies. Within this dynamic, there is a belief that the most important thing is to grow in order to open new perspectives for investment, which, in turn, will generate more production and maintain employment levels...

We arrive, therefore, at the end of the 20th century, with a paradox in which there is an intensification of implacable competitiveness together with destabilizing, marginalizing economic growth.

8. (**pluto-cracies=power of money**)

3.

FINANCIAL ECONOMY, THE MAIN DISTORTING ELEMENT OF THE ECONOMY.

The main diagnostic element the authors have in common is the fact that the uncontrolled expansion of the **financial economy** represents the most important destabilizing factor in the whole system, inasmuch as it has forgotten its service role in the **productive economy**, and in dictating the rules of the game to the latter it is jeopardizing the functioning of the same. This separation of the financial economy sharpens other dysfunctions that the productive system is causing within the **ecological framework** and within the framework of the **underground economy**.

The planetary dimension of the financial markets and their global functioning increase the gravity of the situation, for it gives these markets power over local governments and makes political authority impotent when the time comes to act as a regulator of these imbalances. It also sharpens the tendency towards implicating political power in a complicity of interests with financial power.

In the face of these considerations, the authors have contributed various lines of reasoning to demystify the image of the market as a universal solution to economic problems.

3.1. Demystifying the market

The need to revise the field of market application stems from the recognition of the existence of three realities upon which the application of this mechanism has distorting effects. According to most of the authors — with due note of their truly remarkable agreement on tacit or explicit criteria — those realities meriting a non-mercantile treatment are **Nature**, the **Individual**, and **Money**.

While there has certainly been a tradition of thought concerning the risks and distorting effects deriving from the commercialization of Nature and the Individual, reflection on money as a false commodity is, on the other hand, a subtle contribution of the authors studied herein, and of which there is hardly any literature or movements of protest at all. This is perhaps why this question will receive the most in-depth treatment. Before proceeding, however, we would like to mention two recent circumstances that decisively condition financial dysfunction as we know it today.

The first element is the **abstraction of currency**. Since the first international conflict marking the end of the convertibility of paper money into gold, currencies have been losing intrinsic value along with any direct reference to material goods which could back them up. Currency is becoming more and more a pure countable symbol, a recognition of debt, the value of which is in great part fiduciary (accepted through trust), since it is backed up by the productive capacity of the issuing nation, and in part by the expectations of the economic agents. The revolution in computer science and telematics, by giving new, totally intangible electronic support to currency, reaffirms its clearly symbolic and information-system-based dimension.

The **computer revolution** is the second factor to have influenced the financial system, causing its internationalization (as we have pointed out in the preceding chapter). Monetary and financial symbols today circulate 24 hours per day at tremendous speed and in astronomic amounts by means of the world financial system's telematic networks, which has meant a break — at least in the short term — from the processes of the creation of wealth. This separation, which has benefited from the mobility and instability of the currency-symbol, has reached an unimaginable level today⁹.

3.2. The keys to financial dysfunction

Before stating the four keys to financial dysfunction, we would like to review the functions that the financial system should perform:

- firstly, the requirement of subjecting itself to the balanced economic imperative among investment, production and consumption.
- secondly, it must be required to favour the creation of wealth, gathering savings and channelling it towards productive investment.
- thirdly, it is given the responsibility of fulfilling the traditional functions granted to monetary instruments: a) value reserves; b) unit of accounting; c) means of exchange. A new function d) could be added, which is one of the contributions of our study: it is a vehicle of information concerning economic reality.

The authors under study have come up with four key interpretations basic to explaining the dysfunctioning of the financial system.

3.2.1. KEY NUMBER ONE:

A single currency cannot perform different functions

9. As has been mentioned above, the proportion of dollars in circulation to real exchange and to financial circulation is, at least, one to thirty.

Two contradictory ends are being assigned to a single currency: the first, that of facilitating exchange (earmarked for flow), and the other, that of being a reserve value (earmarked for stocks).

In other words, according to Casals ¹⁰, a perverse solution is being offered to the problem of materializing savings: instead of maintaining the investment in the productive system — which guarantees the value of savings in the medium term, thanks to surplus value generated in the creation of wealth — the financial system has opted for placing its liquid capital in “refuge values”, of which the most important are land, especially urban land (the real estate market) and various assets (almost all money assets) which are bought and sold in the capital and securities markets.

The commercialization of “non-produced products” determines the existence of an economic cycle of unearned incomes, inasmuch as there is no counterpart in a real increase in goods and services. The financial system has thus been built upon false markets, in which supply is seriously altered, which happens when:

- the supply is limited, such as in the case of land and urban land.
- the supply is controlled and restricted, which is what happens in the issuing of fiduciary money, which, in spite of its wide variety of forms (securities, bonds, promissory notes, assets...) depends on the decisions of a select group of economic actors.
- the supply is manipulated, which is what happens with the creation of money through credit, and which we will delve into later on.

If speculative investment within the financial system is causing unfair competition against investment in the productive system, this depends to a great degree on the legal framework and taxation system, which establish policies that make the former more attractive than the latter.

Taxation policy is a first example of this, inasmuch as it taxes active incomes (that is to say, “earned” incomes, linked to the creation of wealth), and permits deductions on passive incomes (“unearned” incomes, without the accompanying creation of wealth). For Allais, the pressure on salary-based incomes and company profits contrasts with the advantages enjoyed by financial and real estate investment.

Financial policy is another set of gears for the same mechanism. The maintenance of artificially high interest rates — beginning with the issuing of public debt — plays an important role in this process. With the aim of attracting capital, high interest is being offered which exceeds the interest which can be reasonably guaranteed by productive investment. The high cost of money penalizes anyone who wants to invest in making his or her productive activity more effective, or people who are paying with years of work for the loans they need to acquire housing or to study.

10. We will cite authors using their last names. At the end of the text, the reader will find an extract of their contribution and a brief biography.

A financial policy which favours the fertility of money over productive activity, causing a perverse debt spiral, ends up progressively eroding the local economic fabric, resources, and wealth of the countries applying such a policy. The debt spiral has brought with it especially grave consequences for regions which are lagging in capital and technological accumulation. The North/South division of the world is marked to a great degree by this form of domination and its employment of the financial markets.

3.2.2. KEY NUMBER TWO:

The uncontrolled creation of purchasing power sharpens imbalances

The international dimension of the financial economy does nothing more than sharpen competition in the attraction of capital, and favours the lack of an effective norm that could regulate the securities market and currency market, as well as banking activity and financial entities. The lack of financial norms — the lack of control of the credit mechanism — constitutes the third policy acting in favour of speculative over productive investment.

According to Allais, present financial norms allow banks to grant credit on amounts of money which, in principle, they do not have available. This can take place in two basic ways: the first, by granting long or medium term loans based on deposits placed on the short term (demand deposits); the second, through the giving of deeds, in which the bank loans its client money which did not exist heretofore, and which originates thanks to an exchange of promises of payment: the demand promise of the bank against the promise of the borrower to pay at the end of the term.

In this way, banks and other financial entities generate a tremendous monetary mass, corresponding to purchasing power created from nothing, which is not represented by services rendered to the society. The creation of money through credit mechanisms, and the false rights engendered by this process, represent the most important source of unearned income, which Allais unequivocally compares with the forging of false bills — albeit legally!

The worst thing of all is that these means of payment created from nothing serve to a great degree to finance speculative activity in the stock markets. This factor, together with the continuous exchange rates of values, feeds a permanent potential instability that favours the manipulation of the markets. The result is the growing spiral of the secondary market, where the exchange of fictitious values takes place, in which values corresponding to debts backed up by debts are backed up by still more debts. The unceasing, accelerated circulation of giant bubbles of electronic liquidity has transformed the financial system into a “casino economy”, where the decisions of economic agents are to a great degree no longer linked to the productive system.

There is no doubt that wherever there is an appropriation of “unearned” income, we will also find the sacking of earned incomes, money which comes out of the pockets

of anyone who has his own job, is paying high interest rates, or paying for the high cost of living and the depreciation of money. This appropriation of unearned incomes can also be translated into an extraction of resources vital to the productive economy, whose diminished supply and demand puts a brake on production, generates unemployment, reduces consumption, and increases inflation. A vicious cycle, which, when taken to extremes, can lead to war, as history has shown.

In any case, this state of affairs stimulates a culture of the quick profit, bringing with it the by-products that feed the underground economy, such as tax evasion, tax trickery, influence-peddling, corruption, money-laundering, and so on.

3.2.3. KEY NUMBER THREE

Money Instruments do not favour information and transparency.

Insufficient importance is being given to the informational function of the monetary instrument.

This thought, which is something specific to Chalaux's contribution, beckons us to consider the informational characteristics of the means of payment as a key element of the entire social system (and not only the economic system). Information as to the **who** and **what** of economic transactions is the factor which, according to the author, makes respect for the rules of the game possible or not at the micro-economic level, as well as making possible a rational and balanced management of the macroeconomic situation.

With regard to the microeconomic side of the problem, this means that when the monetary instrument fulfils its function as a means of exchange, without, however, offering any information as to the use that has been made of the it, we have before us a power instrument for abrogating the law and playing dirty. Uninforming, anonymous money which is circulating without leaving a trace gives free rein to corruption and illegality (fraud, tax evasion, underground economy...) and to the dominance of power centres, impairing the state of law and distorting the rules of the democratic game. In short, irresponsibility gains ground both in the economic arena and in the social and political arenas.

On the macroeconomic side, a monetary instrument lacking in information brings with it, in the final analysis, an important dearth of knowledge about important economic flux, and forces the authorities and economic agents alike to handle approximate or estimated indicators and scales. The existence of anonymous money deprives us of the knowledge required to carry out two essential operations: **the contrasting of any economic (and political) theories**, and **the capacity to create money** to balance the economic system in terms of a more objective criterion. This information would perfect that which the economic authorities are now using.

On the other hand, technological evolution of the computer, telematics and micro-electronics has brought us the credit card, a new electronic support to monetary

instruments at an advanced stage of implantation, which will make it possible to include more informational elements in the means of payment. Such information would act, if used correctly, as a clarifying element within the system.

3.2.4. KEY NUMBER FOUR

The lack of recognition of the community value of capital

The right of property over capital goods must be accompanied by corresponding responsibilities.

The specificity of capital is to be linked to permanence. Capital is the fruit of a historic accumulation and its destiny is to project the same process of the creation of wealth onto the future. The fact that capital is indispensable for the development and continuity of the economic system is the first reason why these goods must fall under the collective eye, and why the correct use of the same must be. Nevertheless, there are two other reasons why we need to treat certain types of capital as the patrimony of the community, even though its use may be private.

The **first reason** affects natural resources and this comes up in the text by Colom, which refers to the statement that all **Capital** derives from the accumulation in time of **Nature** and **Labour**. Ecology is making us understand the criteria that view Nature as a patrimony shared by all human beings with future generations. Thus, it poses the need to manage Nature with a series of criteria which cannot be reduced to market forces. The ecological system is the basis of all economic activity. An economic imperative would then be to safeguard capital — as much as possible — from its tendency towards waste.

The **second reason** affects our historic heritage and is commented upon by Chalaux, who underlines the role that **knowledge** and **technological invention** play in the process of accumulation of capital. We can also see in this case how each new invention, tool, technology, or machine, is based on a long historic process of accumulation of knowledge. Nevertheless, as the author suggests, part of this added value derives from the so-called “labour of the dead” — the knowledge and inventions that have come to form part of the common heritage of humanity.

These two arguments pose the concept of property in the framework of capital goods in accordance with the formula “bare property or property in usufruct”, together with the series of rights and duties that this juridical term implies.

Casals coincides with this perspective, specifying that preference for bare community property must be limited to non-reproducible capital: essentially limited natural resources, the historic irreproducible patrimony and the restricted issuing of financial and monetary assets. With regard to reproducible capital, which makes up most of the durable goods and means of production, the capacity for increase through human labour and its subjection to amortization, confers upon it a preference for private property.

4.

TOWARDS A SYSTEM OF BALANCED ECONOMY AND SHARED WELFARE

Social thought always lags behind changes in economic and technological forces. This gap is translated into slow progress in social innovation — in grappling with new situations. The steps one must take from diagnosis or critique to proposals, and from proposals to action, are difficult ones and require a concerted effort not altogether free of conflict.

The contributions of the different authors are characterized by their not having remained behind in the diagnostic phase and by their having taken the risk of making proposals about objectives and concrete mechanisms of change. Nevertheless, before putting these forward — which we will do in Chapter 5 — we think it useful to point out certain relatively common elements that can help to locate the range of approaches, both currently available and projected, that are being posed, and which either do not correspond to single mechanisms (but are rather the result of a combination of different measures), or are approaches that have been distilled from the author but from which we have not been able to extract operative proposals.

Generally speaking, the authors feel that a balance must be reached between investment, production, and consumption within a framework of common social welfare. They believe that the members of society are at one and the same time participatory, cooperative (sharing a common destiny), and creative individuals with their own interests and personal projects in need of development. The authors wish to favour social coexistence within the framework of personal freedom. They do not believe that change can come about through blind submission to laws or ideological norms. The basic values are personal conviction and will-power. Likewise, the authors believe that instrumental changes favour changes in attitude and values, which are always slower moving and impossible to impose by the use of force.

4.1. Making use of new welfare indicators

In order to evaluate and measure the evolution of the welfare of the population we must use national accounting methods that differ from those being applied today.

The system of measurement of the Gross Domestic Product, for example, does not include subsistence agriculture, volunteer labour, domestic labour, barter, nor a series

of activities that can well make up half of the economy of industrialized nations. On the other hand, destructive activities are accounted for as Production — for example, the consumption of petroleum — as are activities which attempt to correct environmental destruction. Moreover, there is an inadequate evaluation made of human welfare when this cannot be quantified commercially. ¹¹

The root of the problem lies in the fact that GDP is a measure of production, while economic welfare is a question of measuring the quantity and quality of “consumption” — and not only material consumption.

4.2. Distinguishing different “economies”

The wealth of contributions of the authors has thrown into relief the complexity of factors that are involved in economic reality. The diversity of emphases have made us recognize the different levels that have to be borne in mind when we refer to the economy.

In order to express this in a graphic way we have taken the liberty of adapting the scheme of Hazel Henderson ¹² which represents the productive system in the form of a three layered cake stuffed on the inside and covered on the outside.

The system as a whole is supported by the first layer, “mother nature”, which provides the basis for resources and the conditions of life, absorbs pollution, and recycles by-products (when these do not surpass the limits of tolerance). Here we find concentrated the greater part of the externalities ¹³ which GDP does not account for. The ecological dimension of reality must be recognized as the basic framework of all economic activity and thought (even if this has been posed by a minority among economists as a whole). People are becoming more aware of the fact that Nature does not only mean resources, physical space, and raw materials, but that it also means

11. In the last few years a flurry of new indicators have appeared which represent a significant advance in this regard. One of these to have received the most acceptance in the international area is the index published in 1990 by the Program of Development of the United Nations, entitled Index of Human Development (IHD). Another is the Index of Sustainable Economic Welfare (developed by the New Economics Foundation of London), which has been applied to various industrialized nations, showing that, in each case, there has been a decline since the eighties — according to the index — of human welfare parallel to the increase in real per capita GDP. (For more details see H. DALY, J. COBB, *For the Common Good*. 1990, Green Print).

12. Hazel HENDERSON, *Paradigms in progress: life beyond economics*, Knowledge Systems, Inc., 1992.

13. Externality: benefits or damages which still do not have a monetary value. One speaks of “externalities” in order to describe the external effects on the market which are not incorporated into prices. Pollution, for example. In this case, it has often been the movements fighting to defend the health of citizens and their protests that have forced the “internalization” of externalities.

vital delicate balances, and irreplaceable patrimony of genetic diversity, etc. Protecting these fragile, essential mechanisms of life is one of the priorities that economics will have to bear in mind.

Thus, the **ecological economy** seeks an awareness of the long and medium term and a way of quantifying “externalities” by:

- questioning the production process (change in technology, materials, energy sources...).
- applying green taxes on extraction, use, pollution...which internalize environmental costs, and making citizens and companies aware of consumption standards (traditional or induced)

Situated on top of this first layer we find a broad sector called the **informal economy**: subsistence agriculture, production for one’s own use, do-it-yourself work, domestic labour, home care, care of the old and young and persons in need, volunteer work, mutual aid, gifts and exchange ¹⁴...

Thus, in terms of the informal-community economy, which is *neither remunerated nor quantified*, what is needed is a way of socially “evaluating” all the following work that people do without receiving monetary remuneration:

- volunteer work (associationism),
- non-commercial work (self-subsistence, reciprocity, social services,...),
- reproductive work (housework, the reproductive functions of women,...).

In absolute terms, we can see that the first part of the cake, that is, 50% of the real productive wealth, corresponds to activity which is not accounted for in the GDP, and which is chalked up to human altruism and environmental costs that are unpaid and shifted to future generations.

Sandwiched between the quantified and unquantified layers of the cake we find the filling, comprising the **underground economy** which is based on the impunity granted to transactions effected in cash (anonymous money). The underground economy and all types of criminal activity may make up 15% of the GDP.

Thus the underground economy, which is *remunerated but not quantified* includes the following:

- the “underground” economy (“illegal” labour, tax fraud).
- the “criminal” economy (currency flight, underground trafficking in armaments, drugs, people, and organs; hidden financing, embezzlement, robbery, blackmail, etc.).

14. According to recent sociological studies (NICHOLLS & DYSON, *The Informal Economy*) in which productive hours have been calculated, it has been demonstrated that even in countries such as France, Sweden, Canada and Great Britain, half of all productive labour is not remunerated monetarily.

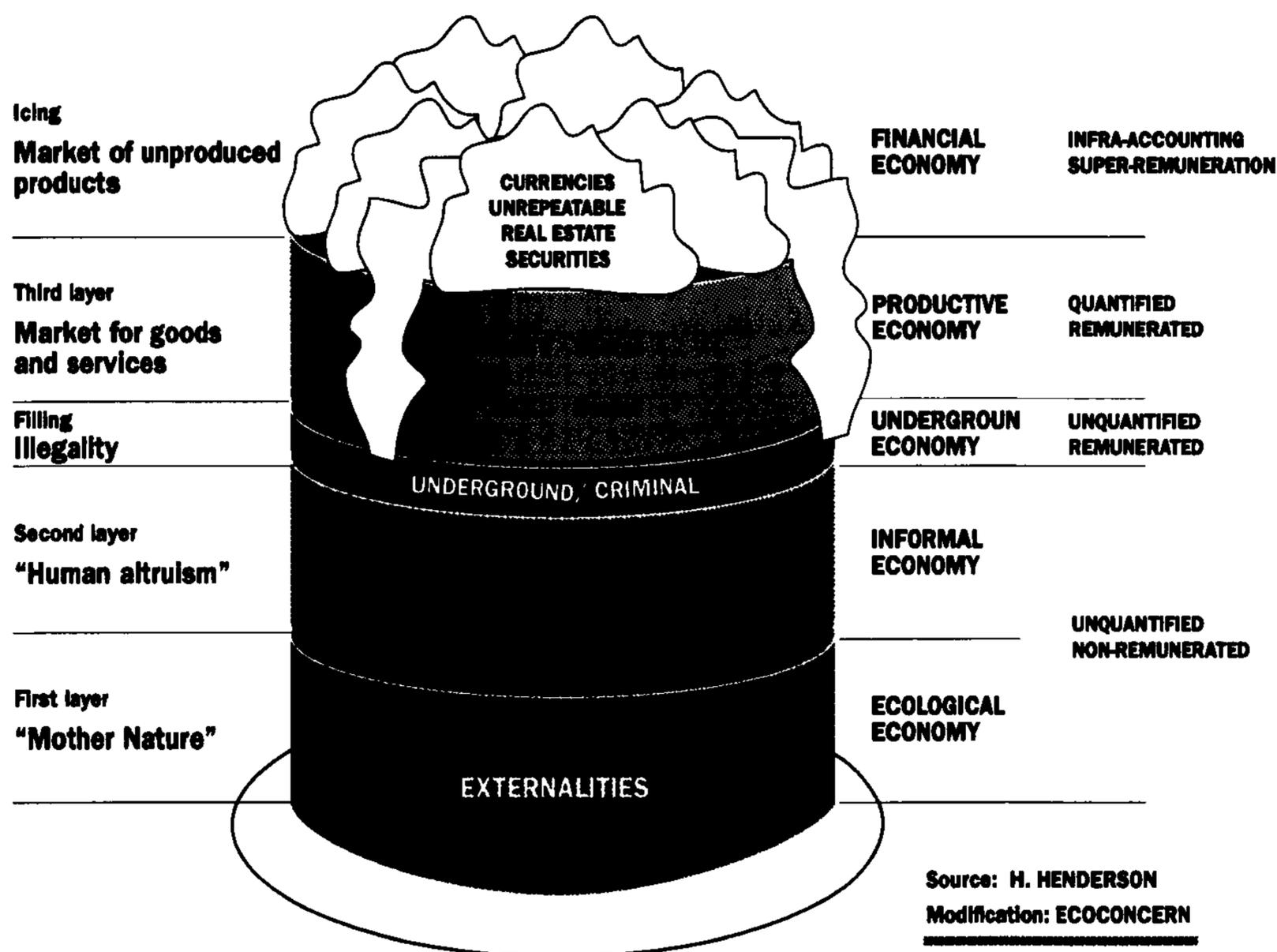
On top of the two unmoneyed and unquantified layers lies the moneyed and quantified layer of productive activity, which is accounted for in the Gross Domestic Product. This third layer can be divided into two approximately equal parts comprising the public sector (defense, local and state governments, infrastructure, public services, nationalized and mixed-ownership companies) and the private sector. In other words, the private commercialized sector represents only 20% of the total value of this economic cake.

Moreover, this *remunerated and quantified economy*, (which includes production-distribution-consumption as a whole), quantifies many operations which should be subtracted (since they are operations of destruction or waste) instead of being added as items of production.

Finally, the upper part of the cake is iced — the financial bubble — comprising financial transactions which are found in the system as a whole.

The financial economy, *super-remunerated and partially unquantified*, comprises, therefore, those markets in which “products” which have not actually been produced are bought and sold (or rather originate in ancient, remote, non-renewable production):

- the currency and securities markets (where a complete range of multiply diverse forms of monetary symbols are bought and sold),
- the real estate market (land, buildings, exploitations...)
- the market of non-renewable objects (precious materials, works of art, etc.).



4.3. From the market economy towards new approaches

The authors are not suggesting a return to the criteria of centralized planning, but neither are they favouring a generalized deregulation of the market. Rather, they offer different ways of conceiving of the market that can be grouped together in terms of three objectives:

1. Improving the economy of markets
2. Making a market economy complementary with decommercialized areas
3. Favouring a decommercialized (distributive) economy

4.3.1. Improving the market economy

Some people believe that the market economy, or the economy of the markets — we cannot speak of a single market — is the least of all possible evils, requiring the application of corrective practices to the dysfunctions impeding its mission: the creation of wealth and human well-being.

The dysfunctions must be corrected, basically in the following two areas:

- the **financial area**, the origin of most unearned incomes.

Corrections are being proposed for the banking, credit, and stock exchange systems in order to impede enrichment that is not based on a corresponding improvement in goods and services. Both the policies which regulate interest rates and the taxation and financial framework would be satisfied as long as savings were not given incentives for speculative investment. All monetary policy would therefore focus on maintaining macroeconomic and monetary stability, with limited inflation and compensatory mechanisms for the loss of purchasing power.

- the **labour area**, where wealth is produced and where most income is distributed.

We must eliminate false obstacles to the establishment of a free and voluntary reciprocity among economic agents. In order to make labour hiring free and voluntary for both sides, we must make sure that no one finds himself obliged to accept unjust working conditions out of desperation. The idea of a universal minimum income would break the “hunger pact” and favour job creation (and therefore creation of wealth), in addition to opening new forms of labour association.

4.3.2. Making the market economy complementary with decommercialized areas

Different approaches are being put forward.

- Generally speaking, it is believed that “false commodities” — and especially Nature and Money— should be managed by means of non-commercial criteria and mechanisms.

- In the case of Labour, we can set down various statutes of activity that generally comprise three levels: the commercial (normal market), the community ¹⁵ (services or community production that is neither public nor private) and mixed (artisans/personal companies or community services that participate in the market). The decisions relating to what is to be produced as well as labour relations would vary from one statute to another.

The object is to take advantage of the efficacy of the market mechanism for ordinary commercial production while at the same time ensuring the provision of community services and products, without subjecting them to the commercial dynamic.

- Another approach is that which accepts the rules of supply and demand that govern the market, but which determines that the decisions about what and how to produce are made democratically in the productive units, following mechanisms based on "the self-management of the worker-owners of the company".

4.3.3. Favouring a decommericalized (distributive) economy

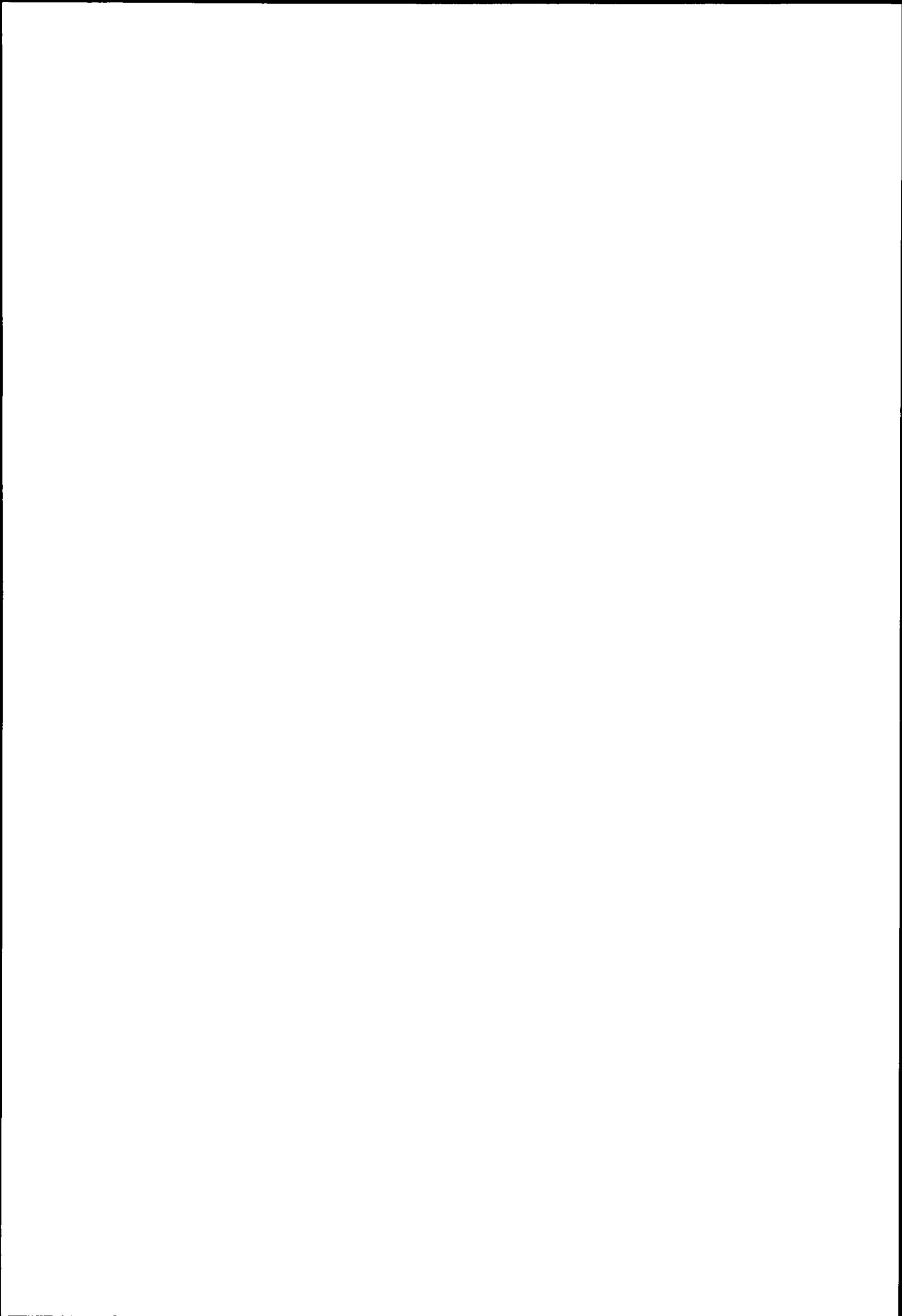
the authors have conceived of a decommericalized model in which the determination of needs, and therefore, of production, is the result of community consensus, where institutional or social projects merge with personal projects. In this system, the balance between supply and demand is guaranteed in principle, thanks to the correction of production plans in each consumption cycle and to the avoidance of the flight of savings towards non-productive activities.

In a distributive economy the decision-making process flows from the bottom up; thus the decisions are channelled gradually through the different levels, as a function of the complexity of the activity in question. In certain projects the decisions would be left at the level of the group. In other cases, which by virtue of their complexity required the participation of many groups, or due to the fact that they involve externalities that affect other strata of society, the decision would work its way upwards to higher levels. The last link is the State, which acts as arbitrator or coordinator (and not as a planning agency) for major projects, and as manager of taxes and incomes to be shared out.

15. Various authors speak of "community" or "collective" properties, initiatives, statutes...when referring to a "space" which is neither individual nor state/public. This is a line of thought which should be studied in greater depth in order to flesh out the possibilities it offers, since many of the problems being posed are rooted in the fact that they are always subject to "reasons of state" or "the logic of the market". We have seen some proposals articulating a "logic of the community" which would act as a counterweight to the former two. Nevertheless, we must see how we can avoid an eventual confusion of one with the other. Chalaux, in this sense, has proposed a "community statute" that can offer free publicly financed services that are privately self-managed under conditions of quantifiable transparency.

In Duboin's distributive economy, for example, the profit-based company would disappear completely. Every company would be born out of necessity, expressed by the community in general agreement. The company would be everyone's business, governed by the principle of self-management in the organization of labour.

A decommercialized and community-based economy implies a return to smaller dimensions or scales of production ("development on a human scale"), that is to say, a search for the decentralized "optimum scale". The objective is to maintain, to the maximum degree possible, the proximity between production and consumption. Trade between communities is important, but only as a complement to activities that cannot be realized within a more reduced framework. In short, it is the negation of the global economy of the decision-making centres of large companies, which can decide to relocate and set up operations on an international level based on no logic other than profit accruing to the owners of capital.



5.

OBJECTIVES AND MECHANISMS FOR TRANSFORMING SOCIETY BY USING THE ECONOMY

In order to make it easier to look up the different topics, we have grouped the different objectives and their corresponding concrete proposals ¹⁶ under 5 headings. In some cases, there exists a complementarity of objectives and mechanisms, while in others there are clear divergences between both the objectives and the mechanisms that attempt to concretize them.

The result is not a coherent program but rather a list of proposals that intend to open up a range of options with which we can begin a creative dialogue. We have tried to maintain maximum objectivity in presenting the proposals, independent of the degree of personal adhesion of the team that has drafted this document.

For more detailed information on the proposals the reader must consult the summary of each author in Part Two. In the following sections the proposals are grouped by topics and abbreviated, although every effort has been made to maintain the authors' mode of expression.

5.1. Modifying financial regulation in order to favour the productive economy

1. Reform of the credit system
2. Collective appropriation of the printing of money
3. Right to private use of social capital
4. Stock exchange reform
5. Indexing of commitments of term payments
6. Intervening interest rates
7. Regulating measures of the real estate system

¹⁶ In order to structure this section we have been inspired by the method used by the "Charte de la Citoyenneté" drawn up in Paris by the people at the Maison Grenelle.

5.2. Adapting monetary instruments to a complex economy

1. Two monetary instruments for two economies: the solid proposal
2. The monetary instrument in the information age: invoice-cheque telematics
3. Distributive currency

5.3. Questioning the tax system

1. Heritage and resource taxation
2. Taxation of ecological externalities
3. Inheritance taxation
4. Taxes on transactions
5. Taxes on credit consumption

5.4. Redefining income, labour and company organization

1. Social income and the diversity of labour statutes
 - 1.1. Labour statutes and income distribution
 - 1.2. New labour contracts
 - 1.3. The end of labour-based society: the decrease in working hours and the guaranteed salary
 - 1.4. Civil contract and social income
2. The distributive, self-managed company
 - 2.1. The company run by the workers
 - 2.2. The distributive company

5.5. Designing participatory political mechanisms

1. For a more directed, participatory, and transparent democracy
 - 1.1. Towards subsidiarity: inverting the pyramids of political decision-making
 - 1.2. The Watchdog Senate: a non-partisan political power centre for long term monitoring
 - 1.3. Democracy and decentralization" the invoice-cheque" as an instrument of exchange
2. Towards a leaner, more responsible State

5.1. MODIFYING FINANCIAL REGULATION IN ORDER TO FAVOUR THE PRODUCTIVE ECONOMY

As we stated in Section 3, the financial framework must shift from its present structure, in which it acts as a factor of instability and uncertainty, towards a significantly different one, in which it would play the role of equalizer and stabilizer of the economic system as a whole. The financial framework must make a positive impact on the synergy at work between the productive system and the financial system.

Rationalizing the financial system means, firstly, gleaning all interest from speculative operations and rerouting the monetary symbols towards their real referent, which is the productive wealth of a country (the accumulated, current, and potential wealth).

We are aware that certain proposals, such as the reform of the securities market or the indexing of commitments on term payments, have already been applied historically. Nevertheless, we believe that the proposals made herein can open more operative pathways, often linked to other proposals consistent with the models that are being put forward.

5.1.1. Reform of the credit system

OBJECTIVES

To avoid those mechanisms which allow the banking system to create means of payment on nothing. To avoid, as well, the financing of speculative operations with easy credit and invented money. To restore the community's unique monopoly on the issuing of money, so that it can be appropriated by and be of benefit to the citizenry as a whole.

MECHANISMS

The various banking activities currently being carried out must be dissociated and attributed to different types of entities (three for Allais and two for Chalaux):

- a) **deposit banks**, which do nothing more than safeguard deposits and effect payments and collections, invoicing the corresponding expenses. These banks would not be able to effect any loan operations, thus eliminating the possibility of any account showing a deficit.
- b) **loan banks**, which would be in debt to the public for certain terms and which would lend money on a shorter term. That is to say, these banks would only be able to grant loans based on what they can guarantee with their own resources, or with

the resources of others ceded to them in the long term. Thus, we would eliminate the practice of granting loans with the guarantee of sight deposits, one of the essential elements of money creation for the banking system.

- c) **business banks**, which would be in debt directly to the public and to deposit banks, and which would invest their funds in profitable companies and businesses.

Under Chalaux's proposal, functions b) and c) coincide in the same business bank, while function a) would be taken care of by the credit unions. The operations of the former are related to investment activities, while the latter is oriented strictly towards consumption.

A proposal which coincides with the above (Casals) is that of drastically lowering the necessary volume of new money by replacing the greater part of what is now financed via credit by direct financing through a new monetary instrument of durable savings (the Solid Security), the creation of which demands a real counterpart.

5.1.2. Collective appropriation of the issuing of money

OBJECTIVES

To recycle the profits related to the issuing of money back to the population as a whole. This is a corollary to the preceding point, although we would like to highlight it, given its importance as a new source of collective financing which could bring with it the redistribution of certain taxes or even give rise to new financing criteria for major social/collective services.

MECHANISMS

Once private banks are deprived of their ability to create money through credit, the central bank (the monetary authority independent of the executive power) will have exclusive power over issuing money (primary issue) (Chalaux, Allais, Ricart). The creation of money must be a function of the calculation of surplus production (Chalaux) or of other indicators of the increase of productive wealth of a country (Ricart).

The channeling of this wealth towards the general budget could serve to reduce or even eliminate income tax (which would also be compensated for by other tax reforms), as Allais has proposed, or it could offer up a community-based financing system (which would be neither public nor private) of those activities which should not be profit-based: politics, information, research, health, vocational training, etc. (and which should be specified via social debate), as Chalaux has proposed. In the latter case, this measure would be reinforced by a system of division and conflict of interest safeguards between "commercial statute" and "community statute".

In the case of a second monetary instrument to act as a value reserve (the Solid Security), the creation of this would give rise to the formation of a community birthright of land, income from which would be converted into public receipts.

5.1.3. Right to private use (usufruct) of social capital

OBJECTIVES

To ensure the stability of capital, as a way of fostering the more general objective of economic equilibrium, and to ensure the maintenance of our common heritage (capital originating in the historic accumulation of nature, labour and invention - cf. sec. 3) for future generations. And, to favour the initiative of the economic players (especially small and medium sized companies) on the basis of equality of conditions by facilitating access of everyone to capital goods under personal liability.

MECHANISMS

In accordance with this proposal, on which Colom and Schweickart are in agreement, bare or formal ownership of capital (both fixed and liquid capital) becomes collective (public) through an inventory of assets of each company and legislation that will modify ownership, although companies will still have access to them exactly as they had before in regard to use (useful ownership). That is to say, companies will manage their capital as freely as they do now, without any controls or obstacles. The only restraint placed on them is that they maintain stable total capital.

At the end of the fiscal year or accounting period, public authority will make the necessary audits to find out how well the (private) managers have fulfilled their commitments to the formal owners (the collective). If there is a profit, this will be shared out among the managers and the company workers (in varying proportions and in accordance with internal labour contracts).

If there are losses, these will have to be borne by everyone, even though criminal responsibility is to be uniquely borne by the executive managers.

On the other hand, political power — through the public bank, for Colom, and through the affiliated bank, for Schweickart — will be committed to capitalizing all business projects without exception, under the above-mentioned conditions, including personal liability, and the same restraint governing non-decapitalization.

Equal treatment will be meted out to the capital expansion of existing companies, which will only have to communicate their desire to expand to the bank. Colom feels that the criteria of personal liability will make previous control over the nature of the project unnecessary. The emphasis would be on certain careful audits of the balance sheets at the end of the fiscal year along with heavy penalties for those who deviate from the objective of equilibrium.

5.1.4 Reform of the Stock Exchange

OBJECTIVES

To guarantee that the financial market does not feed off of permanent instability, as it does today. To deactivate the speculative dynamic and avoid the separation between the financial system and the productive system.

MECHANISMS

Allais proposes the suppression of the continuous quotation of securities along with programs of automatic buying and selling. Each security would have no more than a single quotation per day per exchange. This could achieve a noticeable decrease in the margin of fluctuation of securities, which would bring them closer to their real value (the actual state of health of the companies to which they correspond).

We should remember that the reform of the stock exchange would also be facilitated by the reform of the credit system, since the latter would eliminate the major source of financing for speculative activity in securities.

Other models, inasmuch as they anticipate the decommercialization of capital goods (Colom), foresee that the stock exchange would lose its function and appeal, and that it would therefore disappear gradually. In the Casals model, on the other hand, greater consideration is given to the role that the stock exchange could play in the popularization of a new family of securities (Solid Assets), the attraction of which would lie in their stability and the fact that they serve nothing but the real economy.

5.1.5 Indexing of term payment commitments (Allais)

OBJECTIVES

To fight against inflation and its effects, which distort a just distribution of incomes. To re-establish correct economic calculations that give the economy back its efficacy.

MECHANISMS

In the Allais model all term payment commitments would be indexed, substituting, in the contracts, all reference to the unit of money in circulation with a reference to an accounting unit with a real, stable value. This model presupposes, therefore, the introduction of a valid accounting unit itself for all contracts. The exchange between an accounting unit and a unit of circulating money would be kept constant. In this way, the effects of inflation would not be translated into comparative losses shared out among different social groups. By avoiding such losses, the major causes of inflation would also tend to disappear.

We would like to mention that all the proposals included in this section, as well as those following, have as their objective the disappearance of the main causes of inflation.

5.1.6. Intervention in interest rates

OBJECTIVES

To reduce the temptation to park capital in order to obtain high (fictitious) profits. To control inflation. To avoid the spiral of debt, both public and private. To demystify the idea that savings are motivated basically by high interest rates (Allais).

MECHANISM

Interest rates do not have to be higher, on the average, than the expectation of company profits, in the case of credit for investment. As regards consumer credit, Casals suggests the maintenance of a higher price for money, a part of which would be collected through a tax on "Added Price" (PAT).

5.1.7. Regulatory measures for the real estate system ¹⁷

OBJECTIVES

To avoid, or reduce, the tendency towards buying and selling of real estate with speculative ends (using them as a refuge asset). To permit the use of real estate assets (land, urban lots, buildings) to be the responsibility of those who can really appreciate them. To avoid, therefore, both the parking of capital in the real estate sector and the disuse of land and urban lots.

MECHANISMS

The distinction between ownership of use (utility) and bare (or formal) ownership, which is put forward in Casals "solid proposal", makes the right of land use payable in the form of rent. There would not be, in this case, a buying and selling of real estate, but rather a transfer of these rights, which would only give rise with difficulty to operations of a speculative type. Delving deeper into the objective of regulating

17. Owing to the close relationship that some of the authors have established between the financial and real estate systems, we are including in this section some brief references to the real estate system, even though we are aware that the measures proposed are not totally homogeneous with regards to those above. Nevertheless, we will limit ourselves here to pointing them out, since the explanation of the proposals has been included in other sections (2.-taxation and 3.-on monetary instruments). The main intention of this redundancy is to underline the inter-connection not only of problems but also of proposals aimed at solving them.

this "false market", Casals has proposed that that part of the land which is not available for buying and selling serve as a stable pattern for a new asset (reserve of value) which would be clearly earmarked for investment. This measure would foster a reduction in speculative temptation of both the real estate and financial type.

Taxes on heritage resources could substantially aid in discouraging hoarding of unused real estate assets. At the same time, they would promote an evaluation of assets that would bring them up to par with the interest of the owner in continuing to enjoy them (reasons for which will be put forward in 5.3.1).

5.2. ADAPTING MONETARY INSTRUMENTS TO A COMPLEX ECONOMY

Monetary instruments represent a central element in the process of clarification of different economic cycles. They can be rationalized or differentiated in accordance with their function: exchange for current consumption (flow), reserves of value for investment (stocks), or even increase in their capacity to incorporate trustworthy information about the transactions in which they intervene.

For two of the authors in this study, Casals and Chalaux, the reform of monetary instruments is the strategic key to questioning the economic system, in spite of the differences in approach between the two. Below we would like to put forward the essential points of these two proposals, the reasoning for which has already appeared in section three (*"The keys to financial dysfunction"*; cf. keys one and three).

We would also like to present Duboin's proposal for changing the monetary instrument ("distributive currency") which is consistent with his model, although it lacks the same strategic role.

Although none of the authors in the study have suggested it, we would like to make a brief reference, even in footnote form, to "green currency", which is beginning to find rapid application in certain countries ¹⁸.

18. In countries such as the USA, Canada and the United Kingdom, there has been a sector of the economy which for years has carried out exchange with "green currency". Even Spain has begun to experience something similar: the "El Trueque" cooperative in Madrid. "Green currency" is a recognition of debt that permits exchange of goods and services thanks to a system of accounting acts and compensations between current accounts — that is, without using of cash. This can take place when a group of economic players is prepared to grant each other credit, and to accept as compensation the goods or services that others are offering. It is considered a good method for the development of "depressed areas" which precludes having to resort to bank debt.

5.2.1. Two monetary instruments for two economies: the solid proposal (Casals)

OBJECTIVES

To offer a monetary instrument (security with exchange value) closely linked to the productive system that will: serve as a reserve of value without feeding speculative transactions (non-inflationary); stimulate the collection of savings and guarantee that these savings will be used for genuine investment; continue on a par with real and stable wealth; and aid the stimulating distribution of the product among the agents participating in production.

MECHANISMS

Casals' model proposes that the monetary system have two instruments of different and complementary exchange: a currency of the conventional type (Money) for purchasing and financing in the short term, and a quasi-currency (Solid Security) for the reserve of value (savings) and financing in the long term ¹⁹.

Money, present day currency, would be restricted in its use to exchange and short term financing within the productive system in the creation of goods and services (earmarked for consumption or installations), as well as for current consumption (including the purchase of installations for investment).

The Solid Security would be earmarked for savings and channeling the later investment of these into long-lasting and productive assets. Its purpose would be to finance the investment of unused productivity as well as acquisition of assets in the financial and real estate system.

This new monetary instrument would have to be guaranteed by a real and stable asset: land. Nevertheless, if it is to be transformed it into the monetary standard part of this land will have to fall under the dominion of the community. Community-based bare ownership will allow for a more efficient use of land, or rather, might extend its use properties. At the same time, it would eliminate this disturbing factor from the assets market. In a final phase, the model foresees adding to the idea of land what we would call "under ground", that is to say, exhaustible deposits, limited like the earth, but which are even more extinguishable and non-renewable. For this reason, in addition to rent (as in the case of land), these deposits would also have to be taxed using a tax basis that would be capable of compensating the losses.

In order to foster the formation and circulation of savings, but also to avoid their sterilization, there would be free conversion of Money into Solid Security. Nevertheless, the inverse operation would be controlled (from Solid Security to

19. These two instruments of exchange would be a reflection of the "exchange of flow" duality, which is found basically in the productive system, and "stock transactions", which is found essentially in the financial and real estate system.

Money) by requiring that the resulting Money be used immediately in the purchase of goods and services for productive investment. In other words, **capitalization would be free and decapitalization would be controlled**. The entity responsible for the administration of this land would be called the Land Bank ²⁰.

The Land Bank would have exclusive rights in the creation and issuing of Solid Securities. It would only be able to issue securities for the amount of land that it had acquired in exchange for these securities. The Bank would make a daily calculation of the total of rental incomes (in money) flowing in from its land (quantified in Solid Securities), thus obtaining the exchange rate between Money and Solid Security. The mechanics of the Bank include the daily purchase of Money in exchange for Solid Securities.

The "sellers" of money would be — in addition to the savers — companies, given the fact that they would be obliged by contract to transform part of their (surplus) profits into Solid Securities in order to pay the main part of their dividends and part of their salaries with Securities ²¹.

The Land Bank will not be able to grant credit, and will only be authorized to convert Solid Securities into Money in highly specific cases corresponding to genuine investment. The Land Bank will be charged with diverse functions in the control of financial and real estate operations, on which it will put forward suitable financial and fiscal policies, including: insuring that Solid Securities do not remain inactive, and that the demand for securities earmarked for the financing of company investment be balanced by the supply of money coming from the savers; insuring that lands (and other natural resources) are not inactive and that they produce rents; controlling other natural resources and energy sources (deposits) so that they are consistent with certain canons.

A constant control of the administration of the Bank would be the job of the Parliament of a newly created political system (Watchdog Senate), which we will describe later on.

Finally, the Land Bank will be obliged to rent out a high percentage of its land ²².

20. It is foreseen that the inconvertibility of Solid Security into Money will be controlled by monetary and fiscal authorities during the introductory process of this new instrument and likewise throughout the period in which the Securities must bear a person's name and not be made out to cash. It may also be possible one day that the law will recognize the social benefit accrued in separate book-keeping for the two monies, as if we were dealing with two different currencies.

21. On the other hand there will be people who will want to consolidate savings by making voluntary reserves in solid assets, in order to enjoy certain incomes and especially to avoid the depreciation of money or the oscillation and risk involved in other financial products.

22. Rents will have to be conceded for a period of time proportionate to the possibility of amortizing the works which the renter commits himself to carrying out on the land in question. The rental will be made through an open auction market, where sub-letting will not be authorized. The auction would be electronic, in order to make it available to the

Rental price will be indexed automatically (the oscillation in price will move along the price index of new rentals).

5.2.2. The monetary instrument in the information age: the telematic "invoice-cheque" (Chaloux)

OBJECTIVES

To take advantage of new technology (telematics, micro-electronics) in order to strengthen the informational elements associated with the monetary instrument (intelligent card), so that this will aid in identifying the agents responsible in exchange transactions and in maximizing macroeconomic information, in clarifying relationships between commercial and non-commercial activities, and in guaranteeing respect for the rules of the game that each society establishes democratically.

MECHANISM

The idea is to suppress all anonymous money, which will be replaced by a single money system — the invoice-cheque — for the whole population ²³. The "invoice-cheque" combines in a single document the invoice and corresponding cheque. It is the unique registration of a buy-and-sell operation and of its corresponding collection-payment. It is basically composed of **a space for personal data** (protected, in order to guarantee the right to privacy in the state of law), which features personal and accounting data on the supplier and the customer; and **a space for general data**, with types, amounts, characteristics and prices of items, date and place (indispensable information for general accounting procedures). It is a type of money that is completely personalized; scriptural — for data entries in current accounts —, and electronic, as far as technology will permit ²⁴; limited to commercial exchange; and exhaustively informative. The customer issues the invoice-cheque; the supplier hands it over to the "accounting establishment" — bank or credit union — which deposits the sum in his current account (a process which could be done

greatest number of people interested in the transaction and to avoid any sort of informational privilege and secret manoeuvres. Once the contract has expired, the former renter will have the right to participate in the new auction.

23. Under certain conditions of implementation an exception could be made, but only for small transactions and common consumption. One could also begin suppressing anonymous money in strategic sectors (public administration, political parties...) within a "regime of transparency" that would generate confidence and trust.

24. In fact, the implantation of money based on electronics (cards with microchips) is already underway in many industrialized countries, although it is being carried out without a social debate and without trying to take advantage of the liberating potential. See Martí OLIVELLA, *"El poder del diner"* - Ediciones 62, Barcelona, 1992. Premi Joaquim Xirau 1991.

automatically if the supplier and the accounting establishment were telematically connected).

In this market there can be no movement of money without a respective movement of commodities. All transfer of money — cheque — will have its counterpart in commodities of services — invoice —. Money cannot be moved in a vacuum. This is a necessary condition for centring the economic system within the development of the productive and ecological system, and for avoiding the emergence of a financial system that adrift from the needs of investment, production, and consumption. As a consequence, speculation and inflation would be under control.

In order to guarantee a coherent and democratic use of the “invoice-cheque” it will be necessary to take certain measures that are obvious even today:

- **Protect personal data**, which can only be accessed by the interested party himself or by an independent Judiciary, if there is a need for documentary evidence.
- **Make general economic data comprehensible to everyone**, without personal references, except in the area of public administration, in order to guarantee transparency.

In order to guarantee the security of the resulting statistical data — fundamental for democracy and the market — data could be processed by three parallel networks. The networks will comprise hardware, software and various independent teams of people ²⁵. In this way the possibility of error or manipulation will be drastically reduced — almost to zero — and will therefore becoming insignificant, thus increasing accuracy and ensuring the trustworthiness of the results. The monetary instruments thus become instruments of self-regulation and self-documentation.

Macroeconomic accounting will permit the issuing of community-based money - - based on the existence of accumulated, current and potential productive surpluses (community surplus value) — in order to compensate for insufficient purchasing power. The economy needs a certain monetary mass — usually increasing — in order to balance the difference between the power of sales and of purchases. This difference, according to the author, is the value of productive surpluses. The strategy of issuing community money is that of creating purchasing power for the same value as that of the surpluses, thus balancing the economy. This issuing of money will be carried out, as it is today, with the accounting support of all free positive balances for sight accounts; that is to say, private savings will temporarily become a community asset in exchange for interest to be paid out to depositors.

25. This is the mechanism used in expensive and sophisticated systems such as those in space ships or atomic submarines. Democracy and the market are no less delicate or strategic systems.

We will deal with the possibilities that this new instrument will generate, in terms of social organization and the distribution of income, in section 5.4.1.

5.2.3. Distributive currency (Duboin)

OBJECTIVES

To facilitate the exchange of goods and services within a decommercialized framework.

MECHANISMS

The distributive currency proposed by Duboin is a **currency of consumption that disappears at the moment of purchase and which cannot be used for any other function other than the acquisition of consumption and service products. It cannot be saved nor can it generate interest.**

The distribution of incomes is to be structured by means of monthly deposits into the current accounts of individuals belonging to the universal income plan. After each purchase, the corresponding sum is subtracted from the account of the purchaser (with payment cards). Cheques may be used for other purchases, or even bills (which could only be used once). The money received by the sellers would end up in their current account.

5.3. QUESTIONING THE TAX SYSTEM

All the authors agree on the importance of reorienting the tax system towards a structure that would be less apt to penalize production and productive capital formation. They believe that the tax policies applied today are one of the main causes of economic imbalances inasmuch as they favour non-productive activities.

The basic objectives of taxation must be achieved through a policy that places the tax burden mainly on the enjoyment of physical assets (and in some cases on capital as well) and on the profits derived from speculative and financial activities.

Different authors also insist on the simplification of taxation and defend the feasibility of a single tax. Some maintain, however, that taxation is not the only system possible for financing the common expenses of a society which can take social advantage of the issuing of money.

In short, the authors are suggesting a taxation system in accordance with a philosophy that would stop applying pressure upon active incomes (labour and production) and

that would shift the tax burden towards passive incomes (property, unused capital, externalities).²⁶ This could open up debate on the necessity of transferring the tax burden from personal income tax to indirect taxation on consumption and passive incomes. The authors are in general agreement that the negative effects on production and labour of the current system justify the loss of the progressiveness in the tax burden, which, in principle (but not necessarily in practice) was assured by direct taxes.

5.3.1. Tax on heritage resources

OBJECTIVES

To permit the collective appropriation of (unearned) incomes derived from the ownership of physical assets. To favour a distribution of property related to real use, or enjoyment of the same (thus discouraging passive assets). To reduce, therefore, other taxes on company activity and labour (active/earned income) either partially or totally.

MECHANISMS

According to the plan Allais (and also Ricard, in very similar terms) puts forth, every year all owners of physical assets²⁷ would declare their personal evaluation of the assets in their possession. This value would be accepted by the administration without any argument. Each city hall would publish a register of assets located within the municipality, with the declared value of each, while maintaining the anonymity of each owner. Parallel to the declaration, the taxpayer would pay a tax set as a function of the value of what he himself has declared, while the tax rate would be fixed and uniform. The Treasury would immediately collect on the tax owed.

In order to encourage voluntary declarations that are on par with the effective value of the assets, a mechanism has been suggested by which any asset could be acquired as long as payment for the same would be 40% higher than the declared value, if the purchaser is the Administration, and 50% higher if the purchaser is a private

26. Personal Income Tax would play a secondary role (Casals, Colom) or would disappear altogether (Allais, Chalaux, Ricart). It would be replaced, totally or partially, by taxation on heritage resources (Allais, Casals, Colom, Ricart — with different nuances) or by a single tax collected automatically on every transaction (Chalaux). Many authors propose tax mechanisms in order to compensate for negative externalities and their impact on the environment (“internalization” of environmental costs). We can see a general trend toward simplification of the taxation system, if not an attempt to sum up all taxation in a “single tax” (Chalaux, Ricart).

27. Allais’ proposal, in addition to land, real estate and installation, includes monopoly rights and sale and purchase of gold (and possibly other objects of value). He excludes, however, liquid money and quasi-liquid money (shares and bonds).

individual. In the latter case, the 10% difference would go to the Treasury, as a correction for an erroneous declaration ²⁸.

The system proposed would considerably reduce the risk of fraud. There are good reasons to believe that, in general, each owner of assets would rather declare a slightly higher value for his assets in order to avoid the risk of being obliged to lose it, given an ever possible tender of 50% on the part of a third party.

The application of this tax would be, according to Allais, just, because everyone would be taxed after his declaration. It would be democratic because there would be no inquisition and the work of the administration would be kept to a minimum, since it would count on the support of thousands of tax payers.

The value of each asset would be set by using a system that is almost identical to the operation of a market. In this way, **the value of capital goods would be fixed in accordance with the maximum value of an alternative use of the same**, which would ensure the best exploitation of the asset.

5.3.2. Taxation of ecological externalities

OBJECTIVES

To compensate for the negative externalities that the economic system generates. To penalize (or promote) certain products (and productive processes), as a function of their impact on the ecological system.

MECHANISMS

Applying a system of prices to the assets of Nature is, for most of the authors, the most pragmatic method of efficiently managing them, as long as this is done according to ecological criteria. Prices must respect factors that do not figure in normal markets, such as **the rights of future generations** to the enjoyment of the resources, **scarcity**, the difficulty of finding **substitute resources** if these become exhausted, etc. Appropriate measures must be studied for each ecological resource or productive process in question ²⁹.

28. The tenders or bids by the administration or private individuals would suppose the automatic sale of the assets under consideration. The owner could avoid sale if he were to modify his declaration and pay a 5% correction penalty on the declared value of the goods, in the event of a purchase offer coming from the administration, and 10% of the declared value in the case of a private bid. In the latter case the correction would be divided equally between the administration and the private individual tendering the bid, as compensation for his expenses. These figures are simply examples and would be applied after a transition period. Only experience could indicate what bid and penalty rates would be applied in order to keep declarations honest and to protect owners from the risk of arbitrary dispositions. These dispositions would be applied to any type of asset and to any type of owner.

29. This is, in fact, a subject on which there is a wealth of detailed literature. More than a contribution of new criteria, the interesting point here is seeing how ecological concerns are central to the ideas of almost all the authors studied.

Based on the experience and proposals of the ecological movements, Joan Martínez Alier feels that the objectives of an ecological policy — which would be set by means of an open, democratic scientific-political debate — could be achieved through a range of measures, such as: a) legal prohibitions, **finances, and sanctions**; b) **taxes and tax rates (canons)** on the extraction and use of resources, especially non-renewable resources; c) **prior deposits**, to de-stimulate the production of high impact materials, such as plastic bottles; d) subsidies or **other negotiated incentives**, to help in technological or productive conversion, or to stimulate more ecological production practices (use of energy and materials, waste treatment) and consumption.

For Casals, the ecological tax rates (canons) would be equivalent to a type of **salary for nature**³⁰. He is also proposing the collection of moderate taxes on our historic and natural heritage; these taxes would be sufficiently reduced in order not to discourage exploitation of this heritage, while at the same time being high enough to stimulate it. The idea, then, is to internalize ecological costs by attributing to Nature certain prices in accordance with calculations that are no more arbitrary than those determining the price of money (interest) or those that now stipulate the minimum wage.

In the Chalaux model, the ecological tax rates (canons) that will be collected for the use of non-renewable resources and the pollution of “fragile” resources, will go to entities responsible for the maintenance and safeguarding of our natural resources (Ecological Protection Authority), with a treasury separate from the Public Treasury.

Many authors (Casals, Colom, Allais, Ricart) believe that taxation on heritage (land, buildings) could fulfil an important stabilizing function from the ecological point of view.

5.3.3. Taxation on Inheritance

OBJECTIVES

To make sure that the transfer of wealth through inheritance does not have negative repercussions on the inheritor of a company (inasmuch as it implies the payment of massive taxes in cash) nor bring with it unmerited privilege for a passive inheritor (Casals), to foster a greater distribution of bequeathed wealth, and to create obstacles to accumulation in the hands of a few (Colom).

30. The canon for non-renewable resources, for example, would be calculated as if we were dealing with amortization of renewing exploited deposits, bearing in mind the probable length of time it would take to exhaust them, and also with an estimate of what the necessary investment and research would cost to find, in due time, substitute materials. Thus the canons on natural resources would not only contribute to the protection of nature, but also to a broadening of the concepts of investment and production, “since the objective of finding new sources of energy, substitute resources, equipment for improving the environment, etc. would require a veritable investment storm in training, research and equipment”.

MECHANISMS

Casals proposes considering an inheritance as a long-term, low-interest preferential loan which the inheritor must return through a type of taxation. The inheritance cannot be sold if the inheritor has not paid the debt contracted on accepting the inheritance, some which would stimulate the maintenance of the activity and profitability of the inherited assets needed to easily pay a fixed contribution on its redemption.

Colom proposes a tax on donations and inheritance in which the tax rate would not depend on the wealth of the donor, but rather on that of the receiver.

5.3.4. Tax on transactions

OBJECTIVES

To present the participation in taxation as a function of the purchasing power really spent on the consumption of goods and services. To differentiate tax pressure as a function of the nature of the products.

MECHANISMS

Thanks to the telematic "invoice-cheque" proposed by Chalaux, it would be possible to apply a single automatic collection tax, which would consist of a percentage of the invoice fixed by the monetary authorities as a function of community needs, on each transaction of exchange for goods and services. While being an indirect tax, its progressive nature is rooted in the community-based destination of the taxes. Chalaux also proposes that this single tax involve an ecological tax that would be positive, if added to the total of the invoice, or negative, if deducted, in which case it would act as a subsidy. The tax rate would be higher or lower in accordance with the ecological cost involved in the production or consumption of the goods or services represented. Collection of the tax would be administered by an Ecological Protection Authority.

Colom proposes, on the other hand, taxes on luxury products and products of conspicuous consumption as a way of attacking some of the most inflationary expenses and one of the main causes of the foreign deficit.

5.3.5. Taxation of consumer credit

OBJECTIVES

To put a brake on the financial business of consumer credit, within a framework of moderate financial interest that would encourage the productive economy. To maintain an anti-inflationary policy without having to sacrifice investment or increase investment in financial incomes.

MECHANISMS

Casals foresees a new tax, resembling VAT, on interest from credit on money that finances consumption. This new tax, which he calls PAT (Price Added Tax) would keep money expensive (in order to control inflation) without raising interest rates (which would jeopardize productive investment). In this way low bank interest rates could be maintained by adding a tax on the credit causing excess of consumption. This new tax would suppress or reduce existing taxes on activity (personal income tax, corporate taxes, etc.)

5.4. REDEFINING INCOME, LABOUR AND COMPANY ORGANIZATION

Technology must be used to free labour instead of displacing it. The current use of new technology is deepening the abyss between certain minorities who are overworked and certain growing majorities that have no work at all, nor money to buy what our automated systems are producing.

But if our salaries are the only incomes which let us purchase things, how can those displaced by technology consume the products which are being produced? We must honestly examine the relationship between labour and incomes and between corporate and social organization.

In general, the authors are looking to ensure a shared general welfare and universal income. The wealth which is being created must be shared without excluding any member of society. We are not seeking egalitarianism, but rather fairness and solidarity that would benefit everyone. This is translated into a minimum guaranteed income for each person through a formula that would let each worker participate in the incomes of capital, and at the same time, lay the basis for full employment.

Universal income does not have to mean that some people will no longer receive income earned through economic activities. It could also be an important element in the distribution of surpluses, aiding in the establishment of an balance between consumption and production.

All the authors have shown a more or less explicit concern for the future of work and its remuneration and organization. The most explicit of them usually treat this question as if it were a central variable and have recommended interventionist measures at the community level. Others, on the other hand, consider it to be a variable derived from the consequences of structural reforms of the systems of finance, taxation, etc.

5.4.1. Social income and the diversity of labour statutes

OBJECTIVES

Both aspects are intimately linked. Some authors propose multiple ways of ensuring a salary or social income (minimum, universal) in order to distribute the benefits of advances in technology and productivity to the entire population, and to establish an equilibrium between production and consumption. Others are looking for ways to eliminate the causes of under-consumption — and its consequent unemployment — with measures that would avoid situations in which large incomes generated by production are parked outside the loop of the real economy.

Everyone must work in order to receive an income, but work must become more enriching and liberating. The objective for many is to reduce the number of working hours and to increase time devoted to self-defining and creative work. Varying concepts of differentiation of statutes or work contracts are being offered. Female domestic labour is being recognized and the mechanisms are being established for the underground economy to flourish.

MECHANISMS

5.4.1.1. Labour statutes and income distribution (Chaloux)

In order to ensure minimum levels of consumption for everyone, certain community salaries would be established (with funds coming from the issuing of money and the single tax) in accordance with four different “statutes”:

- the “**general statute**” would group together everyone with the right to a lifetime monthly salary.
- the “**commercial statute**” would be aimed at all those who are normally remunerated by the market: workers, investors, business people. It would regulate a community-based remuneration system under certain circumstances (unemployment, strikes, illness) and would replace unemployment benefits and sick-leave subsidies.
- the “**community statute**” would group together community services, which would be financed by the community and provided free of charge. Only currency of a community-based origin would enter the current account of these professionals.
- the “**mixed statute**” — lying somewhere between the commercial and community statutes — would group together artisan groupings and certain community services in which commercial enterprises are involved.

For Chaloux, the separation between the community statute and the commercial statute is fundamental. The commercial statute is governed by the maximization of profit, within the market. Those belonging to this statute are producer-consumers that

are already receiving income from production in the form of salaries and profits. The community statute is governed by reciprocity, remunerating non-commercialized and non-bureaucratized jobs, some of which are not remunerated today. Those belonging to this statute are simple consumers who are remunerated only by the community. This separation also prevents money from the market (the power of wealth) enlisting the services of liberal professionals and community services (the power of knowledge).

Under this system of income distribution, the amounts of the different social salaries would be determined by a point system democratically determined by law. The monetary mass created by the community — with the issuing of money, which would have to correspond to the value of productive surpluses — divided by the total number of points, would set the value of each point. In this way the amount of each salary would be a result of three factors:

- the number of points corresponding to the salary in accordance with the applicable Statute.
- the total number of points shared out among the entire community.
- the community monetary mass available in accordance with the issuing of money adjusted to the surplus of commercial production.

Thus, **self-regulation — feedback — would be established between the greater or lesser degrees of prosperity generated by the market and the value of social salaries.** That is, if more productive surpluses are generated, salaries will rise, and vice versa.

This would lead those belonging to the community statute (education, health, research...) to offer their services for the sake of the welfare of all the people, who would then produce more and better surpluses to be shared out.

5.4.1.2. New labour contracts (Casals)

There is also a series of suggestions dealing with different statutes, which are, however, defined as **types of labour contracts.** The idea is to be able to choose among different degrees of involvement with a company, between greater or lesser participation in ownership. Simultaneously, one can foresee different types of companies with differentiated statutes in accordance with the degree of domination of or subordination to the market. Basically there is a search for a process of self-management based on the self-control of those who now participate in the formation of corporate wealth oriented towards the future.

On the other hand, everyone will have to receive a part of their income in the form of Solid — not liquid — Securities, which they could invest freely in any productive activity. In this way it is obvious that if everyone has the right to receive this income, everyone will have the obligation to have lifetime savings, be they small or large

amounts. Thus, a voluntary stock, albeit concerted and committed, would be obtained, while at the same time keeping people motivated to work and produce, since they will not be dispossessed of anything that is their own.

Likewise, there is the suggestion that there be labour reform with regard to the working calendar. Each year certain months will be dedicated to professional labour, other months to intellectual labour, and still others to social service. But the most important concept is considering that retirement would be a gradual process based on two progressive measures: reduction in the number of working months and an increase in time devoted to more relaxing tasks and tasks that are different from those undertaken during one's professional life. The plan is basically to reach a situation nearing full employment, as a consequence of the economic reforms as a whole.

5.4.1.3. The end of the society of labour: decrease in working hours and guaranteed income (Gorz)

Gorz offers a series of proposals and mechanisms, based on the "de-commercialization" of society, that will serve as an instrument for changing the socio-economic model in order to face the problems of unemployment and marginalization.

Gorz's starting point is the decrease in the quantity of labour required by society; and the objective is to confer upon this decrease the form of a freeing of the individual from necessary labour. The labour saving which results from technological evolution must be shared out in such a way that everyone can work, albeit in ever diminishing amounts, without losing real income. There must be an indissoluble union between the right to income and the right to work.

Society must guarantee that incomes do not decrease as working time decreases. Income must be independent, not of work in itself, but of its socially necessary duration.

Labour time should be scaled not by the year but by a lifetime. There will be freedom to organize working time in order to meet social needs as a function of personal preference (the author calculates an average of 20,000 life hours per worker that could be completed in 10 years working full time or 20 years working part time, or 40 years working intermittently).

The social income would have the task of distributing among all member of society the wealth that is derived from the productive forces of society as a whole and not as a sum total of individual labour. It would work as a type of debt to society that one would pay with time and through one's contribution of labour, whenever one wanted, and in exchange for a lifetime income.

The financing would be configured by a method similar to the mechanism we see in retirement pension funds, health insurance schemes, or unemployment insurance: by means of payments/taxes based on salaries and remuneration paid out to workers who, either on a temporary or permanent basis, interrupt their salaried activity.

The obligatory 20,000 hours of labour per lifetime would go exclusively towards production of what is necessary, while that which is not strictly necessary would depend on simultaneous, autonomous, self-determined, optional activities.

Between institutional production and self-reproduction for pleasure there will be an intermediate level of free enterprise production, which may be of artisans, cooperative-based or municipal-community-based.

The objective of these companies may be to produce optional goods and services as a function of specific desires, but also as an alternative way of ensuring socially necessary production with a minimum of labour-cost.

In short, the activities of each person would be developed at three different levels:

- 1) heteronymous macro-social labour (obligatory) organized on a society-wide scale which would ensure society's basic needs and functions.
- 2) micro-social, cooperative, community-based or associative activities, self-organized on the local level and which would be voluntary and optional, except for those activities that replace macro-social labour in order to portion out certain locally basic activities.
- 3) autonomous activities that correspond to personal projects and desires of individuals, families or small groups.

5.4.1.4. Civil contract and social income (Duboin)

The distributive economic model proposed by Duboin is based on the basic principle of decommercialization of the concept of labour and the distribution and sharing out of necessary goods. Technological progress must be at our service so that our main motivation is an increase in free time. Casals, Chalaux and Gorz all view as fundamental both the progressive reduction of working hours and the implementation of "work a la carte", which would allow for individual working rhythms and a rationalization of company dimensions.

Civil Contract

For Duboin, the civil contract is an instrument which would allow for the development of maximum individual responsibility and global participation of all the members of society in the productive process. This would not be aid, but rather exchange. The individual would dedicate himself to a specific job only for a specific period of necessary time and would also actively participate in the life of society. We are dealing with a commitment to society in which the individual assumes the responsibility for cooperating on the tasks which are deemed necessary for its proper functioning:

- Citizens who have a work project will be committed to carrying it out under conditions (duration, means, and remuneration) that they themselves will define;

- If the contract is accepted, society will assure the means necessary for carrying it out.

For those tasks which are more difficult and more indispensable and for which we must ensure the production of a certain type and number of materials and essential services, it will be necessary to articulate a dual system to carry out these tasks:

- the creation of an obligatory social service, the duration of which would vary as a function of productive needs.

In order to coordinate productive needs and services and the human resources available, society will have to create a “wired” Bureau of Labour Management, which would be responsible for continuously updating jobs (demand for jobs, forecasts, number of people needed, etc.). Each candidate would be given personalized service. Specialists would adapt each profile to real needs.

Social and individualized income

By committing himself to the community through the civil contract, the individual would have the right to a share of the social wealth. A guaranteed individual income (social income) would be established for every member of society. This income would be directly related to production as a whole and would grow as production grew. It would be based on a currency of consumption that would disappear at the moment it is used to buy something.

This social income is similar to “Universal Individualized Income” — proposed by Colom — which, according to this author, would be materialized in the right of each individual in society (including children) to a minimum of economic independence. Colom also sees this income as an instrument that could create favourable conditions for questioning the definitive role of the “housewife”. The new focus on the distribution of income would give a higher profile and recognition to work which until now has been looked down upon, given that it has yet to receive any type of remuneration.

5.4.2. The self-managed distributive company

OBJECTIVES

The company must offer its workers guarantees of continuity, benefits, and responsibilities. Its management must be independent, although it must, at the same time, respond to projects linked to the needs of the community. Some authors feel that investment capital belongs to the community, and that the latter would assign capital to the projects which it deems deserving.

MECHANISMS

5.4.2.1. The company run by the workers (Schweickart)

Self-management is the concept which is most prevalent among the authors— self-management, that is, as an organizational structure to ensure the participation of the worker in the enjoyment of profits and risk of the company, while reinforcing his responsibility towards the capital that society has invested.

At the self-managed company, as Schweickart proposes, the workers are responsible for what and how much is produced, for the organization of work, and the distribution of net profits.

The decisions concerning these points would be made democratically: one person, one vote. In the case of a large company, it would be necessary to delegate authority on the basis of elections in which the workers would vote. The State would not be able to designate any managers, nor would the community.

Although the workers would manage the company, they would not own the means of production. These would be the collective property of all society. Societal ownership would be manifest in the insistence (with the support of the law) that the value of social capital of a company be kept intact.

5.4.2.2. The distributive company (Duboin)

Companies in the Duboin model are created out of the needs of the community. The principle governing the organization of labour is also that of self-management, although its operational structure differs from the proposals of Schweickart, Gorz, and Colom. The corporate projects would be run along the following lines: group debate on each project (based on the needs defined by the community) put forward by the self-managed company; approval of the project by each level of society; and finally, community investment in the project.

The objective is to get the whole of society involved in the process — to make the company everyone's business. That is why those responsible do not receive strictly economic remuneration for their effort, but rather social recognition. The companies would have to be, to as great an extent as possible, reduced in dimension (an average of 30 workers), which would allow for greater rationalization of production and a participatory, personal-intervention-based production process.

5.5. DESIGNING A TRANSPARENT AND PARTICIPATORY POLITICAL SYSTEM

Representative parliamentary democracy based on political parties has lost its legitimacy. The political parties have shown that they are pursuing their own interests, aimed basically at seizing power and keeping it. In this sense, the democratic system today lacks foresight, and, therefore, the suitable capacity for social innovation required by a complex, rapidly developing society.

There must be a decentralization of the political apparatus which would bring it closer to the citizen. We must design a more participatory democracy, with greater individual freedom, based on grass-roots political structures. New information technology could be an effective instrument for citizen consultation ³¹, and for increasing the system's transparency by facilitating access to information at all levels, from local public management to macroeconomic statistics.

In order to establish a more responsible, transparent, and genuinely representative democracy, there must be a reform of the electoral system and the financing of political parties — those mechanisms which allow political parties (and the pressure groups that support them) to stay in power. The first option proposes a break-up of the monopoly enjoyed by political parties in the democratic game. The second is an attempt to add transparency to their financing.

The authors do not deny, at least implicitly, that the question of politics is a priority, especially with regard to the implementation of innovative proposals.

5.5.1 For a more direct, participatory and transparent democracy

OBJECTIVES

The idea is to establish a less centralized and more responsible democracy, and to turn to the right to self-determination and the principle of subsidiarity. The community as a dynamic agent. To establish different political powers in order to take on problems in the short and long term. To change the role of the political parties so that they can transmit the will of the citizens to the state, and not vice versa. To deprofessionalize politics.

31. This type of activity (voting by means of bank cards at cash points) is being experimented with in countries such as Norway.

MECHANISMS

5.5.1.1. Towards subsidiarity: Inverting the pyramid of political decision-making (Ricart)

Ricart suggests a new approach centred on pyramids of free representation in each area of activity. Each slab of the pyramid represents a level of decision-making in public affairs (local, county, autonomous community, national and transnational levels). At the base of the pyramid there is the figure of the representative ("political assessor") to whom each citizen freely gives his representation. And each level of the pyramid is formed by the election of representatives coming from the level below it. A simple change in "political assessor" by a group of citizens could cause changes in representation at many levels of the pyramid.

Thus, Ricart is proposing that there be no periodic elections. Representatives would continue in office as long as those who have "contracted" them still maintain their trust in them. The transparency required by public management at each level is the basis on which the representatives at the lower levels, or in the final analysis, the citizens themselves, would make their decisions. Each citizen will vote for the person he chooses, so that this person will represent him on those issues that are of interest to him, and for the period of time that he chooses. This act will be publicly and automatically registered by means of teleprocessing. This technology will also keep the citizen informed, if he so desires and whenever he wants, about the proposals, decisions, and strategies that his political representative-assessors are involved in.

At each level there will be budgets to be made and decisions to be taken in order to solve problems at that level. Those questions which are not solved by consensus or which have repercussions beyond the area in question would jump to the next level. Consultation and information of what has gone on at a higher level is made available to the representatives at the next level, who in turn are the ones to adopt the proposals of the level immediately above their own.

5.5.1.2. The Watchdog Senate: a non-partisan political power centre for long term monitoring (Casals)

Concern about the control of our natural, cultural, and economic heritage has given rise on the political level to the necessity of solving long term decision-making problems, which are often pushed aside by short term questions. In this sense, J.N. Casals is proposing the establishment of **two independent and non-subordinated political power centres** corresponding to two radically different visions of time.

A centre of political power would be maintained to take on contingent affairs, similar to what is now done by government, while a **new political power centre for long term questions would be created** — called a Watchdog Senate — with the same powers as the government.

This new Senate would have authority over the political system, with an authentic separation and balance of powers. Each of these two political power centres, Government and Senate, would have their own resources and instruments. Nevertheless, there would have to be a reform of the electoral system.

In order to avoid the monopolization of the political game by the political parties, there is a proposal to divide the nation's territory into electoral districts small enough to make certain that each candidate is well-known to his electors. In primary voting each candidate would be elected by secret ballot of all the citizens of his or her district. The second poll would be nominal, open, and explicit among the elected candidates, who would not normally be professional politicians, but rather people who for this period of time would not be living from politics but rather for politics. This electoral reform would be, according to the author, the key to establishing more direct representation in a modern democracy, which, thanks to telecommunications, would not oblige representatives to be continually travelling to the parliamentary seat.

A group of citizens, recognized for their exceptional qualities and independence, would constitute the Watchdog Senate. The duration of their mandate should not necessarily be too short (6 years or so).

5.5.1.3. Democracy and decentralization: the "invoice-cheque" as an instrument of change

In order to guarantee responsibility-forming, participatory democracy, it is crucial that there be a separation of powers and a decentralization of decision-making. We must separate, although with interdependence, the three political powers — legislative, executive, and judicial — from the political, informational/cultural, and economic systems, with the aid of the distinction between statutes (commercial and community-based) and with the application of the principle of subsidiarity to all fields.

But we must also make sure that there is interdependence and full exchange of information at all levels. The instrument to achieve these objectives would be the new monetary-information system ("invoice-cheque"). It is essential that the information provided by this new currency not depend on the Treasury, the police, the government, or private companies. **The State and private individuals would only have access to general data, which will be available to everyone, in clear and coherent terms and free of charge.** There would be an automatic generation of analytical, synthetic, and exhaustively detailed information concerning market processes. The socialization of this information will be fundamental to the rationalization of the economy and for the establishment of a responsibility-forming, participatory democracy.

Only the individual himself and an independent Judiciary, if the need arises to open an investigation or document sentencing, would have access to personal

data. Global information would only be in the hands of a Judiciary protected by three independent teams. The three teams would have economic, institutional, and organizational independence, and would be subject to the law and devoid of coercive power.

The tremendous technological possibilities offered by the intelligent card (with a micro-chip) makes it possible to broaden the democratic decision-making process and make it more flexible.

For example, by using telematic networks at cash points and banks, companies, and homes, citizens could participate in periodic consultations on topics of collective concern. The intelligent card could incorporate systems of personal recognition that would make manipulation of the consultation process impossible.

Without traumatic changes it would be possible to initiate a “**Regime of Transparency**” that could structurally preclude corruption. Everyone connected to public institutions and the public administration or civil service itself would be obliged to perform their transactions with the “invoice-cheque” and would be heavily penalized for using anonymous money. Citizens and companies wanting to attach themselves voluntarily to the “Regime of Transparency” would obtain important tax benefits from so doing. The very evidence of the effectiveness and security of the system would go a long way toward producing a profound political and economic transformation.

5.5.2. Towards a leaner, more responsible State

OBJECTIVES

To reduce and improve the efficiency of the administrative and bureaucratic apparatus of the State. We must see the State essentially as an apparatus that safeguards our rights, and not as the source of those rights. This is a need which reinforces its irreplaceable role as the creator of permanent (structural) norms. The State should not be confused with the Community.

MECHANISMS

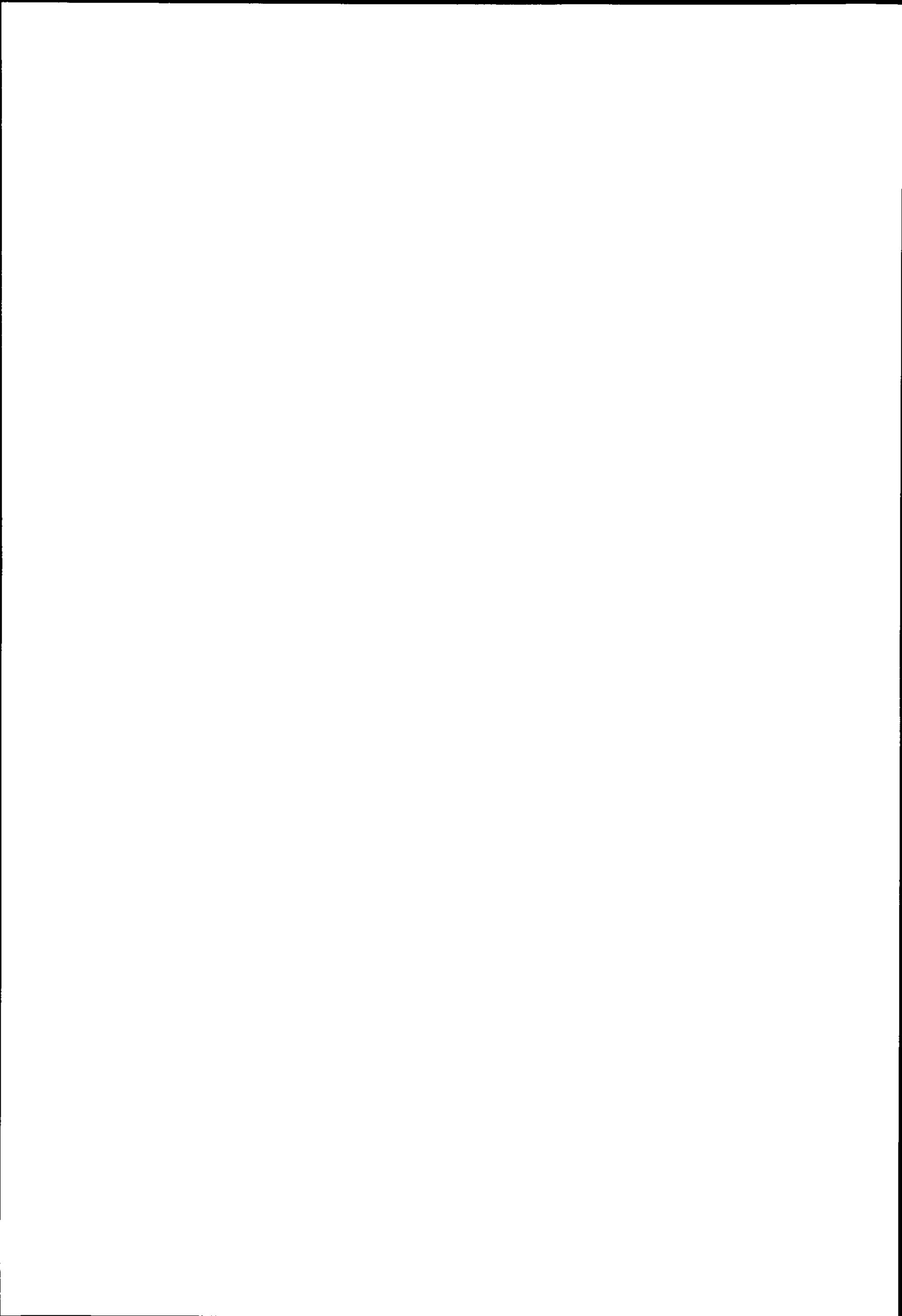
All the authors have pointed out that the model of the State must be reduced from what it is today. The degree and quality of this reduction varies in accordance with each proposal.

For Colom, the central problem is the inefficiency of the public administration. Its responsibilities should be reduced and concretized in a far clearer fashion. The State must act as an efficient, sleek, coordinator, subject to the principle of subsidiarity (only doing that which other lower levels of organization cannot work out autonomously) and organized along criteria of responsibility and efficacy more closely resembling the activity of companies. In this sense, he is proposing the

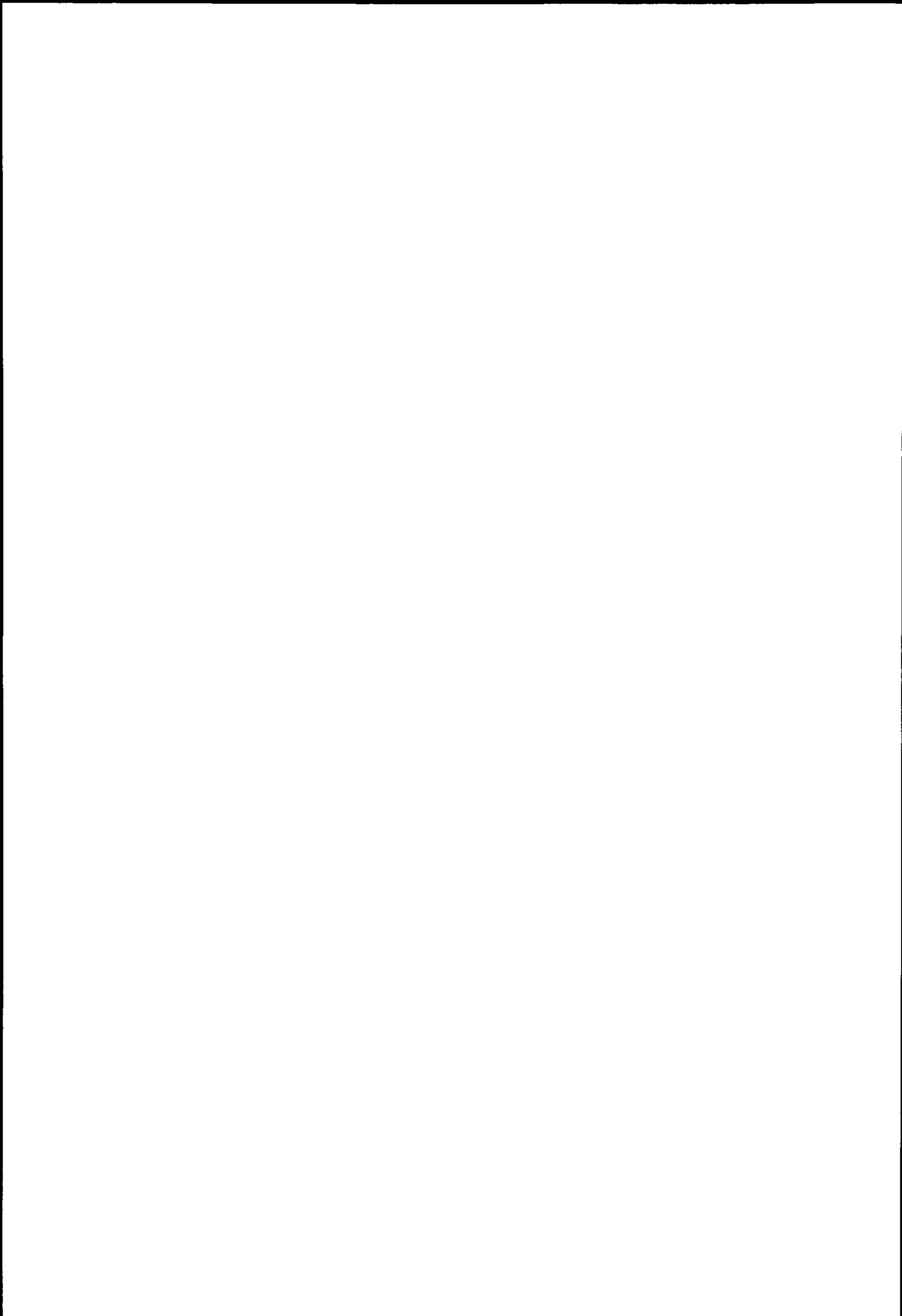
establishment of clear criteria based on efficient responsibility for civil servants so that the latter would bear the consequences of their own management.

For other authors who are in favour of self-management, the reduction of the role of the State is a lot more drastic. Gorz is quite direct in saying that "we must see the State essentially as an apparatus and guarantor of our rights and not as the source of those rights. The source must always be found in social relations." In this sense, he feels that "the functioning of political parties has been perverted because the State is feeding off society".

Gorz points out that self-management can only be possible on the level of reduced collectives, and that the problem is posed when it comes time to seeing who is managing the various self-managed collectives at the national and regional levels. That is why, he admits, we need an apparatus of law, a State. But the point is to impede professional politicians from forming a class or caste; that is, of converting their responsibilities into a source of power.



APENDIX
EXTRACTS FROM SELECTED AUTHORS



MAURICE ALLAIS

AGAINST UNEARNED INCOME

EXTRACT

The object of economic activity is the satisfaction of the unlimited needs of men in a situation of limited resources at their disposal. Which economic system can achieve this objective with the maximum degree of efficacy?

Individuals have different interests and life in society implies the search for and application of mutual commitment: that is, a situation of minimum subjection in which the freedom of each individual is restricted only by the degree to which that individual infringes on the freedom of others. The realization of this minimum subjection requires that each individual exercise his or her political freedoms. Which economic system allows for the practice of political freedoms?

Maurice Allais, French author and winner of the 1988 Nobel Prize for Economics, has posed both questions and has responded that historic experience has shown that the organization of the economy into a system of private property and decentralized markets is the essential condition for political freedoms and the system which allows for the maximum degree of efficacy in the assignation of resources.

Why does the system of private property and decentralized markets fulfil both conditions?

On the one hand, the control of all economic power by political power is incompatible with the existence of political freedoms and, therefore, with the possibility of obtaining minimum subjection. In the market economy system, economic power is shared out among thousands of agents and it is, therefore, the system in which we find the necessary condition for economic democracy.

On the other hand, the system of market economy, which permits the private appropriation of surplus, creates incentives in the search for and realization of this surplus. This is what makes it possible for this system to maximize its efficiency. Moreover, the competition among economic agents permits the equitable distribution of the surplus generated by the society.

Nevertheless, the process of decentralization of decision-making and private appropriation of the surplus found in a system of market economy fails to impede, if one is not careful, the appearance of **unearned incomes** (income which does not correspond to products or services), which then leads to an ethically invalid distribution of income, since it does not obey the principle of legitimacy of incomes, according to which all economic remuneration must correspond to services rendered to the community.

The origin of unearned incomes is to be found in monetary disorder, in monopolistic situations, in the ownership of physical assets, and in deflation and inflation. Let us cite some examples. If the owner of a building sees his income rise because the State has decided to build a road nearby, thus improving the location of the building, is it legitimate for that owner to receive all the income? Is the earned income of the debtor in relation to the creditor, derived from inflation (on a loan that has not been indexed), legitimate?

If the market economy has been criticized and attacked for centuries, and especially during the 20th century, it is because of the appearance of unearned income. We must, therefore,

and bearing in mind the advantages of this system as well, seek out an institutional framework which could eliminate or collectively appropriate unearned incomes within the a system of private property and decentralized markets.

The essential objective of Allais' most fundamental work "*The Tax on Capital and Monetary Reform*" is to show that, within the framework of the correct monetary and fiscal policies, unearned incomes can be suppressed or confiscated by the collective without compromising the functioning of a market economy, and even improving its efficiency.

TAXATION AND MONETARY REFORM

The Taxation system proposed is based on three pillars.

- a tax on consumer goods
- a tax on capital goods which would permit the collective appropriation of unearned incomes linked to physical assets (land, buildings, installations), but which would not be paid by holders of loans, bonds, or either types of financial assets. It would be like the prices that have to be paid annually by owners of goods for the enjoyment and free use of these goods.
- what Allais calls indirect taxation as a result of the State's (and therefore the Community's) exclusive enjoyment of gains derived from the creation of currency. According to Allais' own calculations, this would permit the total suppression of personal income tax.

Monetary reform signifies a **substantial change in the mechanism of credit creation**; while the current mechanism grants banks and other financial institutions the option to create money, Allais is proposing that only the central (public) bank enjoy this exclusive privilege. Thus, inflation would be controlled and only the state would benefit from the gains deriving from the creation of currency. This public appropriation of issued money is another element that would allow for the elimination of the tax burden on earned incomes.

The tremendous fluctuations in stock prices cause waves of optimism and pessimism in the productive economy. Today, the fluctuations in the stock markets are financed by the purchasing power generated from a vacuum by the credit mechanism. Therefore, the reform of the mechanism of credit creation would reduce the fluctuations. We would need, moreover, a reform of the stock exchange which, among other measures, would include the elimination of continuous quotation and would establish a single quotation per day and city.

MAURICE ALLAIS, winner of the Nobel Prize in Economics, was born into a working class family in Paris in 1911. Allais finished his secondary studies in 1929. In 1936 he work as an engineer for the state in the mining sector. Since 1944 he has been a professor of Economic Analysis at the School of Mining of Paris. Since 1946 he has been the Director of the Centre for Economic Analysis dedicated to scientific research. In 1948 he was freed from all administrative work and was able to dedicate all his time to teaching, research and publication of his work. His contribution to economics can be found in at least four areas: the theory of general economic equilibrium and maximum efficacy; the theory of random selection and criteria for making rational economic decisions; the theory of currency and the theory of probability; and the analysis of temporal series.

JOAN N. CASALS

THE SOLID MODEL

EXTRACT

The Solid Model of Joan N. Casals poses a series of alternatives for reforming the present capitalist system and considers economic crises as structural phenomena that require not new rules but new instruments. His proposals must be understood within a context of serious, progressive dysfunctions which, in his opinion, are manifested not only within the economic system, but within the political system as well, having caused noticeable repercussions for the cultural system.

The first problem, according to the author, is the perverse solution that has appeared in the face of a difficulty to materialize savings..

In the past, durable savings were materialized in the acquisition of real estate assets or gold or other materials which acted as refuge values. Today, the part of income which is not destined for consumption (savings) is mainly handed over to the financial system (in spite of the fact that the latter does not ensure the stability of value) thanks to the fact that it offers liquidity and that the assets are exempt from the aging and wear that affect all installations in the productive system.

Given the lack of an instrument originating in the productive system that could make it possible to conserve durable savings of constant value, these savings are absorbed by speculative pseudo-markets which detain them and increase their cost. The first pseudo-market is the market in **speculative real estate transactions**, the surpluses which increase the cost of resources required by the productive system. The other comprises all transactions in financial and monetary assets, the volume of which is being inflated to such a degree that we can only interpret the cause of this growth in two ways: either because only part of what enters the system leaves it, or because means of payment based on nothing are being created. Moreover, the volume of resources which move the financial system can only be explained by the fact that there is a huge mass of money available and aided by the **creation of new money via bank loans**, which, in fact, constitute resources originating in the productive system that do not return to it.

Furthermore, the financial system is located within a favourable legal and fiscal framework, which facilitates the displacement of resources from the productive system to the financial system. One could even say that the gains of the financial system subsidize capital that does not circulate. This unequal competitive advantage of the financial system over the productive system causes the fall in productive investment, without which we cannot begin to speak of economic progress.

Thus, the interference of the speculative economy in the productive system gives rise to a lack of resources for investment in the latter and a general lack of resources in demand, given that a large portion of purchasing power cannot be used if it is parked in the financial and real estate systems. Under these conditions, what should be regulated is not the productive economy but rather the "casino" which has come to settle improperly upon it.

The second problem refers to the need to effect minimum investment in the productive system.

Sustainable progress and full employment require constant financing of production, technological innovation, training and even environmental protection; the necessary resources originate in the accumulation of saved capital.

Productive investment of saved capital is, in the author's opinion, and coinciding with the thought of the classics, the source of economic progress. Saved capital today, however, has been given over to other ends: consumer credit, speculative credit, investment in financial products of money which does not represent a real certain counterpart in production, detention of money in quasi-liquid form, etc. On the other hand, it is not easy to accumulate the volume of savings needed for socio-economic progress, given that without having solved the problem of materializing savings it is difficult to imagine that the distribution of income can be combined with a distribution of reserves capable of spreading the capacity for saving to all the population.

However, as has been pointed out, we do not have at our disposal an instrument capable of materializing savings in a permanent and stable form. And neither is this instrument money, since money is used simultaneously for savings and expenses. That is why the difficulty of accumulation of a minimum stock of capital for productive investment is due basically to the confusion caused by disposing of money for two contradictory operations: one, which is the exchange of basically short term circulation of production, consumption and money; and the other, which is long term transactions in stocks, wealth and money.

Generally speaking, man has tried to use money as a veritable reserve of purchasing power in the long term, in spite of the fact that money does not guarantee the conservation of its value, for money is purely the promise - without security or safeguards - issued by a bank linked to political power.

A NEW FINANCIAL STRUCTURE

In order to take on these two problems, Casals poses two measures that configure what he calls the "Solid Model".

Historically, land was the instrument that provided both a safe deposit for value and long term productive investment. Joan N. Casal's Solid Model in some way proposes a return to our roots. This new financial instrument which he is proposing for the materialization of savings would be backed up by land, which, apart from being abundant and difficult to hide, continues to be the indestructible, stable asset par excellence.

The objectives are: constant reinvestment of the surplus of the productive system, the containment of parasitic activity in the financial and real estate system, and finally, just distribution of the surplus among the agents involved in its production.

The reform proposed by this model is based on the formation of a financial infrastructure with new monetary and financial instruments. Land is the key factor that would make the existence of these new instruments possible. Further, it would be crucial that part of this land be in the hands of the community. This would give rise to a new and important non-speculative supply of land use. The quantity of land needed would not have more than that required to guarantee the reserve value securities equivalent to that of uninvested savings.

There would be a new monetary instrument (Solid Security) and a financial instrument (Solid Asset). These instruments, on the other hand, would coexist with conventional currency — money. The Solid Security would be the non-inflationary reserve of value guaranteed by land. That is to say, the ideal instrument for long term savings and financing which could generate a financial asset (the Solid Asset) that is profitable. Money would continue being used for purchasing and short term financing.

A new financial entity, the Land Bank, would be the land administrator. Its monetary instrument could be summed up by the following functions:

- Having the exclusive rights of creation, issuing and conversion of Solid Securities.
- Issuing Securities for the quantity of land acquired.
- Determining the price of Securities by considering the price of rent (in money) that is yielded by part of the community land
- Purchasing money from companies and savers of Solid Securities.

It would also assume a watchdog role over:

- the transformation of Solid Assets or Securities only into productive assets in order to avoid the dissipation of savings
- the demand for Solid Securities made by companies in order that this demand be balanced by the supply of money coming from savers
- the management of land rentals

These new financial instruments could arise out of private initiatives when agricultural or urban owners' cooperatives decide to rent out their land. Another possibility could arise from the initiative of local corporations floating indexed bonds convertible to securities on their local assets.

A SERIES OF NEW SOCIAL AND ECONOMIC POLICIES

The new financial infrastructure will, in practice, make the following possible:

- **a social policy, with differentiated incomes:**

Part of salary or any other type of income would be paid in Solid Securities. This would be a way of creating negotiated, obligatory although unconfiscated savings (without having to impose the pressures of taxation). The individual would dispose of his savings in terms of unemployment insurance, retirement pension, or opt to increase his or her participation in the ownership of companies. We would thus arrive at a popular capitalism in which income from capital would be spread among the majority.

- **an ecological policy:**

Costing nature with ecological canons that would make it possible to integrate ecology and the economic world, while avoiding speculative use of the same.

- **a fiscal policy:**

The reforms proposed would lighten the tax burden on labour and the productive system. They would give rise to the concept of tax on passivity (as opposed to the taxes on productive activity), on the possession of capital; on the exploitation and use of land; on consumption and the use of goods and services; on the acceptance of inheritances.

There is also a proposal for a new tax, the PAT (Price Added Tax), on the interest of money loans that finance consumption. The PAT would be an anti-inflationary policy that would not sacrifice investment.

AN EFFICIENT AND STABLE POLITICAL SYSTEM

Today there is a parallelism between politics and economy in terms of the lack of long term responsibilities (and instruments). Within the political system decisions are made that have a decisive effect on the future of society. But these political decisions must be able to take into account the conjunctural variable without ignoring structural aspects which go beyond a particular legislature.

In order to work out the time problem the idea of a new complementary political centre of power has been posed under the name of the Watchdog Senate. This new Senate would be responsible for everything that is permanent. The result would be the combination of political power absorbed by contingent affairs, like the tasks of government today, and a new political centre of power for long term structural matters (the Watchdog Senate) having the same authority as the government. Each of these two political power centres would have their own, separate resources and instruments.

The main goals of the **Watchdog Senate** would be to monitor and protect our natural, cultural and human heritage as well as the reserves of the new monetary-financial system. This doubling of political institutions shares a certain parallel with the doubling of the monetary instruments in economics, and poses the idea that the body politic might in some way be an imitation of the biology of superior organisms, which derive their stability from a dual information system.

In order to carry out this political reform we would have to count on a new electoral system, by creating two groups of electors for each political power centre. The election of candidates (not professional politicians) for the Watchdog Senate would be done in two stages: the first with open lists and by secret, majority ballot cast by all citizens of voting age. The electoral districts would be small enough to allow for a direct relationship between the elector/candidate. The second stage would be nominal, open and confined to the winning candidates elected in the first round.

The idea is to establish a representative democracy which is more direct than today's, with less monopolization of power by political parties. The normative and structural role of the State would be favoured in detriment to the the role of conjunctural interventionism.

JOAN CASALS I NOGUERA was born in Manresa (Bages) in 1925. He studied Industrial Engineering in Barcelona and graduated in 1951. In 1953 he began his professional activity in the field of industrial process and traveled widely throughout. Not much later, in 1960, he founded Casal Cardona Industrial S.A. in Manresa, a company specializing in the application of new technology and materials for environmental protection. He has worked with the Board of the College of Engineers (1975-79), and was also co-founder and President of PIMEC in 1978, president of the Associació de Dirigents (1979), member of the Chamber of Commerce (1980-83), spokesman for the Consell de la Caixa de Catalunya (1978-82) and Vice-President of the Mutualitat dels Enginyers (1981-86). In the last few years he has received many honours and distinctions for his career in engineering and as a businessman.

AGUSTÍ CHALAUX

TO RATIONALIZE MONEY

EXTRACT

The characteristics of today's anonymous, disinformed monetary instrument facilitates widespread law-breaking or cheating in our society. This cheating favours the powers that be — powers in fact, not by law — which go unpunished, and which do not leave traces. As a consequence, the political system, the economic system, and the informational/cultural system are not independent, for connections of illegitimate power have been established among them. The powers that be arise from and are active in these three systems by means of anonymous money. This illegal, or illegitimate, cheating creates many distortions and dysfunctions. Democracy has become formal and — not real-participatory or responsibility-creating. The State has become a representative of the powers that be. The free market has fallen into commercial licentiousness; the financial sub-system has drifted away from the productive sub-system, and the latter from the ecological sub-system. And economics and its practical efficiency has been blocked. Nevertheless, "cheating is possibly not an inherent human condition". But it can be either favoured or inhibited by the social and economic rules. These rules are more the cause of the dysfunctions than the actors involved.

On the other hand, we are experiencing the imposition of "monetics" — electronic money — without prior social debate or a political, juridical framework that would grant us coherent and democratic use of the same. Until now the application of monetics has been the result of technological innovation and economic interests in reducing costs and increasing profits, improving services, etc... Today the application of electronic money does not guarantee our privacy as a lot of data has fallen into the hand of private companies, the Treasury, the police... In order to take advantage of the possibilities being offered by monetics and avoid the risk we must seek to establish new rules for the game.

The modification of the monetary instrument is a necessary condition — although insufficient by itself — to allow us to make decisions democratically and change the rules of the game. The change in types of money is a subtle, instrumental change. "Changes in instruments are a lot less violent than the changes in imposed customs...", ... "the idea is to propose a new instrument to try and overcome one of the problems of historic revolutions: everything changes, but power continues to be in the hands of a few." On the other hand, "Money is not only an instrument of commercial change, but also of social change. The type of money (...) can favour one type of market society or another: irresponsible power or responsibility-creating freedom".

The new monetary instrument being proposed, the "invoice-cheque" is personalized, responsibility-forming and informative. It provides information on the characteristics of each commercial operation, ensuring transparency and responsibility. New commercial, social and political rules of the game are also being proposed that are coherent with this new instrument. There will be exhaustive information on the economic system; the personal character of the information will be protected, with access to data available only to the individual and an independent Judiciary; and the general character of the instrument will be within reach of everyone. Democracy will become real, participatory and

responsibility-forming, not only by means of the separation of powers — political, economic, informational/cultural systems — but also with transparent independence, and with a decentralization of political decision-making in accordance with the principle of subsidiarity within a federal framework. An independent Judiciary which was also subject to the principle of transparency would watch over the democratically established rules of the game.

Everything that is not commercializable or bureaucratizable will be kept out of the market, for fear of being destroyed or corrupted. A minimum purchasing power for everyone, which at the same time will solve the question of surplus production, will be established. The market will become freer and more responsible, more self-regulated and more balanced. It will be a market based on the development of the productive system but within an ecological framework and supported by the financial system. And economics could become an authentic, rigorous, experimental-science that is operational in a practical way.

With regards to the model as a whole, it is crucial that we look for a type of implementation that is realistic, instrumental and “feasible in terms of practical application”, a type of implementation that can be adapted to each reality. The model focuses a great deal on new technology that is establishing the possibility of implementing the “invoice-cheque” system through monetics.

Some of the proposals put forward to achieve these objectives are as follows:

In order to ensure minimum consumption requirements for all and to facilitate transparent independence among the different functional groups in society the idea is being proposed to mark off 4 statutes: the general statute (guaranteeing a minimum for everyone) the commercial statute (for specific situations of those being remunerated by the market), the community-based statute (for the financing of community services and their personnel) and the mixed statute (for artisanal and community-service companies involved in the market).

Each statute would attribute certain points to each person or institution. The monetary value of each point would vary as a function of the number of points shared out among all the statutes and the mass of community money created by surplus production. If the market increased its surplus, the value of the points would rise. If the market reduced its surplus the value of the point would drop and subsequent pressure would cause part of the people within the community statute leave it and intervene productively in the market (where they would be better paid). Thus there would be established a type of self-regulation between market and community services (which would only exist if there were enough wealth produced to maintain them).

The issuing of community money could be done without causing inflation or imbalances thanks to the information system provided by the “invoice-cheque”. The monetary authorities could inject or withdraw purchasing power in the consumer sector through Credit Unions and in the investment sector through the Banks. The Credit Unions would offer accounting and savings services for the consumer sectors. The Banks dedicated to the needs of companies would be given the responsibility of channeling community loans towards investment, but they could not issue money, given that they would only be allowed to loan money in accordance with the amounts and duration of their deposits.

Taxation, with its redistributive, public service financing functions and its interventionist role in macro-economic variables, could be replaced by the possibilities offered by the new system. In the event that taxation had to be maintained, it could be managed with extraordinary ease by applying a percentage rate to the amount of each “invoice-cheque”. The automatic collection of a single tax would be extremely clear and efficacious. The

“invoice-cheque” system would also allow for the application of a positive or negative percentage that would tax activities detrimental to the conservation of resources and the environment. On the other hand, the system could automatically subsidize those activities which were considered beneficial. The ecological funds that would be collected would be managed by an Ecological Protection Authority that would be independent of the Political and Monetary Authorities.

In an inter-related world, the “invoice-cheque” system would make international trade transparent, reduce the speculative movements of money that is disconnected from the exchange of goods and services, and facilitate the equilibrium of the balance of payments, thus overcoming the hegemony of strong currencies and speculation in foreign currencies.

The system proposed would be adaptable to different social, economic, political, and technological realities (in accordance with the different possibilities of “monetics” — electronic money). However, the implantation of this system — be it gradual or total — must imply a minimum number of changes in the judicial system and in the management of information systems, which would guarantee protection of privacy but not impede the economic and redistributive benefits it is trying to create. One of the possibilities of gradual implantation could result from the need for an effective plan to fight corruption and guarantee the State of Law. This plan would oblige all people and institutions related to the civil service to belong to a “Regime of Transparency”, thus eliminating any excuse for avoiding anything but the total transparency of their accounts. Citizens and companies which wish to voluntarily join this Regime of Transparency would obtain major tax deductions. If the system proves to be efficient it would spread by means of its virtues and advantages.

AGUSTÍ CHALAU DE SUBIRÀ was born 19 July, 1911 near Barcelona. The son of a French industrialist who owned a wool-dyeing factory, at the age of nine he was sent to France to study. At the age of 14 he met the influential Horace Finaly, the President of the “Banc de Paris et des Pays Bas”. A special friendship was established between the two, and for fourteen years they were to meet periodically. Chalaux studied Chemistry in France, where he lived until the end of the Second World War. In 1945 he returned to Catalonia, having lost all his books and writings. In Catalonia he participated in the creation of various entities, such as the Centre d'Estudis Joan Bardina. The world of Agustí Chalaux is the result of 50 years of research. His voluminous work, apparently in disorder and often unwritten or lost, has been studied and synthesized into different documents by Chalaux and his collaborators.

ÒSCAR COLOM

SOCIAL TRANSFORMATION

EXTRACT

The socio-economic models of the most genuine capitalist inspiration, which today dominate the developed countries, have been able, for the moment, to triumph over their opponents, although they have not been able to solve the serious internal problems being posed today. Oscar Colom has attempted to reclaim the tradition of **critical reflection on capitalism today as a system that generates injustice and imbalances**, and add to it elements of analysis and proposals that have been undervalued up to now.

The extreme inequalities in the distribution of income constitute the fact which most clearly illustrates the main dysfunctions of capitalist society.

The basic distortion is rooted in the fact that the basic economic unit is the family unit, not the individual. This has given rise to the fact that an exceptionally grave statistic has been practically ignored: **approximately two out of every three people - half of whom are women - do not have an income of their own**, and therefore depend on a third person, the "patriarch", the income of whom does not, however, take into account family expenses.

Moreover, a part of the potentially active population does not have access to work (the unemployed), or is working without economic compensation (housewives), or is involved in unquantified economic activities (the underground economy).

As for the one third of the population that receives income, this, and the tax system imposed upon it, is also shared out unequally. The tax system is **borne mainly by productive incomes, to the benefit of speculative incomes**. The tax system applies pressure to salaried employees, small and medium-sized companies, self-employed workers, etc. while, on the other hand, it gives free reign to major movements of capital and securities and real estate operations.

For Oscar Colom, **the rules of the game of today's system do not favour, as a whole, the establishment of stable, balanced economic activity** that is respectful of the collective wealth and heritage (Nature, first and foremost), and that guarantees work for all, an adequate level of collective social welfare and an effective distribution of incomes. Quite the contrary, the present day functioning of the system promotes the logical of unlimited expansion, the process of concentration of power, be it economic or political, with the unstable, unpredictable consequences that follow.

The inability to establish real minimum conditions of distributive and redistributive justice for all those forming part of a collective is in large measure due to the **irresponsible role of the State**. The state has allied itself with big capital, unifying their interests in the race for power, having abandoned its mission, which is to guarantee social welfare and the exercising of the rights and duties of each citizen. The State, inspired by both right-wing and left-wing ideologies, has been inflating and bureaucratizing its structure without this having served to correct distributive inequalities or stabilize the economy by eliminating scandalous situations such as unemployment and the underground economy. Oscar Colom sees the State as the main cause of the multiplicity of injustices and the erosion of social welfare, which has stemmed from ignoring its responsibilities in managing the common good.

The initial starting point for a change in these dysfunctional tendencies in the system is, for the author, the adoption of a model of income redistribution that is individualized and universal.

Each citizen, from birth to death, must have the intransferable right to an income that can provide for a normal life, both in material and cultural terms. If an individual cannot make it on his own, the State must guarantee him or her a minimum subsistence, apart from imponderable variables, by means of a universal, individualized minimum income, which will allow him or her to participate in the family budget, and bestow upon him or her dignity as a person and break, in economic terms, the patriarchal tutelage which can so often negate an individual.

The population which is active by nature and by law, that is to say, all those who are at an age and are able to work, will receive income in exchange for a given service. The State will be responsible for making sure that no one is excluded from the labour market. On the one hand, it will guarantee social labour — precarious and with the minimum remuneration — to all those who are out of work, offering a provisional solution, which, in spite of its not being very comfortable, would, however, avoid a “hunger pact” and facilitate the process of retraining and labour recycling under dignified conditions.

These guarantees of social protection would make possible, on the other hand, a maximum liberalization of the labour market, and the elimination of all obstacles to the circulation of hiring. Moreover, they would create conditions that are favourable to the refloating of the underground economy, along with all that that would mean in terms of production, consumption, and tax collection.

Fiscal policy reform is another key to this model. Here too individualization and distributive equality are the governing criteria. The contribution to collective welfare is a duty that must accompany each individual from womb to tomb.

The idea is not to try and increase taxes, but rather to share them out better and in a more neutral manner. Fraud must be eliminated, and everyone must be made to contribute. Especially, there has to be a modification of the tax emphasis, making it fall mostly on passive income. This would have an impact on lazy wealth (passive assets) and speculative incomes along with conspicuous consumption, by adopting measures that would favour savings and productive investment.

The perspective laid out by Oscar Colom is designed to **simplify the fiscal system towards a single tax which would integrate the three pillars of direct taxation** (personal income tax, the tax on wealth and corporate taxes), while strengthening its redistributive function. The rationalization of the fiscal system would be, in fact, one of the keys to making retributive action and a universal individualized income possible.

The other basic key is questioning the treatment given to productive structures. The fundamental objective is no longer growth, but rather economic stabilization accompanied by greater distributive justice.

Nature, understood as a factor of production of extraordinary importance (in terms of use, value and time), and which has been undervalued until now, is the key referent of a new economic conception. We must replace the present objective of maximizing profit with the goal of minimizing the loss of limited resources belonging to all of humanity and to be enjoyed by all humanity (including future generations). The idea is basically to learn how to respond to the ecological limits within which economic activity takes place, and thus maintaining its capital intact.

In the light of this philosophy, we must consider all capital (the historic result of the combination of Nature and labour) as a social asset that can be used but not consumed indiscriminately.

Society must adopt, therefore, measures which will guarantee the long term stability of capital assets. This can be done by linking the capital of companies to public heritage and resources through a type of "juridical socialization" of this capital. In practice, the State would have formal ownership of this same capital which private companies would hold and administer freely like before, with the only stipulation that they would have to maintain it intact.

In this way we could attempt to avoid, on the one hand, the processes of private accumulation of capital, and at the same time, the waste of collective resources. On the other hand, the idea is to take a decisive step towards the promotion of the productive system and equality of opportunity, since the **State would commit itself generally to making available to the economic agents the use of capital which one considers necessary for carrying out specific activity, in return for a guarantee that this capital will not be lost**, that is to say, that the capital involved will always be available. As compensation for the ecological losses and as a form of exploitation tax, the financial mediation of this form of social capitalization would be taken care of by the State, with low interest rates, which would in practice lower the maintenance of administration costs.

This measure would involve, among other things, the **practical elimination of speculative movements of capital**, as well as an important rationalization of company initiatives (projects which are unfeasible would be self-eliminating). More generally, it represents a decisive step towards economic democracy and towards a productive structure centred, as a vertebrating axis, on the small and medium-sized company. Finally, **basic concern for maintaining collective capital intact would be concretized thanks to the role played by tax on wealth in the fiscal system.**

Contrary to what they might seem, these measures are designed to be conjugated with a radical simplification of the state apparatus. Oscar Colom is proposing a **model of the State that is sleeker than what we have now, with less if much more concrete responsibilities**. Firstly, as we have already seen until now, the State must be responsible for tax collection and incomes policy. Secondly, the State would be responsible for the management and maintenance of the collective heritage and resources. It is the State, therefore, which would regulate ecological and financial policy. Thirdly, it is the State which would take the initiative for works or projects which - by virtue of their magnitude - could not be undertaken by private initiative. Finally, it would be the State's responsibility to administer justice, as well as to maintain internal "order" and external "defense".

The State must act as a coordinator, the mission of which is to carry out those functions which civil society cannot. Its structure and performance must respond, therefore, to the Principle of subsidiarity.

On the other hand, it is foreseen that there will be a need for effective measures to monitor its performance and the corresponding evaluation of results, in accordance with criteria that are similar to those used by companies. Civil servants and politicians must respond to clear principles of efficacy and responsibility as well as transparency.

A State model of this type, which would be "light" but effective, and independent of the game of corporatist interests, would be possible to the degree that transforming measures became activated, such as a universal, individualized income, and which by virtue of their own dynamic would lead to a new configuration of socio-economic structures and to the opening of new roads towards individual self-realization for men and women alike.

Oscar Colom i Canillas was born in Barcelona in 1938. He grew up in a left-wing family and social context that was agnostic, naturalist and pro-Catalan. The delicate economic situation of his family brought him at an early age into contact with the working world and an auto-didactic education. For the past 25 years as a worker, he has been involved in the most diverse activities and responsibilities, first as a salaried employee and then as a self-employed worker, businessman and consultant. His labour activity has been accompanied by trade union membership and constant political activity. During the transition period in Spain he began his career as a businessman with the establishment of the restaurant "Self Naturista", and then, in 1983, with the establishment of "l'eina" ("l'eina" bookstore), which branched out into publishing activity with the "l'eina" publishing house. Today, after severing his links with political parties, he dedicates his time to the development of alternatives in questions of social economy.

JACQUES AND M. LOUISE DUBOIN

THE DISTRIBUTIVE ECONOMY

EXTRACT

For Duboin, the process of unlimited growth of the capitalist system is the cause of an unstoppable increase in the social inequality to which both the so-called Third World countries and developed countries (the appearance of the so-called Fourth World) alike are being subjected.

The market economy, based on the free and independent business concern, is in a deep crisis. The need to find new markets, increase production so that that system does not come to a standstill, has caused an overproduction which is choking the system itself and leading it down a dead end street; it is a vicious circle from which there is no escape, save continuous expansion and the return to the starting point, thus indefinitely aggravating the crisis.

The causes of the crisis do not flow in one single direction. It is a process in which all the components of the capitalist mechanism (financial, productive, and political) are at one and the same time cause and result. **The lack of a stable currency based on a real, not a fictitious pattern, as it is today, is giving rise to monetary instability that fuels inflation and speculation, and that is propitiating an arbitrary distribution of wealth** that favours those components of the society occupying the most privileged positions in the system (those close to economic/political power) or those who scruple less when it comes time to effecting rather unethical financial operations. This fact has provoked what Duboin defines as "uncertainty", in which a brake is being applied to private investment because of capital's crisis of confidence. And it is this uncertainty that is having a direct influence on the business crisis in the face of the logical reluctance of the banking sector (which is motivated only by criteria of economic profitability) to continue financing companies.

This process is not independent of other sectors (basically the productive sector). The lack of appeal in investing in the productive sector and this situation of uncertainty mean continuous losses for the private company along with the impossibility of planning production and prices. The need to sell more and more, in spite of a crisis situation, brings with it a double result:

- on the one hand, companies which cannot compete and which cannot reduce costs are forced to close down, with the consequent loss of jobs and a decline in the purchasing power of the workers, who must bear a continuous reduction of their salaries in order to find a job; as the crisis grows there will be workers disposed to undertake specific jobs for an ever decreasing salary.
- on the other hand, those companies that want to survive will be caught up in the dynamic of the continuous reduction of costs by reducing the number of employees and investing in technological innovation.

The outcome of this process becomes concretized in a situation of overproduction that leaves the markets saturated and, due to the growth of unemployment, causes an important decline in the purchasing power of a growing number of consumers. The decline in consumption chokes off the system in the following ways:

- lack of capitalization for companies, aggravated by the lack of bank credit to help overcome the crisis, bringing with it the subsequent company closures and a worsening of unemployment.
- decline of State incomes and the incomes of society in general, which will have two direct consequences:
 - an increase in taxes to finance unemployment insurance, which will force companies to reduce costs in order to be able to compete, which, in turn, will cause an increased use of new labour-saving technology.
 - the restructuration of social services due to the State's inability to maintain its welfare infrastructure, which is supported by taxation directly based on production.

The escape valves of the system in the face of this structural crisis are based on two points:

- protectionism to defend oneself from other countries, including the maximum barriers to the imports of foreign goods. For Duboin this leads to the appearance of excluding nationalisms (let us not forget that the major part of Duboin's work was written between the two world wars) that contribute to an increase in hatred between nations under the form of "economic war".
- the search, at any price, for new markets through the formation of "holdings" and multinationals that extract resources and raw materials from the Third World and contribute to the exploitation of the Third World's labour power and the impoverishment of its societies.

The capitalist system needs a public sector that can consolidate a power structure that will defend the interests of large economic groups. The lack of political representation and the lack of social weight necessary to have an effect on the important decisions being made has an influence on the rise of social inequality, which in turn is directly related to the consequences of the productive and financial crisis.

It is a vicious circle with no exit. A system which for Duboin resulted in the First World War and which foretold (during the period between the two world wars) the next world conflict as a solution to the crisis. Unlimited growth leads directly to the need to destroy what has been produced in order to reinitiate the process.

PROPOSALS FOR A DISTRIBUTIVE SOCIETY

In opposition to the capitalist system, the model being put forward by Duboin is based on the principle of equilibrium. The main goal is to make sure that the productive, financial

and political sectors continue functioning as instruments that configure an egalitarian system, in which competition and mercantilism would be excluded.

The productive sector must focus on satisfying the real needs of the society through the consensus of all the integrated groups. A consensus that is based on the principle of decommercialization of the productive system and a balance between consumption and production. Labour would no longer depend on the market and would no longer be the only way of earning a living, and social services would become a right of all citizens, regardless of their purchasing power. The State would be charged with regulating production through the active participation of the society as a whole in planning, control and the monitoring of business projects.

The productive structure would be based on the **distributive company**. This type of company would lose its capitalist character, since it would be created out of the needs of the community, through the will of the community to establish a general agreement of goals, and not out of the expectation of profit. The principle governing the organization of labour would be self-management. The concept of hierarchy would disappear and be replaced by the community spirit.

The instruments that Duboin is proposing to achieve this social equilibrium and equality is based on the civil contract (the individual's commitment to society to participate in the production process), **social service** (which has as its objective the guaranteeing of productive needs) and **social income** (the sharing out of wealth among all the members of society). The social income is a guaranteed, individual salary granted to each member of society regardless of his or her activity.

The financial sector would have to be based on transparency and on the principle of its mercantilist role (including the banking sector, since, this being an egalitarian society and not a consumer society, it would lose its traditional capitalist character). As a monetary instrument, Duboin is proposing the use of the **distributive currency**, based on real production. The nature of this currency is based on its disappearance at the moment of consumption, which would thus exclude its ability to be saved and to generate interest. The main goal of the financial system would be the equitable distribution of income in order to satisfy the needs of social income. The model would be impelled forward by monetics, which would serve as an element of control and transparency for the system.

Duboin's concept of democracy is based on economic equality. The above-mentioned instruments would configure a participatory society in which all its members take an active part in the decisions affecting them. This society, which he calls the "assembly society" is based on the principle of a continuous bringing up of issues to public attention and with a corresponding vote on the same by means of computer systems.

JACQUES DUBOIN (1878-1976) was a financier and banker, and, among other public offices he held, was Secretary of State for the Treasury under Clemenceau (President of the French cabinet between 1906 and 1917 and the negotiator of the Versailles Treaty of 1919). Duboin's theses are more or less directly linked to certain economists who analyzed the dysfunctions of the capitalist system and elaborated their own critique of the dominant economic neo-classicism of the time. During the years between the two world wars, Duboin, together with Emile Servan-Schreiber, founded the "Right to Work and Social Progress" Association which was later to become the "Mouvement français pour l'abondance". Duboin also founded the magazine "La Grande Relève" (1934). His thought has been continued and brought up to date by his daughter, Marie-Louise Duboin. There are various periodicals published in France that are based on his thought.

OTHER INNOVATIVE PROPOSALS

CRISTINA CARRASCO FEMINIZING SOCIETY

EXTRACT

Data and statistics do not reflect the real participation of women in production. The concept of "labour" continues to be synonymous with "salaried labour". Every society has required, for its own self-perpetuation, the reproduction of the species and the material reproduction for subsistence. Capitalism introduces the physical separation between the site of material production (the factory) and the site of human reproduction (the home).

Domestic labour is a determining factor for the functioning of the domestic sphere. In order to study domestic labour we must bear the following in mind: the relationships in domestic life that integrate the sexual division of labour and which are translated into a position of female inferiority in relation to men; the participation of domestic labour in the reproduction of the labour force and the society; and, the impact of the participation of women in the working world that is a result of the fact that women are socially assigned domestic responsibilities.

We must "feminize society", that is, popularize those values which are socially attributed to women, and which are, therefore, aspects of what we call "humanity". Feminizing society involves a different way of understanding the notion of work and activity, and questioning the separation of the public and the private, modifying established priorities.

CRISTINA CARRASCO was born in Valparaíso, Chile, in 1946. She participated in the Unidad Popular coalition during the Allende government. She has resided in Barcelona since the coup d'état in 1973. She has a Doctorate in Economics and is professor of Economic Theory at the University of Barcelona. She has done research on various subjects and has published books and articles relating to the question of domestic labour.

ANDRÉ GORZ

THE TRANSFORMATION OF LABOUR

EXTRACT

According to André Gorz, there is a lack of imagination in dealing with the question of unemployment. Today a dual society is being created made up of a minority that has stable, permanent, well-paid employment, and a growing majority living off precarious, temporary jobs. New technology has meant the end of the steady full time job and the appearance of chronic unemployment and the social exclusion of those who have been sidelined by the labour market.

That is why we must take a new approach to the problematics of labour. André Gorz has offered a series of alternative solutions that would involve the need to share existing work by making the working day flexible and changing the concept of salary by separating it from the productive system.

ANDRÉ GORZ, French sociologist and journalist, is a contributor to *Les Temps Modernes* and *Le Nouvel Observateur*. He is one of the most important thinkers in terms of an analysis of the perspectives for a possible socialism in a changing society. Among his major works are: *Difficult Socialism, Reform and Evolution, Goodbye to the Proletariat, Ecology and Politics, Critique of the Social Division of Labour, Metamorphosis of Labour: A Question of Common Sense*.

JOAN MARTÍNEZ ALIER

TOWARDS AN ECOLOGICAL ECONOMY

EXTRACT

The author offers reflections on the limits of environmental policy and points out the basic principles of an ecological economy. He has studied the possibility of evaluating in economic terms certain resources and environmental functions which have been excluded from the market until now. He has suggested which difficulties would arise from putting costing bio-diversity, and has analyzed the proposals for an "eco-tax". Finally, he provides us with an interpretation of the ecologist movements as a social response to the "externalities" (benefits or losses that are still without a monetary evaluation).

JOAN MARTÍNEZ ALIER (Barcelona, 1939) is the chair in Economics and Economic History at the University of Barcelona. He is a founding member of the International Society of Economic Ecology and of the European Association of Environmental Economy. He is the editor of a new magazine entitled *Ecología Política*, and has worked on other publications. He is the author of several works, among which are "*L'ecologisme i l'economia*", which has been translated into various languages, and "*De la economia ecológica al ecologismo popular*".

ANTONI RICART

THE WELFARE ECONOMY

EXTRACT

The crises we are experiencing pose the need to rethink the social organization as a whole. The economy, the key instrument for organizing society, must be a human economy. Man has the right, therefore, to evaluate goods in a subjective manner: a "good" is that which portions out to him well-being. The "value" of a "good" is determined by the price a person is disposed to pay. The dynamic of the market in the welfare economy is as follows: one has "goods" which one "values" with the quantity of monetary units which one is disposed to pay out: for these "goods" one pays a single proportional tax; any other person may buy the "goods" for the stipulated quantity and would have to pay the tax corresponding to the "value" of the purchase or the new, self-adjudicated value.

Other characteristics of the welfare economy are as follows: the "Universal Individual Income", which, seen as everyone's right, must be able to face up to all basic expenses in a free and dignified way; a new stable currency (the "salary") that corresponds to the remuneration for an hour of non-specialized human effort-labour; and an innovative scheme for direct, representative democracy.

ANTONI RICARD studied Industrial Engineering in Terrassa. For more than 20 years he has been a businessman involved in different textile industries, in the finishing sector. The need to predict the future led him to an interest in economics, and, as a result, in social organization. As a result of this interest he began making personal notes which has culminated in the elaboration of a new model, as yet unpublished.

DAVID SCHWEICKART

ECONOMIC DEMOCRACY

EXTRACT

Schweickart's point of departure is that capitalism generates unemployment, the lack of autonomy at the work place and tremendous inequalities of income, while centralized socialism is characterized by infra-employment, inefficiency and bureaucracy.

The author offers various alternatives based on the sharing of profits, and forms of capitalism combined with facets of centralized planning, and self-management in companies in the framework of a market economy.

DAVID SCHWEICKART began his professional career as professor of Mathematics in the United States. Years later he decided to study philosophy, and finally, economics. He wrote his doctoral dissertation on: "*Capitalism or Workers' Control? An ethical and economic evaluation*", which served as the basis for his major work "Economic Democracy", published in 1990. He is today Professor of Philosophy at Loyola University in Chicago.

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