

Social money for financing basic income

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« What an astounding thing it is to watch a civilization destroy itself because it is unable to re-examine the validity, under totally new circumstances, of an economic ideology. »¹

The definition of Basic Income (BI) on which the adherents of the network have agreed since the founding conference of Louvain la Neuve in 1986 is that *«BI is an income unconditionally granted to all, on an individual basis, without means test or work requirement.»*

From the very first debates, the questions of how financing such a BI and which could be its amount were recurrently asked. This gave rise to a lot of communications in the BIEN conferences which followed

From our point of view, one can ask if BI is just a fake for keeping people in the hope for a better future, when they will be provided with jobs... or if it is, on the contrary, the normal issue of the technological progress in an affluent society ?

In the first case, it is just another way to make perduring the capitalism and destroying the life on the planet, while in the second, it constitutes a decisive pace towards a convivial society.

Among many others, one criterion to discriminate between right or left policy, is the amount of the BI. A striking example, is the amount of €300 per month which was suggested in France by a member of the right-wing pro-government majority of the parliament, as compared to the level of €1000 per month proposed in Germany by the chairman of the PDS, a left-wing party. But whatever the difference, in both cases, like in almost all other proposals, BI is tax-financed. In other words it is a redistribution scheme with all the difficulties it implies. Some people have even dreamed to fund it through *« a stock of assets owned jointly by all citizens but run on free-market criteria investment funds »* or through a property tax, forgetting that capitalism is not devoted to help people trying to eke out a living.

During the past few decades, the gap between rich and poor, about everywhere, has been increasing and not decreasing... However, during the same period of time, the overall production of goods and services has steadily been increasing².

It's time to realize that mankind is now in possession of the mastery of production of goods and services. If the big problems of the past were those of production to avoid scarcity, they are now those of distribution of a potentially abundant production. The revolutionary transformation of our means of production have to be used to change our economic and social relations. Profit can no longer be the nerve of economy ! This implies that the capitalistic money (created by banks in relation to anticipated profits) has to be replaced by a new kind of money, the role of which will be simply to adjust the total income of consumers to the amount of goods and services that have been ecologically produced for them. It is a consumption money, canceled when it has been used by a consumer. It cannot be hoarded or lent at interest. In this scheme, money, like production, becomes a flux.

Unfortunately, as we can see, this is not the kind of money that will be supported by the European Central Bank and other financial institutions, which succeeded in persuading people that money is some kind of God's creation, in limited amount.

It is from local experiments, under democratic control, that this kind of money, let us call it « *social money* », has to prove oneself and then be extended on larger areas. In this paper some attempts of implementation of social money in various places of Europe and Latin America are analyzed.

1- Two myths to be overthrown

Above all we have to get rid of two deeply rooted myths : the belief in full employment and the deceit of money.

1.1 Full employment

To raise the idea that full employment is no longer possible sounds for many people as a deadly sin. In praise of work as a "*value*" - in the philosophical meaning of the word - meet, neo-liberals, reactionary employers as well as many syndicalists, economists, sociologists, left-wing politicians. All are prisoners of patterns from an age that has gone.

The first one are horrorstruck in just thinking at a possible cut in working time, even matched with proportional wages cuts. Among the second, many are victims of the more or less intentionally supported confusion between "work" and "activity" and fear that welfare takes the place of wage-earning.

For these two classes of advocates of the "value" of work, and for opposite reasons, work-sharing looks like a malthusian measure which has to be thrown out. In their mind, it exists

just a single remedy to the plague of unemployment : an ever-increasing economic growth. Never ask what kind of production must be done : any production is good, no matter what, if it creates jobs !

They still believe that, with some cares, things will come back as they were before. And corporate leaders, “in-the-box” economists, governments, ... continue to tell us that the growing unemployment just represents short-term “adjustment” to the irresistible market-driven forces that are accelerating the global economy in a new direction.

They have still not realized that the great takeover of manpower by science and technology, now prevails at all stages of the production processes. It is leading to a fundamental mutation in human attitudes, most certainly the greatest and fastest cultural evolution of all times.

Already, millions of workers have been permanently eliminated from the economic process, and whole work categories have largely or totally disappeared in the industrialized world and even in the developing countries because of the technological revolution. Yet, early in the eighties, the Nobel laureate Wassily Leontieff was warning that, with the introduction of increasingly sophisticated computers, *« the role of humans as the most important factors of production is bound to diminish in the same way that the role of horses in agricultural production was first diminished and then eliminated by the introduction of tractors. »* But this warning had not received the least echo among our governments.

Since then, technological progress has still speeded up and now, twenty years later, it becomes obvious³ that *« in all three key employment sectors – agriculture, manufacturing, and services – machines are quickly replacing human labor and promise an economy of near-automated production by the mid decades of the twenty-first century. »* It's just time to stop dreaming full-employment and to begin to think another world.

At this point, we have to be clear about work and activity. What is going to disappear is the “paid work”, i.e. a permanent job in the market-economy with a decent salary. On the contrary, what we call “activity“ is unlimited since it includes, among other things, tasks of public interest : social and health services for the poor and the middle class, household work, child care, community services, participation in associations, in NGO, fundamental research, art, culture, etc., in brief, tasks that, in our “free-market” environment are considered as unprofitable since “out-of-the-market”.

1.2. The deceit of money

Most people have not the least idea about the way the money is created.

In practically all countries, we are using a debt-based money, i.e. a money which only exists because somebody has borrowed it. Actually, *«banks create or cancel money and it's with*

this kind of money that we are making business»⁴. As well known «*loans make deposits*». But don't believe that when you make a deposit in a bank, you are still owner of that money. It's henceforth the property of the bank. It is put on the assets side of the bank, which just acknowledges that it owes you the corresponding amount in entering it on its liability account. That's all ! If the bank goes to bankrupt, you will have little chance to get your money back. It could happen because the banks use to lend much more than they have in cash assets. And this money is created out of nothing by the chartered banks.

Only notes and coins issued by the central banks are not debt-based, but they are becoming a smaller and smaller part of the money system in which credit cards, debit cards, cheques, automatic bank transfers are now intensely used by almost everybody. Nowadays, the main part (95%) of money is electronic : 0 and 1 digits, just a book entry in a computer. Such a dematerialized money provides a lot of speculation facilities, development of tax havens, casino economy, ...

Moreover, on the guise of the risk of inflation, money is manipulated to be in scarce supply and since the governments have given up to banks their power to create money, there are continually facing huge budget deficits. The solution they most often implement to reduce these deficits is to cut in the social programs. Hence the growth of poverty in the Third world and in industrialized countries as well.

To end this very short inventory of the damages created by the debt-money, we would point out that the interests associated to this money implies the need for an interminable growth, with all its ecological risks.

On december 4, 2003, Stephen Zarlenga, director of the American Monetary Institute, concluded his talk⁵ at the US treasury in answering the question « *what to do now?* » by :

« - *Nationalize the Federal Reserve, place it within the Treasury and use the greenback mechanism to fund infrastructure improvement and repair. The American Society of Civil Engineers 1998 Report estimates that \$2 trillions will be needed. Much more is required to assure water supplies.*

- *Remove the privilege banks have to create money. Only government should have this power. This means much more than requiring banks to have 100% reserves. A special 100% reserve solution elegantly transforms all previously bank created money into U.S. created money. This does not cause deflation or inflation.*

- *Institute anti-deflationary programs to assure that sufficient money is introduced by government into the system. »*

But, as it is very unlikely that our European or American bankers change their policy, the only solution left is to invent new moneys on local or regional scales for funding social programs, cultural activities, art, public services, fundamental research,...

2 – Complementary and social currencies

Since Michael Linton initiated in British Columbia the concept of “complementary community currencies” in 1984, thousands of such currencies have been implemented around the world and are the subject of a number of theoretical works or experiments^{6,7,8}.

Japan seems to become a world leader in promoting complementary community currencies to solve the socioeconomic problems it faces since the early 1990's (such as aging, unemployment and economic slump) based on an unsustainable system.

. In a series of projects, called *Eco Money Projects*, more than 40 different types of complementary currencies are currently experimented in Japan⁹ in order to determine :

- which is the best technologie (from high-tech smart cards to low-tech paper notes) ;
- which is the right scale (from mountain villages of 800 people to area of 10 million people) ;
- how many functions can be compatible on a single smart card (1 to 27, from elderly and/or child care, local unemployment, small business loyalty schemes, ...)

According to the results, a very large scale project could be initiated.

It is beyond to the scope of this paper to review all the experiments involving complementary or social currencies in progress in the world. A comprehensive review can be found on the web¹⁰.

In the galaxy of complementary currencies one must discriminate between on the one hand, “*moneys with social aim*” the goal of which is to solve a series of social problems and, more generally, to give a good living standard to people, and on the other hand, “*complementary currencies*” aimed at keeping running local economy. Complementary currencies have not for aim to replace but only to complement the legal national currency.

In the following we will give some examples of these two kinds of currencies.

2.1 - Complementary currencies

A demonstrative example is the “eco-currency” implemented in Italy for the Aspromonte Park and described¹¹ as follows :

«An eco-currency to start off the Park, to re-launch the economy in the economically depressed Aspromonte area. It is a real currency, minted by the State Printing and Coinage Institute and which has the support of Banca Popolare Etica of Padova, the first bank for

solidarity and development in Europe, which was recently established and is fully recognized. The purpose of this currency is to revitalize the local economy. It will be co-existing with the Euro. The new money was named the Eco-Aspromonte and it is the first (official) experiment with a "local currency of limited circulation".[...] "Yes, it's an experiment, but mainly it is a bid - says Tonino Perna, president of the Park Authority - to re-launch productive economic activities in the Park's area and to strengthen local identity. Among other things, it will be a strong element of curiosity and a tourist attraction, it will promote the sales of typical goods and products of the area and will even be valued simply as a gadget. In fact the bank notes also have esthetic value - they were designed by various artists chosen through a nation-wide contest."...»

Obviously this currency has nothing to do with any basic income.

This is the case of a number of complementary currencies. We will not go further about that kind of experiments.

2.2 - Social moneys

It is from social money created on various scales that it seems possible to fund a decent basic income. We first describe two smallscale experiments, one in Switzerland, the other in France. Then from the analysis¹² of the “*ephemeral Argentinean miracle*”, which involved millions of people, we will present our project of “*consumption money*”.

2.1.1 - Experimenting with a parallel currency within the Social Economy Network in Basel (Switzerland), by Hans Georg Heimann¹³.

« In Basel, we have been operating a Social Economy Network Cooperative for four years. The coop has twelve member organisations. All are democratically managed associations or small worker self-managed companies. They also are connected through an alternative / parallel currency in which they exchange. The volume of exchange in this currency is still small, but growing.

So far, the parallel currency has served to foster the identity within the network, to develop loyalty to the network, and to promote the network as a collective and synergy inducing effort. All member organisations can pursue their own goals as they reinforce each other. All network coop member organisations must demonstrate that their “employees” have a right to determine, as a collective, how profits are used and who will be hired (or fired).

In 2005, the parallel currency will be expanded to “friendly” organisations outside the network cooperative which, however, would not qualify for membership in the network cooperative for reasons mentioned above. In doing so, the parallel currency will remain fully backed by and convertible to Swiss Francs to preserve the organisations liquidity in Swiss Francs. Only network coop member organisation may purchase the parallel currency. And anyone outside the network cooperative may purchase the parallel currency through network coop member organisations. In turn, all may spend the parallel currency with network member organisations or with organisation, business or individuals outside the network coop. To facilitate exchange in parallel currency among individuals, the network cooperative provides an exchange and trading page in electronic and paper form.

The network cooperative has generated an investment fund to provide micro credits for new or existing member organisations. These serve as start up funds for new members or for new business projects, e.g., to generate employment for specific groups. Depending on the contract negotiated, these credits may be granted and paid back in parallel currency or in a combination with Swiss Francs. In so doing, each credit granted will also promote the Social Economy Network Cooperative and its social economy friends surrounding it.

Network coop member organisations may purchase the parallel currency from the coop business office at a surcharge of 5% and exchange it for Swiss Francs at no discount. Organisations and businesses that are not part of the network coop may not purchase the parallel currency. However, they may exchange it for Swiss Francs at a discount of 5%.

To prevent forgery, the parallel currency will be protect through an imprint and numbering system. In addition, at the beginning of each year, organizations and businesses in and outside the network cooperative will exchange their “old” bills for “new” ones by registered mail or in person through the network coop business office.»

2.1.2 - A countertendency experiment : an interdependent money in Mulhouse (France), by Roger Winterhalter

« Why a countertendency experiment? It’s very simple, easily understandable but not easily admissible ! Actually, we are living in a society where the main values are now the thirst of power, the lure of profit. It’s why it cannot be thought of basic income to give everyone his fair share of the pie, to allow everyone to live and not to survive.

That’s why, as explained above, our current money is first of all a speculating means.

We have thus to invent and to test other monetary systems. It is in this aim that we have implemented the “Plus”, the money we are currently experimenting in Alsace (France). This money is really distributive and does not yield interest.

This experiment outlines:

- the distributive aspect
- the sharing
- abundance and not scarcity
- solidarity and the resultant social link
- the prefiguration of a new society.

The goods and services which are put at participants disposal fulfill priority needs :

- food
 - health
 - housing
 - clothing
 - leisure
- The participants are from very different origin (jobless, precarious, refugee looking for asylum, workers, executives, artisans, storekeepers,...)
 - the social distributive money we are issuing is used under the name of “Plus”.
 - the offered goods and services are estimated according to the mean prices prevailing in the business (1€ = 1 Plus).
 - Participants are paid 10€ per one hour of basic labour (given that one housekeeping hour is paid the same amount that one teaching hour).
 - The value of goods and services are not discussed.
 - The distribution is made as follows : 3/4 of the amount to be distributed (in “Plus” currency) are equally shared between all participants and 1/4 is divided according to everyone contribution.
 - Volunteering is valorized as a service.
 - Gifts (from traders, by example) have generally to be avoided.
 - Legal currency is used to buy goods which are placed at participants disposal in “Plus” .
 - Distribution is made on monthly markets.

All these principles are of course open to improvements according to the analysis of the experiment. They are grounded on trust, eagerness to link experiment and thought.

Our community hopes that this educational experiment will be followed, linked to others implementations of the same kind and extended to a larger scale. »

2.1.3 – The Argentinean miracle

The analysis of Heloïsa Primavera will give us some clues for handling a suitable currency for financing BI. Let's start by a brief historical outline.

«The first exchange club in Argentina was created in 1995. For more than six years, initiatives were developed, which, together, have formed the exchange networks in all the provinces of the country, and also their expansion to other countries of the region (Chile, Brazil ,...). Until two years ago, there were more than five thousand very active clubs and club networks, in which the monthly incomes of many families grew significantly, impregnated of the abundance paradigm, self-organized, expansive, different, and respecting one another. The numbers speak for themselves: the first twenty-three people have passed to more than one million in a little more than six years.

Suddenly, the “credit”- an exchange instrument used in the networks – does not have credit anymore and the collapse comes!

What has happened ? What role have the different social actors played in the process: the academic, the political leaderships, the press, and the organizations of the civil society ? What have we done to prevent it ? What can we do today to avoid it where it has not happened yet ?

What new ways are possible today if we want to rescue this instrument that seemed to give a new answer to the employment crisis and to the phenomenon of the exclusion ?»

From the very comprehensive analysis made by Heloïsa, of the outbreak of the exchange red, we will take out : the tensions between the groups, the fights for the hegemony of the bond control, the attempts of centralization and, above all, the *«overissuing, indiscriminate ad libitum sales and falsifications of the founding group bonds»*.

3 – A currency to live

The above discussion has shown that it is impossible to finance durably a basic income from the existing money.

In our affluent society, it is a nonsense to limit the possibilities of producing goods and services for all, just for financial reasons. If it is money and financial laws which fail, then it is money and financial laws that have to be changed !

The role of money is to make the economy running for the benefits of all citizens. It has to provide everyone with what he needs for living, now that this has become possible, whatever

the amount of work he gives. In other words, a new currency will have to be created for financing an universal and optimum (not minimum) income to which every body is entitled.

The only role of the new currency is to allow the transfer of the production to the consumers. This so-called "*distributive money*" is strictly consumerist in nature : it is only used for payment, it does not circulate since it is cancelled as soon as it has been used by the consumer, it cannot be invested to bear interest and is no longer anonymous. However, term payments are still possible.

The amounts to be distributed periodically (each month, for example) are figured in the same computerised fashion as the transactions now made routinely by stock exchange and financial markets. In a broad sense, the problem consists in evaluating the production to output in a given time. The factors to take into account are consumer demand, ecological and environmental protection, public service requirements and planned investments. The sum total of all "social income" distributed is the difference between the value of estimated production output and that of the approved investments, for a given period of time.

Considering that all citizens of a region are equal heirs to the fruits of labour and research having led to our present means of production, Jacques Duboin proposed¹⁴ the same social income for all, in other words economic equality. But feedback from a majority of people shows that they are not prepared for such a radical move. The goal of economic equality must then be envisioned only in the long term.

A transition is thus necessary.

To accelerate the advance toward distributive economics, we propose to share the buying power in the form of a citizenship income, calculated on the basis of what we call a "*civic contract*"¹⁵. They are aimed at stimulating individual initiative, innovation and creativity while taking into account the increasing complexity of the economic structure. Their objective is to develop autonomy and responsibility in the citizen, to give him the opportunity of directing his own life, to let him make a choice of his activities while reckoning their value even if not measurable in traditional economic fashion.

What form will take this civic contract ? For some it will simply mean making their work in an existing establishment known. For others it will entail publicizing a more or less ambitious project and presenting it to ad hoc commissions. These commissions, let us call them "Economic Counsels", will act according to the principle of subsidiarity. They should be adapted to the nature and level of the projects studied. Their members should comprise elected representatives, professional peers, and, at least for half, citizens named for a limited period and acting as simple "users".

Economic democracy will at last be attained by granting these Counsels with the power of creating money, retrieved from the credit banks.

On these basis, it is easy to imagine how the society could function. Moreover, the way it functions must be open-ended, able to match new needs, to use new means of production (without tears ...). Briefly, it must be adapted to drive the human evolution instead of checking it. But let the people themselves settle the things.

What a better conclusion than the slogan of the French Railroad Society : «*Progress has value only if shared by all.*»

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