
Joseph Meyer

Thinking Differently

The Unconditional
Basic Income

Taking Employment, Energy and the Monetary
System into Account

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1. Preface

In Brussels and Berlin, Calcutta and Mexico City, people are coming to realise that the political system cannot go on the way it is.

Poverty and hunger are increasing while at the same time the planet is richer than ever before. This fact is making itself felt even in the Western hemisphere, which until now has been considered to be the richest area on earth.

Of course, in the West people are protected by a specially designed social security system. But there is an increased feeling of insecurity, which is all too understandable considering that unemployment is on the increase and that in the face of it our governments display a singular lack of imagination.

University experts and political economists all concur: the solution lies in salary deductions and longer working hours. Politicians are advised to reduce social security benefits and to restrict the conditions for their granting. In Germany, for example, benefits are made conditional on the acceptance of low-paid jobs, even if these are underpaid and do not correspond to job-seekers' qualifications. Politicians in Great Britain, Germany, France, Spain and Italy (and perhaps elsewhere on the previously so rich continent of Europe) faithfully put these measures into effect.

Such policies are absolutely unacceptable! They lead to ever increased poverty levels and to ever lower business productivity levels.

This is why some people, having realised that the system is leading us into a dead-end both socially and economically, are turning to new economic paradigms and are embracing alternative concepts of society – for example, the idea of an unconditional basic income,

the fundamental principles and mode of functioning of which Joseph Meyer, author of this booklet, describes.

The idea of an unconditional basic income rests on the fact that the economy of the third millennium, thanks to technological progress, is able to attain production and growth targets on the basis of ever less labour. For as soon as people become unable to survive by selling their labour, their survival needs have to be met by the automated economy.

Joseph Meyer does not stop at suggesting that a basic income be introduced; he also shows how it can be financed, suggesting alternative methods not mentioned in much of the literature on the subject. He cites, for example, the (crazy) fact that the European countries finance social security through increased taxes on work (termed salary charges) while they at the same time subsidise energy consumption.

Another vicious circle examined by Joseph Meyer concerns the functioning of our monetary system, and in particular the mechanism of interest and of interest on interest.

That money has become the measure of all things, that even the “production” of money by financial speculation on currencies and shares has become the main occupation of many businesses (to the detriment of their original function, which was to offer goods and services to the population), is having enormous, and overwhelmingly negative, repercussions on the economy as a whole.

Joseph Meyer explains the mechanisms and analyses their disastrous effects. It is up to all of us to ask ourselves whether this system should not be called into question and be reformed.

Günter Sölken

2. Introduction

Albert Einstein wrote: *"Problems cannot be solved by the level of awareness that created them."*

Apparently, the difficulty does not lie in thinking up new things, but in detaching oneself from old modes of thought.

This booklet, based on an oral presentation given by the author on the same theme, may contribute a little to discovering the truth, in the sense of Goethe's reminder: *"We must keep repeating the truth, for all around us errors are also ceaselessly being preached."*

Who would want to belong to the minority of people who, as Bertrand Russell wrote, "would die sooner than think" — and "in fact do so..."?

3. Global Problems, Their Causes and a Sketch of How They May Be Solved

1) Global Warming

This problem is now at last receiving attention, with skeptics being given less and less of a voice in the newspapers and the media. The danger posed by global warming lies in the rapidity with which human beings are transforming the atmosphere through greenhouse gas emissions.

The cause of the problem lies in the fact that we get our energy from fossil fuels (coal, petrol and natural gas). The problem can be solved - let us say can still be solved - by reducing global energy consumption world-wide by 55% and by using various forms of renewable energy in order to satisfy remaining energy needs.⁽¹⁾ Energy prices play a central role in this solution, as will be explained..

2) Debt

We have become so used to seeing rising debt everywhere that we have stopped wondering about the reasons behind the trend. The problem constitutes a disaster affecting all parts of the world!

In Germany, public debt in 2006 amounted to €1.465 trillion! In addition there are of course the debts of businesses and private households. Just to pay off the interest on the State's debt, the tax-payer has to fork out €75 billion each year.

In Belgium, public debt is proportionately 80% higher, amounting on 31st August 2006 to €281.7 billion, and in France, 85% of tax on income is spent on paying back interest alone! The examples could easily be multiplied.

What is the cause of the problem?

The cause lies, without doubt, in our monetary system. Money is not a subject dealt with in economics courses at universities; I shall try to show it's high time it were!

3) Unemployment

As a consequence of technological developments and globalisation, full employment in the ordinary sense is no longer possible in the industrialised world. We therefore have to analyse these two causes of unemployment and direct our thoughts to the three factors of production, namely work, capital and energy.

We also have to redefine what our society means by "dignified work", for there is enough work to go round! In order to enhance this wealth of unexplored possibilities for work, we have to issue an unconditional basic income and boldly reform our monetary system!

4) Social Security Systems in Jeopardy: Pensions, Health and Benefits

Social security is still being financed by employers and income tax. This is one of the reasons why industries are opting for automation and moving to low-wage countries; it is also the reason why the illegal labour market is growing.

In this context, "thinking differently" would mean moving away from taxing work (through income tax and social charges on salaries), and instead taxing products (energy as well as primary products). Working black would then cease to constitute a liability for the State, and goods imported from low-wage countries would contribute to financing our social security.

5) Unequal Distribution of Wealth

The gap between rich industrial countries and poor developing countries has always been a widening one. In 2006, over 200 million people in Africa were suffering from hunger! We do not have space here to analyse the many reasons for this situation, which has its roots in the methods of oppression employed by industrial countries.

What is new, however, is that the gap between rich and poor is widening also within industrialised countries. In 2006, there were 65 million people living in poverty in the so-called rich European Union countries. In Belgium, 15% of the population was living in absolute poverty in 2006, and without the various benefits granted by the State this proportion would be around 27%! In Germany, having a child constituted a poverty factor in 2006; the introduction of child allowances in 2007 intends to alleviate this situation.

As in the case of debt, the true causes of the unequal distribution of wealth are completely unknown to or even concealed by expert advisors and political opinion-makers. The causes lie in our debt-producing monetary system, and the root of all evil within this system is interest, and especially compound interest!

Experts and high-level politicians have over the past decades considered quantitative economic growth to be the sole and universal panacea for all socio-economic problems.

4. Clearing the Road for the Economy⁽²⁾

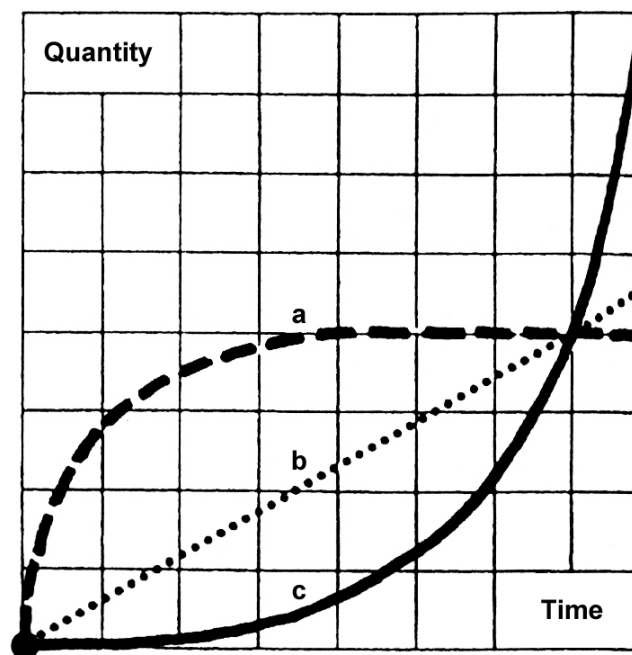
The idea that economic growth guarantees full employment and well-being for all has become a deeply anchored conviction with politicians since the Second World War. This is the reason why the neo-liberal economic doctrine has determined all decisions taken by economy and finance ministers in the industrial countries over the last decades.

Neo-liberalism means: Provide the best possible conditions for industry, and it will ensure that there is growth and full employment. Hence the slogan:⁽²⁾



That industries already broke this pact long ago in the globalised market has passed as unnoticed as the fact that quantitative economic growth has essentially been achieved at the expense of society and of the environment and involved a global-scale waste of resources.

A look at growth curves will be useful in this context.⁽³⁾
We humans perceive only the natural growth curve.



Natural growth (curve a) rises steeply before plateauing. Linear growth (curve b), and also especially exponential growth (curve c), start slowly and then rise so sharply that they must eventually end in collapse.

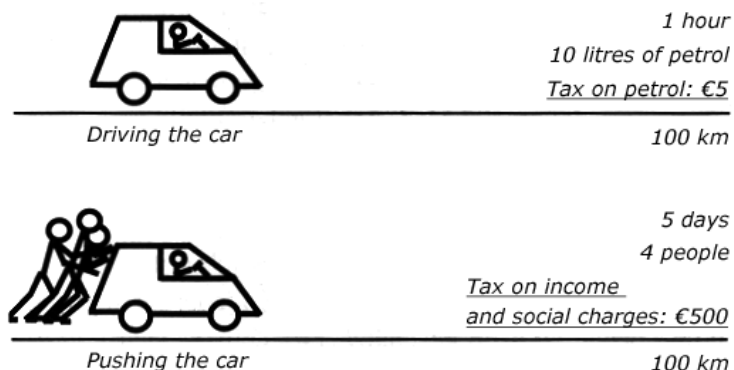
Exponential growth occurs in nature only in the case of malignant tumours, where it leads to the death of the host organism and of the tumour itself.

Economic growth and simple and compound interest in our monetary system also follow exponential curves!

5. Erroneous Assessments Concerning Energy⁽⁴⁾

One of the reasons why politicians in industrial countries are not able to control unemployment or the problems of our social system is that they do not consider energy (one of the production-factors) according to its actual yield capacity in relation to work (another production-factor). Let us take a simple example.⁽⁴⁾

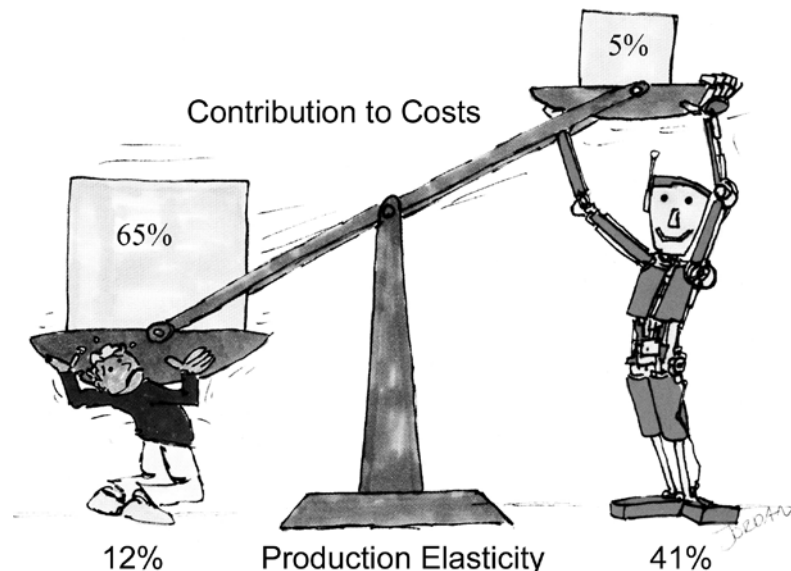
A car-dealer is to deliver a car to a client 100 km away. He has two options:



1. First option: He puts 10 litres of petrol in the car and drives it to the client's. This takes one hour and the dealer pays €5 tax on his fuel.
2. Second option: He gets his workmen to push the car. He needs three men to push the car and one to steer. This takes five days and costs the dealer €500 in salary tax and social charges.

The following diagram illustrates this imbalance:⁽⁶⁾

Imbalance between Work and Energy

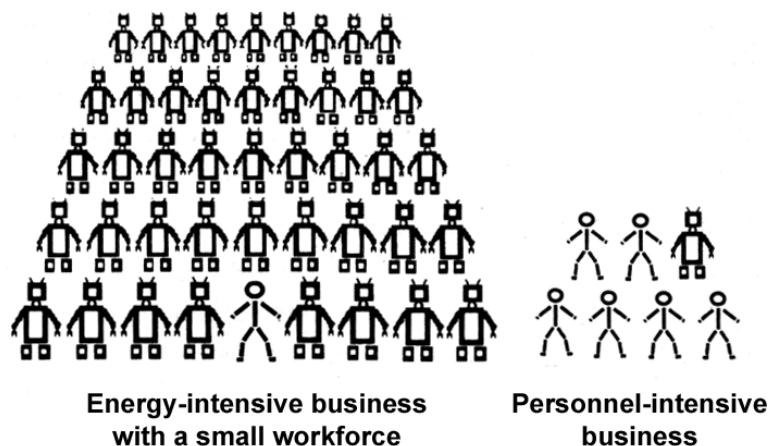


At the University of Augsburg, professor Kümmel⁽⁵⁾ and his team have calculated that on the one hand, the yield capacity, or production elasticity, of the energy-factor is 3.4 times higher than that of the work-factor, and that on the other hand, the energy-factor's contribution to costs is 13 times lower than that of the work-factor.

Therefore, it is not surprising that capital (the third production-factor) is increasingly being associated with the energy-factor. The work-factor is thereby increasingly being left out. Investments go into energy-intensive businesses with small workforces.

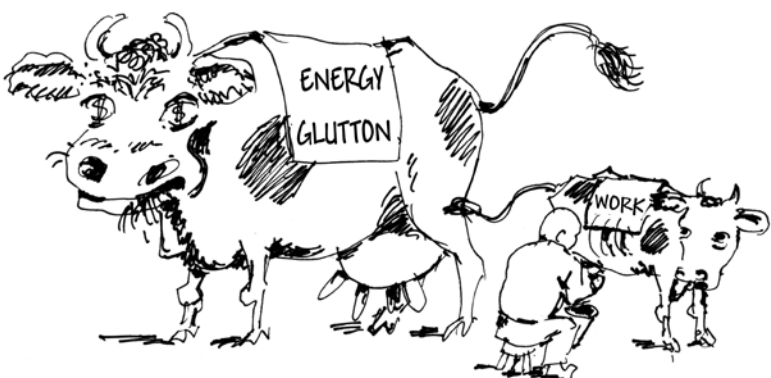
And personnel-intensive businesses, like repair businesses, become less and less competitive. Thanks to cheap energy, the use of primary products (like cement, copper, metals, plastic materials, etc.) remains financially attractive, despite the recent price-increase of these products. In this way, industry is able wastefully to invest resources in the automatic production of disposable and low-cost goods. Protection of the climate and of natural resources falls by the wayside.

The following diagram illustrates this relationship:⁽²⁾



The same goes for agriculture. Intensive farming is based on using big machines, chemical fertilisers and pesticides, which are all energy-intensive. Our ancestors' labour-intensive biological farming methods have been pushed aside and today lead only a niche existence.

We therefore observe that the State, with its taxes and social charges, is taxing the wrong production-factor; it is milking the wrong cow, so to speak:



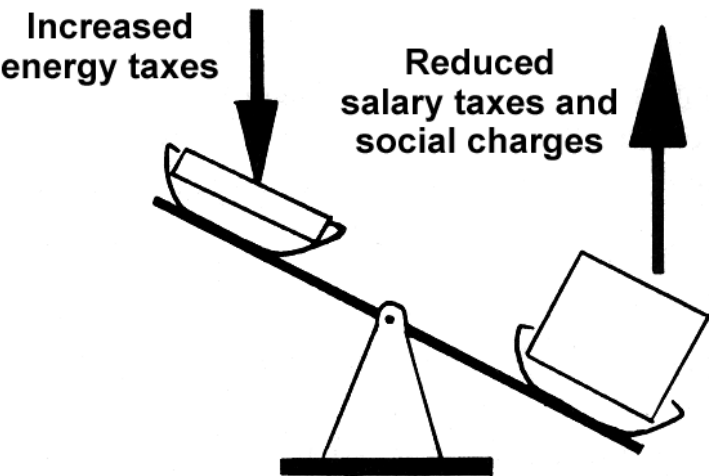
THE STATE IS MILKING THE WRONG COW!

In the meantime, the globalised labour market has taken away all of the trade unions' means for exerting pressure. Businesses are putting pressure on politicians as well as workers, and are rationalising and relocating nevertheless.

Little by little over the last few years, politicians have been coming to admit that salary costs have to be lowered in order to enable new jobs to be created and existing jobs to be kept, at least in the arts and crafts sector. But how this should be done remains a matter of dispute for the academics!

However, the answer is obvious, and has been clearly set out by Jürgen Grahl:⁽⁷⁾

The balance can be redressed through increasing energy taxes and reducing salary taxes and social charges!



Increasing energy taxes would not only affect the labour market and economic production processes, but would also increase the energy costs of households.

The Association for the Promotion of Solar Energy⁽⁴⁾ has worked out a simple and clever solution for this. Households are compensated through a personal “energy allowance” financed by the extra taxes levied on electricity and fossil and nuclear fuels.

The essential figures for Germany are as follows:

Annual electricity consumption: 2,500 billion kWh	Social contributions paid by businesses: +/- €195 billion p.a.
Businesses: 1,660 billion kWh	Financing through the price of electricity: €195 billion / 1,660 billion kWh = €0.117/kWh
Households: 840 billion kWh	

In order to finance social contributions through tax on electricity, the price of electricity would have to be increased by €0.117/kWh, or 11.7 Eurocents/kWh.

Further revenue from taxes on households’ electricity consumption amounts to 840 billion x €0.117 = €98 billion.

Each German citizen could be given an “energy allowance” for the amount of €98 billion / 80 million inhabitants = €1,200 per year, or €100 per month.

For a family of four, this would give €400 per month or €4,800 per year. The added expense in the case of 5,000 kWh-worth of electricity consumption would amount to €585 per year.

It would therefore be in the citizens’ interests, because of these high energy taxes, to receive an “energy allowance”.

The positive consequences of a progressive and foreseeable increase in the price of energy would be the following:

1. Individual Measures for Saving Energy (Rational Energy Use)

Insulating a house, for example, would contribute to creating jobs and protecting the climate. People and businesses will not take energy-saving seriously unless the price of energy increases sensibly!

2. Granting of a Personal "Energy Allowance"

In this way, extra expenses due to increased energy prices would be more than compensated for, spending power would increase and using renewable energy sources would become financially attractive. Again, new jobs and climate protection would be encouraged.

3. Changed Business Strategies

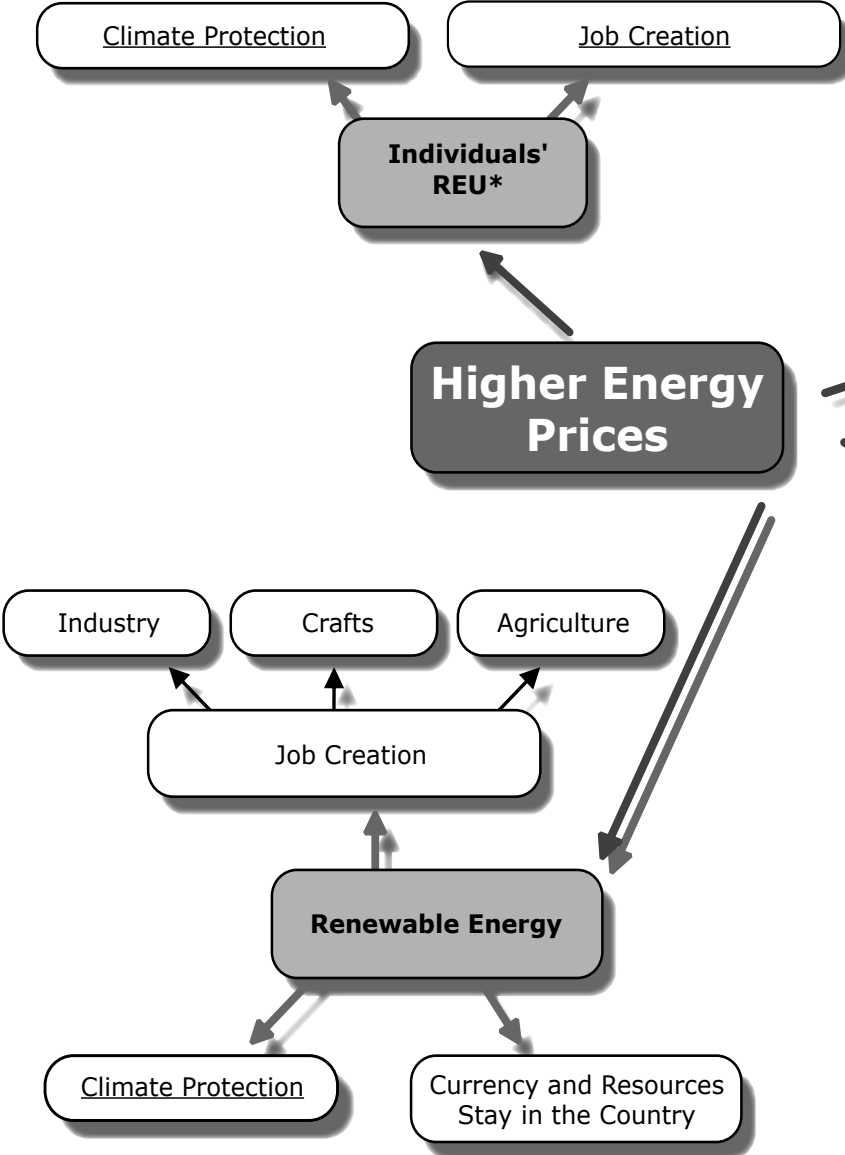
- Energy-saving measures and combined heat and power production (CHP).
- The production of primary products (e.g. cement, copper, plastic materials, chemical fertilisers, etc.) is energy-intensive. Given that energy is cheap, primary products are also cheap. This is the reason why ready-made, cheap products are increasingly and purely automatically being produced by the industry. Expensive energy and expensive primary products would encourage the production of repairable quality products, and resources would thus be preserved.
- With lowered salary costs, businesses would be less tempted to leave the country.

4. Promoting Renewable Energy by Tax Breaks for the Various Kinds of Solar Energy

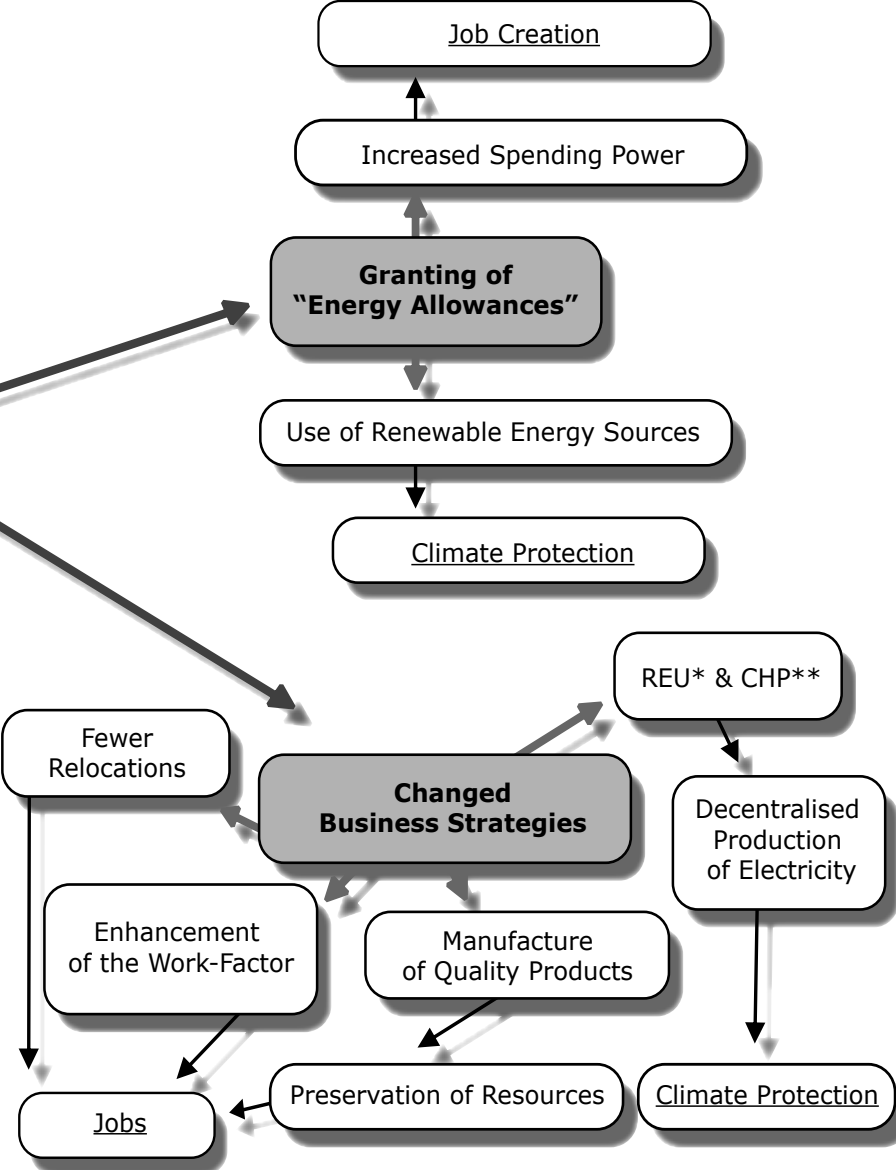
Here too, creation of jobs in industry, crafts and agriculture, as well as climate protection and preservation of finite fossil resources would result.

In the 1990s, Denmark introduced a consistent system of eco-taxes and eco-contributions with the aim of encouraging investment in environment-friendly technology. Thanks to this revenue, social contributions and salary charges were able to be reduced considerably, and as a consequence the high unemployment rate was drastically reduced in the space of a few years.⁽⁸⁾

The diagram on the following pages illustrates the interconnection between higher energy prices, employment and climate and environmental protection.



*REU: Rational Energy Use



** CHP: Combined Heat and Power Production

6. Erroneous Assessments Concerning Our Monetary System

The wonderful invention of money was designed, in the beginning, as a means of exchange facilitating trade. With the introduction of coins of various metals, it acquired practically unlimited durability and could therefore be stockpiled, unlike non-durable exchangeable products. Thus money became a commercial product, and purely financial transactions were born. These financial transactions then led, in the course of succeeding centuries, to poverty, economic crises and wars, through the mechanisms of simple and compound interest.

This short booklet can only hint at the information available on the subject. Please refer to the bibliography for a list of sources on the nature of money.⁽⁹⁾ Max von Bock's short and humorous video film, 10 Punkte Plan zur effizienten Ausbeutung eines Planeten mit halbintelligenten Lebensformen (10-Point Plan for the Efficient Exploitation of a Planet Inhabited by Semi-Intelligent Forms of Life), which can be downloaded from the Internet, is also worth recommending.⁽¹⁰⁾ In Interest and Inflation Free Money, Margrit Kennedy sets out some fundamental misconceptions touching the function of money.⁽¹¹⁾

Three of these may be highlighted here:

1. The idea that our monetary system equitably serves everybody is false. In our monetary system with interest, 80% of people pay, 10% neither gain nor lose and 10% gain. In other words, 80% of the population works hard in order to make the richest 10% automatically richer. In Germany, €800,000 are transferred every day by the working population to the richest few.
2. Therefore the idea that we pay interest only if we borrow money is false. Between 30% and 50% of the price of goods and services are devoted to paying off interest. This high proportion of interest contained in the price of products comprises on the one hand the interest on debt that businesses have to reimburse to the banks, and on the other hand, above all the heavy social and fiscal contributions that businesses have to pay to the State. The State, on its side, has to demand such high taxes because the greater part of its tax revenue is needed for paying the interest on its debt to private commercial banks. The part of interest contained in house-rent prices is even greater, amounting to 70-80%.
3. Our experience of natural growth, which increases up to an optimal level and then stabilises, leads us to underestimate the heavy consequences of exponential growth in the economic and financial sectors.

Two well-known examples will make this clear:

First example: Joseph's pfennig:⁽¹²⁾ If at the birth of his son Jesus, Joseph had deposited one pfennig (or half a Eurocent) with simple and compound interest at a rate of 5%, this pfennig would have yielded, by 1990, 134 billion gold balls each weighing as much as the Earth. By contrast, the simple accumulation of the annual interest of 0.025 cents would have yielded, in these 1,990 years, only 49.750 Eurocents (or less than half a Euro)!

Second example: If you deposit a sum of €100,000 at an interest rate of 7% for 100 years, you get €700,000 interest. The compound interest, on the other hand, amounts to the exorbitant amount of €86,771,663!

Alongside this "structural fault" inherent in our monetary system – that is, that money can be hoarded and thus enables interest to be charged – another serious problem has surfaced since the foundation of the international banking alliance in Paris in 1913. Monetary sovereignty belongs not to States, but to private commercial banks! Our monetary system is therefore in reality a "monetary debt system" controlled by private commercial banks to their own advantage.⁽¹³⁾

In order to understand this, we must ask ourselves what happens to money in the economic circuit.

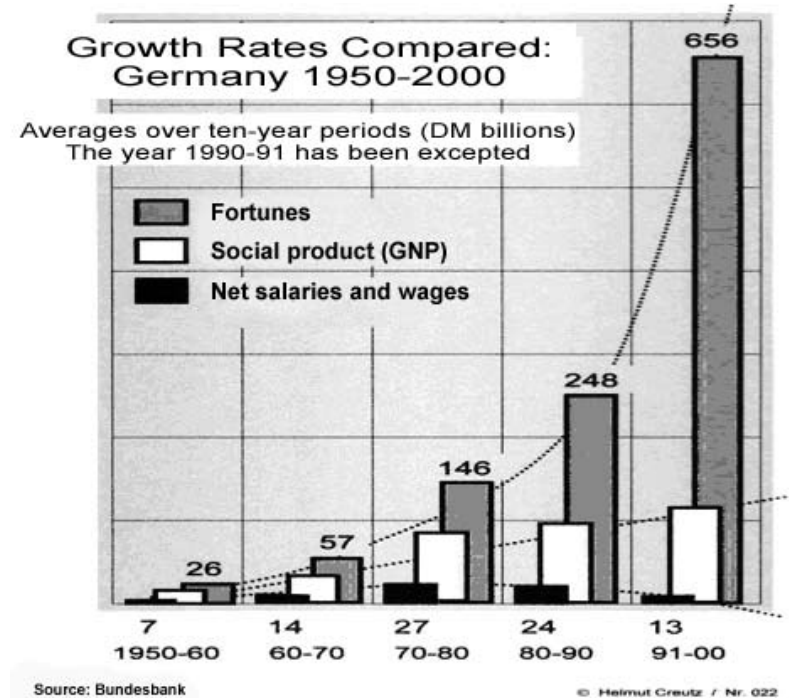
Besides the limited monetary mass – less than 1% - minted by the member States' national banks, we observe that practically all new money appears "from nowhere", so to speak, through private commercial banks' granting of credit.⁽¹³⁾ The banks of course thereby collect billions in interest, which really belong to the population. But the banks keep this interest for themselves. Consequently, the exponential and destructive effects of compound interest can easily be illustrated in a few steps:

1. Economic growth constantly requires more money, in order that the extra goods may be produced and consumed.
2. This extra money enters the economic circuit in the form of credit.
3. This credit must be paid off in full: the borrowed money must be fully reimbursed.
4. In addition, the interest demanded by the banks must be paid, for which new loans have to be taken, again against interest.
5. The private commercial banks thus collect interest on interest, which is compound interest.
6. The economy has to grow ceaselessly just to enable the interest to be paid off.
7. The spiral of transferral of money from poor to rich begins, with economic collapse as inevitable result.

A few figures on public debt in Germany, Belgium and France have already been given. We may justifiably conclude that because of a deficient monetary system, 75% of monetary flow in the economic circuit, and therefore of spending power, is lost in interest and taxes.

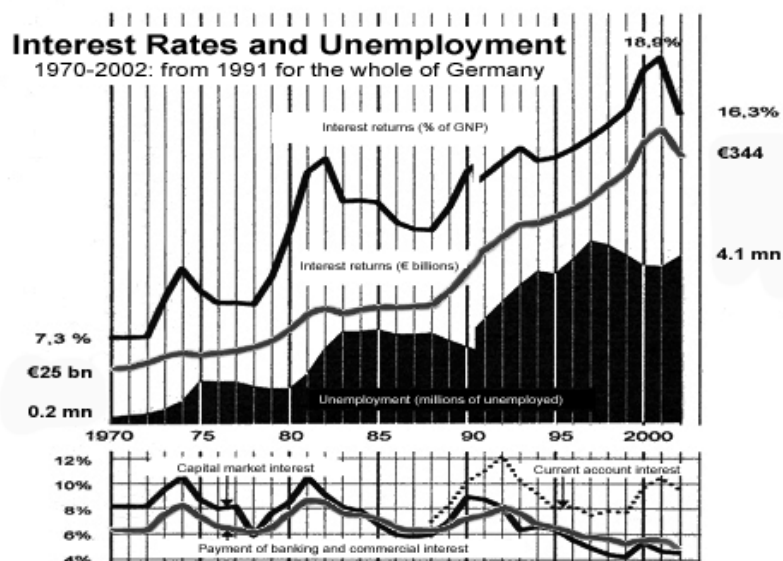
This means in practice that with an ideal monetary system, 80-90% of the population would need to work only a third or a quarter of the time they do now in order to enjoy the same living standards!

The following diagram, taken from Helmut Creutz's book *Das Geldsyndrom* (The Money Syndrome),⁽³⁾ illustrates the natural development curve of net salaries and wages between 1950 and 2000 in relation to the linear increase in gross national product and the exponential growth of fortunes.



In all sobriety we may say that since money automatically goes into increasing fortunes, it is not available for paying higher salaries and wages or for creating new jobs.

The following diagram shows the parallel evolution of unemployment, returns on bank interest and interest rates between 1970 and 2002.



A third of the interest costs that the German public authorities have to pay would be enough to pay the gross salaries of 4 million people!

The monetary system is not considered by political advisors as something to be questioned and possibly improved. This is why they as well as our desperate politicians flee in panic before the frenetically advancing "train of debt", without leaving the tracks of their established modes of thought, as in the illustration below.(14) It does not occur to them to jump off the tracks - to question their thinking!



In complement to the two new "tracks" already discussed - correcting erroneous assessments of the energy-factor and correcting the errors of our monetary system - a third will now be suggested: the introduction of an unconditional basic income paid by the State to all citizens.

7. The Unconditional Basic Income (UBI)

A. History

The idea of a basic income is not new at all. The first thoughts on a minimum salary can be traced back to Thomas Morus and his friend Juan Luis Vives in the 16th century. In the 18th century, Antoine Caritat, Marquis of Condorcet, and Thomas Paine attempted to address the poverty of the great majority of the population through various social models. In *False Industry* (1836), Charles Fourier attributed to each individual a right to housing and food to compensate his/her compromised primal right to hunting, fishing, gathering and using pastures.

A true basic income was first suggested by the Belgian Joseph Charlier (1816-1896), who in 1848 attributed to each individual a right to a subsistence income on the basis of the universal birth-right to land. In 1849, John Stuart Mill proposed the idea of a subsistence income that would not be conditional on paid employment.

In 1986, Paul-Marie Boulanger, Philippe Defeyt and Philippe Van Parijs, three young researchers at the university of Louvain, organised a conference on basic income. The conference issued in the uniting of the various European initiatives in favour of a universal basic income in the Basic Income European Network (BIEN), now the Basic Income Earth Network. For more information on the historical background of the unconditional basic income (UBI), see the bibliography.⁽¹⁵⁾

B. Advantages of an Unconditional Basic Income⁽¹⁶⁾

1. UBI and Employment

Both private businesses and public authorities in their capacity as employers would benefit from an increase in the spending power of the population.

Increased spending power would improve and stabilise the economic situation within the country. It is therefore not surprising that successful entrepreneurs figure among those in favour of a UBI. Examples include the Flemish entrepreneur Roland Duchâtelet,^(17, 18) who founded the Belgian Vivant party as early as the 1990s,⁽¹⁹⁾ and Götz Werner (owner of the DM chain of chemists' in Germany),⁽²⁰⁾ both of whom are in favour of introducing a UBI and of concomitantly reducing salary charges.

Employing personnel would thereby become cheaper in the public sector, too. The State would become able to tackle the growing problem of lack of personnel not only in the socio-economic sector, but also in teaching, research and the justice department.

A UBI would give workers freedom of decision. This freedom is taken away from them by the obligation to work in order to earn a subsistence minimum. A UBI would lead not to laziness, as some critics claim, but to an increased desire to work. Workers would not be able to be exploited in the way they are today, and they would be able to choose the work that suits them best. For young people, self-employment would become less risky than it is today. Employers would be encouraged to create the best possible business climate in order to retain good workers.

Work that today only a minority agrees to do, such as work that is physically strenuous or unpleasant, night work and shift work, week-end work, etc., would have to become better paid.

2. UBI and the Community

It is surprising that in the present political debate on the UBI in Germany, it is precisely the social democrat party (SPD) and the unions that argue against this model for redressing social imbalance. Are they afraid of losing their influence with the lower income groups? The social Christian parties (CDU and CSU) also have reservations about the model. However, in the Autumn of 2006 the regional prime-minister of Thüringen, Dieter Althaus (CDU), began supporting the idea of a UBI, calling it a model for a pluralistic society.⁽²¹⁾

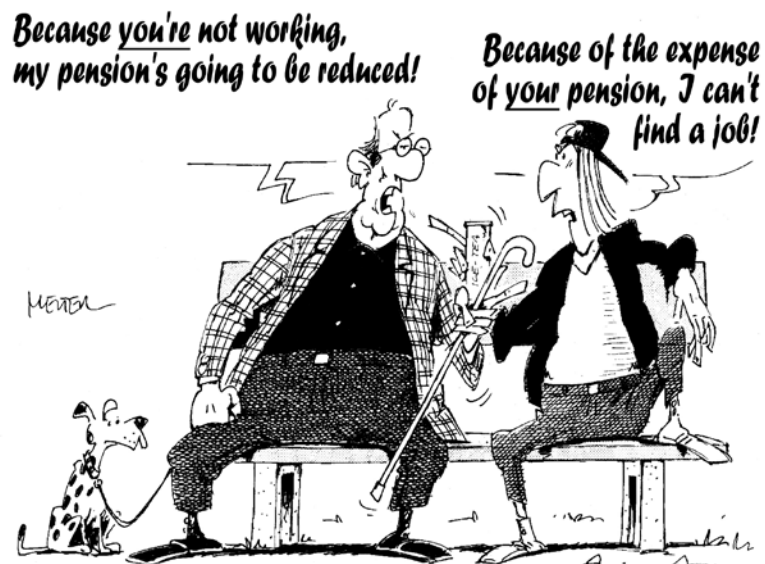
Jean-François Kahn, author of *Les bullocrates* (The "Bubblecrats"), described three new social categories in a remarkable televised debate on Arte on October 28th, 2006:

1. The mass of long-term unemployed: the poor or unskilled lower class;
2. Small employees, already impoverished as a group;
3. The lower middle class.

The lower middle class makes up 60% of Belgium's population. It carries the main burden of taxes and social charges, because the first two groups pay nothing or very little, and because the upper class – the so-called elite – finds ways to avoid paying. Pharmacists, shopkeepers, engineers, butchers, teachers, managers, etc. belong to the lower middle class. Many of them are far from as rich as they used to be and feel more or less cheated by the political system. Living standards are no longer assured if prices increase while salaries do not. If businesses experience difficulties, then managers' jobs are also threatened. In the future this lower

middle class might propel extremist parties to power in Europe.

The problems just cited, unemployment, increasing poverty and worries about the financing of social security, lead the majority of people in our society to fear for the future. There is even the danger that the generation pact be broken, as Gerhard Mester's caricature illustrates:⁽²²⁾



An unconditional guaranteed subsistence income, granted to everybody, would be a powerful means of building up people's confidence in each other! First of all, it would benefit children's education and make it easier for young people to found a family. It would also promote creativity and voluntary, political and artistic activities. Vandalism and petty crime would decrease as soon as environmentally friendly habits and respect for all people and for nature became self-evident.

C. The Need for an Unconditional Basic Income

1. Economic Need

The Scottish engineer Clifford Hugh Douglas, who invented "social credit", pointed out the economic need for a UBI according to the following "A+B theorem".

The prices of goods and services comprise:

- A. the salaries and wages of employees and workers;
- B. all the other of the producer's or service provider's expenses (primary products, operating costs, paying-off of equipment, taxes and social charges, interest costs, business profits, etc.).

So if the price of goods and services is made up of A+B, then, viewing the economy as a whole, salaries and wages alone are insufficient for buying up all goods and services produced.

If all goods and services cannot be bought, there will be a chronic lack of money in the economic circuit. To avoid this, something has to be added to the salaries and wages: an unconditional basic income paid to the individual.

Therefore, an unconditional basic income is an economic necessity, and must be granted to all citizens on top of salaries and wages.

2. Moral Need

Is the time ripe for a UBI?

The author of the preface to this booklet and spokesperson for the Basic Income Network in Germany, Günter Sölken, is of the opinion that large-scale debates in society on the psychological consequences of such a measure are necessary. Professor Götz Werner also speaks of a needed **paradigm change**. In effect, we have come to take for granted the idea that human dignity is defined solely by work.

Even the education of children by their mothers or fathers is no longer considered to be “dignified” work, but it is as soon as it is carried out by professionals (child-minders in the home or at day-care centres). Because these professionals are paid for their work, they have a recognised status in society that mothers and fathers do not!

If “not working” and “relaxing” are at present assimilated with laziness, we need to change our mentality. Whoever trusts in people, will further cultivate people’s trust. The UBI offers the best opportunities for maintaining the necessary solidarity between all people into the future. Then the mutual distrust present in our society and frustration with politics can be surmounted.

D. Financing of the Unconditional Basic Income

This is the crucial question! Most study groups working on the UBI recommend financing it through VAT or by various taxes on consumption. The founder of the Vivant party in Belgium, Roland Duchâtelet, envisages financing a UBI through various consumption tax rates based on the nature of the goods and services taxed.⁽¹⁹⁾ The German entrepreneur Götz Werner recommends increasing VAT to 100% across the board. The Association for the Promotion of Solar Energy⁽⁴⁾ envisages granting “energy allowances” to individuals through higher energy taxes, which is to be recommended even independently of the question of financing a UBI, for higher energy prices would have many favourable repercussions on the labour market, on energy consumption and on climate protection.

If we remember that a UBI is an economic necessity, we will easily recognise that it cannot be financed mainly by an increase in VAT. For this would reduce people’s incomes and consumption. A UBI must be freely granted to each individual, without extra charges attached.

How, then, can a UBI be financed, if not by tax on consumption?

The answer is simple:

It does not have to be financed at all!

A truly unconditional basic income simply has to be granted by the State to each citizen. This presupposes that the State takes back its monetary sovereignty from the private commercial banks.

In order for the State to carry out its tasks as monetary sovereign, professor Ekhart Grimm⁽²³⁾ suggests that

an independent “monetary bureau” be created, which would be accountable only to parliament. The monetary bureau would calculate the amount of the UBI and issue it to each citizen. With the right UBI and tax rates both inflation and deflation would be able to be avoided.

E. The Unconditional Basic Income and the Monetary System

1. The Current Debt-Producing Monetary System

Henry Ford once said: “It is well that the people of the nation do not understand our banking and monetary system, for if they did, I believe there would be a revolution before tomorrow morning.”

In order to pay the constantly renewed interest on debt, the economy must grow ceaselessly, even if it is against people’s and nature’s interests. There is a vicious circle of forced growth. Without extra money, the economy cannot produce. In our credit system, we then enter into a vicious circle of debt.

Because of the interest contained in the prices of goods and services, and because of the taxes levied by the State to pay off its debts, we enter a vicious circle of poverty and redistribution of wealth from poor to rich.

It is not without reason that throughout the centuries the Christian church has prohibited interest. It is therefore reasonable to ask why the church, precisely at the present time, has stopped pronouncing itself on the issue! We may even suspect the Catholic church of being involved in a significant way in global financial transactions! Does the church, too, therefore favour more money over social money? As Erwin Scherer said: “In each one of us hides a tight-fisted millionaire... The interest returns on savings is like manna from heaven; nobody wants to refuse such a God-given gift...” Not even the Catholic church?

People naturally find interest returns on savings more real and tangible than promises to lower prices by prohibiting interest. But the Christian church accumulated knowledge over centuries past! It knows how much poverty, how many economic crises and how many wars have up to the present day been caused by the mechanism of simple and compound interest!

The Christian church would therefore be able to play a key role in dealing with the abusiveness of our monetary system!

2. The New Monetary System

The new monetary system must allow an unconditional basic income to be paid, as we have seen. So what properties should it have?

Please refer to the bibliography for further reading on monetary systems.⁽⁹⁾ We may here state in brief the conditions the “new monetary system” should fulfil:

- It should be democratically controlled. Monetary sovereignty should belong to the State and all creation of money by private commercial banks, through the granting of credit “from nowhere”, must be strictly prohibited. The right to create money must be exclusively reserved for the State.
- It must be free of interest. Banks should be allowed to charge administrative fees only. The destructive effect of compound interest is thereby eliminated.
- It must guarantee that money circulates. This “circulation guarantee”, designed to prevent money from being blocked and hoarded, may be obtained by introducing a tax on the use of money, where the use of cash and short-term deposits would be highly taxed, and long-term deposits would not be taxed (nor yield interest!).

- At the same time, therefore, the State, through relevant taxation, must prevent money from escaping into property investments.

The public-private partnership model, which is increasingly being followed and which is praised by many politicians, demonstrates that our society is on the brink of a financial abyss! Public authorities (the federal State, regions, communities and municipalities) are becoming forced, for lack of funds, to sell their property (e.g. administrative and school buildings) to private bank consortia in order to redress their budgets in the short-term. These buildings then have to be rented from the banks at the market price. This is a fantastic deal for the banks and a declaration of bankruptcy by the State!

Various authors have recently proposed feasible models for monetary reform. Joseph Huber recommends that private commercial banks stop creating money and that monetary affairs be controlled by a totally government-independent state body, e.g. by the European Central Bank.⁽²⁴⁾

Eckart Grimm suggests a government-independent state monetary bureau be set up for this essential task.⁽²³⁾ This body would provide the Ministry of Finance with the money necessary for the general needs of the public authorities, free of both interest and reimbursement. As Huber also suggests, private banks would be able to grant interest only through savings deposits, that is to say, with real money.

3. Complementary Currency Initiatives

We might of course realistically suppose that the small but very powerful group of rich people who profit from the present monetary system will not easily approve such serious modifications to it. The contrary is the case! Regional currency initiatives in many countries of the world – and also in Germany⁽²⁵⁾ – should therefore be warmly welcomed.

Through these initiatives the population gains awareness of the consequences of our monetary system.

In *Regionalwährungen - Neue Wege zu nachhaltigem Wohlstand* (Regional Currencies: New Paths to Durable Well-Being) Margrit Kennedy and Bernard A. Lietaer provide many powerful arguments in favour of complementary currencies.⁽²⁶⁾ Below are summarised a few characteristics and consequences of complementary regional currencies:

- They are not alternatives to, but complement, our present monetary system. They do not, therefore, replace the Euro, but stabilise it!
- They bring social, cultural and ecological benefits.
- They offer new financial solvency where the official currency is rare and expensive.
- They create jobs.
- They improve social cohesion.
- In fact they benefit everybody!

However, in parallel to the development of regional currencies, political will for monetary reform should become a priority! Voters should be aware that interest on capital is the cause of the cost of living having gone up by 30-40%.

By abolishing the aberration of compound interest, the spending power of 90% of the population would greatly increase.

And what happens to the 10% of those who profit from the present system? Are there advantages also for the rich?

With the monetary reform suggested, the rich would of course not be able to receive exponentially growing returns on their investments. But, in contrast with the present situation, they would have the certainty that the value of their wealth remains completely stable over the years.

Many rich people would be strongly affected by a global economic and financial break-down. According to the experts, such a break-down is inevitable with our present monetary system!

Finally, to take another argument, it is not by sitting on the last leafy branch of a dead tree that the rich will be able to enjoy real quality of life. And that is to say nothing of the danger of increased criminality and vandalism as people become poorer and more embittered.

8. The Referendum: A Political Necessity?

We have discussed the two main causes behind the essential problems of our society. There is on the one hand bad use of energy, and on the other hand the effects of our antisocial monetary system.

With the necessary political will, it is therefore possible to solve the problems.

However, we observe that many of our leaders are people who come from the economic sector, go into politics, and then return to the economic sector after their active political career. Even while holding a political mandate, many leading politicians are members of administrative councils of large economic concerns. Jean Grossholtz puts it this way: *"An important fact that everybody should realise - and it's happening in the United States and all over the world - is that even the government is being privatised!"*

Jean-François Kahn, whom we have already quoted, describes the upper class, the elite, to which he also counts political leaders as belonging, as an isolated group living in a cocoon, completely oblivious to the problems of the lower classes. With the aim of maintaining power, coalitions between practically any political parties are made possible, thus enabling the same people always to remain in power.

On October 28th, 2006, Gerd Zeimers, editor of the Belgian daily newspaper Grenz-Echo, wrote a remarkable editorial on the reasons for the damaging power enjoyed by the leaders of socialist parties in Wallonia: *"In our search for reasons... we inevitably come up against a cancerous ulcer preventing Wallonia from recovering economically and socially: "particracy", or the rule of parties."*

In his article "Profit as the Root of All Evil: The Devil is in the Details" (2006), W.-Robert Needham argues against all privatisation. He is of the view that there is no free market, only market power and the betrayal by the powerful of their social responsibility. Even the well-known American economist Joseph Stiglitz urges a strict regulation of globalisation and a true democratisation of powerful institutions such as the International Monetary Fund, which today only serves the USA. Such regulation would comprise fair global trade rules, debt-reduction for developing countries and a restriction of the power of multinational concerns.

We may probably assume that most politicians are not aware of the true circumstances of the malfunctioning of our system. Some of them, however, are guilty before humanity of the crime described by Bertolt Brecht in the following words: "He who does not know the truth is only an idiot. But he who knows the truth and calls it a lie is a criminal!"

We therefore cannot expect the ruling political class to take the necessary political decisions of its own accord.

At the most, we may speculate that the pressure exercised by civil society as it gains better awareness will become so great that the political parties will fear for the support of their voters. This would quickly put them back on the right track.

The pressure of a possible citizens' decision – of a referendum with force of law – would be more effective, however. Politicians with a long-term vision faithful to "the good cause" would find themselves reinforced against the media and against those of their political colleagues serving economic and financial powers. Then decisions would be able to be made that at present are unthinkable to political parties and the institutions linked to them.

It is necessary to reorientate our thought and reinforce politicians acting in the general interest also in order to solve the most pressing problem of our society, namely climate change. This important theme has been indirectly addressed on several occasions in the preceding chapters, and a separate chapter on climate change was not originally planned for this booklet. But in my conversations with many young families, I learnt how much young people worry about and even fear climate change. The next chapter is therefore devoted to giving a few remarks of encouragement on the subject.

9. Great Hope for Climate Protection through a Zero-Emissions Policy - without Nuclear Energy!

There is now unity of opinion that climate change is a fact. The experts agree that climate change is mainly (80%) due to the burning of coal, petrol and natural gas.

The problem – and this constitutes a first encouraging observation – has therefore become clearly defined, and increasingly so in political circles. See to this effect Al Gore's film *An Inconvenient Truth* and Tim Flannery's book *The Weather Makers*. Also, it is perfectly clear that only a zero-emissions policy on greenhouse gases can confine global warming within bearable limits.⁽²⁷⁾

We may therefore conclude that if the necessary steps are taken now, then the present generation of 20- to 40-year-olds need not fear global warming.

What are these necessary steps?

First of all the following question has to be answered: What may replace coal, petrol and natural gas? In other words, how may we reconcile zero-emission of greenhouse gases with sufficient energy supply?

To answer this question, two possible strategies are at present being considered in the media and by public opinion:

1. Climate protection through rationalising energy use (REU) and through developing both atomic energy and renewable energy sources;
2. Climate protection through REU and through developing renewable energy sources WITHOUT recourse to atomic energy.

There is no doubt that those who run nuclear power stations (and who also run conventional coal-, petrol- and natural gas-fuelled electrical power stations) are emphatically in favour of a strategy that would retain nuclear energy. This is why public funds are being spent on extending the life of existing nuclear power plants, constructing new plants and massively promoting research on nuclear fusion technologies.

It is easy to see how strong the nuclear power lobby is by the fact that although it can easily be shown how ineffective the atomic energy strategy is for protecting the climate, still the highly placed politicians of industrialised countries continue to support nuclear power.

Keeping to atomic energy does not protect the climate; on the contrary, it leads to further massive global warming. Why?

The answer is simple:

The climate knows no national bounds. Climate change is a global phenomenon.

The use of nuclear energy is possible only in a few rich countries. Other countries therefore have to cover their increasing energy needs with fossil fuels, thus exacerbating climate change – unless, that is, the rich industrial nations develop an energy model on the basis of the second strategy mentioned: **REU and coverage of 100% of energy needs by renewable energy.**

Well-founded scientific studies show that this second strategy is both realistic and effective^(1,30,31) – which is again encouraging!

The strategy involves three elements:

1. Energy-saving and increased energy efficiency;
2. Use of all kinds of renewable energy sources;
3. Development of combined heat and power production (CHP).

Conventional energy economics has been irresponsibly misinforming the public for decades by calumniating the potential of renewable energy. Policy is heavily influenced by atomic energy interest groups in this respect.

Here follow some figures on the potential of renewable energy:

On a world scale, about 20% of energy used comes from renewable energy sources and only 3.3% is covered by nuclear power stations. In only five years, thanks to favourable legislation, the part of renewable energy sources contributing to Germany's electricity production has doubled to 13%! The theoretical global potential of renewable energy sources is about 50,000 times global electricity needs, and the technical potential of renewable energy sources is at any rate twenty times global electricity needs!

Finally, the following question arises:
How much time do we have left?

This question has already been answered in substance. Given that climate change has already become a fact and is being aggravated with each new greenhouse gas emission, there is only one answer possible: There is no time left!

Every State, every country, every municipality and every citizen bears individual responsibility for attaining zero-emission of greenhouse gases.

Decentralised use of solar energy (the sources of which include wind, water, biomass and solar radiation), unlike conventional centralised energy provision, offers in addition a rare and fascinating opportunity for local and regional cooperation and network-building.⁽²⁸⁾

Thanks to the law on renewable energy in Germany, many initiatives for using wind energy and for producing heat and electricity in bio-gas plants have sprung up in the space of a few years. Agriculture is also benefiting through the production and sale of biological fuels and renewable primary products for chemical processes. Industry, crafts and research have been given wide fields of application in the areas of solar energy and all forms of renewable energy, of energy saving and of improved efficiency, as well as in the wide area of energy storage.

With renewable energy new possibilities open up – alongside increased chances of survival – for a resource-preserving economy and for increased solidarity, greater well-being and a better quality of life.

The guiding principle runs: *“Well-being and climate protection, replacing the greenhouse effect and atomic energy.”*

10. Summary

The unresolved problems of our society require new modes of thought. Despite ever growing economic achievements and against the actions of global economic cartels, high levels of unemployment, increasing poverty and public authorities' increasing indebtedness require that the production-factors of work and capital be seen in a new light.

The most powerful production-factor, namely energy, must be carefully re-examined. A progressive and foreseeable increase in the price of energy, combined with a reduction of salary charges, constitutes a first key element for change. It is only through high energy prices that energy-saving and the use of renewable energy sources can at last become an economic necessity and allow capital to be invested in businesses employing large workforces.

Mass unemployment, the impending bankruptcy of our social security system, excessive bureaucracy and the problem of the environment also demand a reorientation of thought in view of granting an unconditional basic income and in relation to the urgent need for monetary reform.

Money is a means of exchange and must therefore not itself become a commodity. Simple and compound interest must be replaced by a tax on the use of money, and monetary sovereignty must be returned to the State. In addition to the legislative, executive and judicial powers, we need a government-independent "fourth power" that would be accountable only to the people, such as a National Bank in the function of an independent monetary agency. The argument that this would introduce the communist economic plan all over again is invalid because it is not the private commercial banks themselves that would be eliminated, only the

immoral consequences of exponential increases in wealth.⁽²⁴⁾

In our present avaricious society, it is difficult to make people understand that the interest received on a savings account is not a heavenly manna. On the contrary, 80% of people massively pay into the system, despite interest earnings, and are thereby in fact being exploited.

In the face of the present situation, the granting of an unconditional basic income would enable the global financial market to be given a new direction. We are right to decry the business activities of world-wide insurance companies, investment funds and private commercial banks. For they are exclusively aimed at making financial profit, for example by buying flourishing companies, "rationalising" them by firing a lot of personnel and then selling them on at a profit.

We must also not forget that we ourselves also probably take part, without realising it, in this financial commerce. For example, in order to increase the amount of our future pensions, we deposit our money in these same investment, insurance and pension funds and expect the biggest returns possible, while a UBI could also easily provide for and replace "acquired rights" such as the right to a pension.

11. Conclusion

The message contained in this short paper should be seen as basically encouraging:

ALL the problems of our society can be resolved!

Increased energy prices and monetary reform play a decisive role in the solution. The unconditional basic income (UBI) is the key to "thinking differently". It strengthens the autonomy of the individual and at the same time increases people's solidarity.

Mahatma Gandhi said: *"Earth provides enough to satisfy every man's need, but not any man's greed!"*

What makes me believe that we will be able to carry out this "reorientation" of thought in time?

I remain hopeful thanks to the global means of communication provided by the Internet. This medium still escapes control by the rich and powerful. It enables ideas to be exchanged across continents at the speed of light. The truth about unfair structures and modes of functioning such as the monetary system, or the truth about the exploitation of resources and the creeping destruction of our planet, amongst other things through global warming, can no longer be hidden in the way they could before the Internet era.

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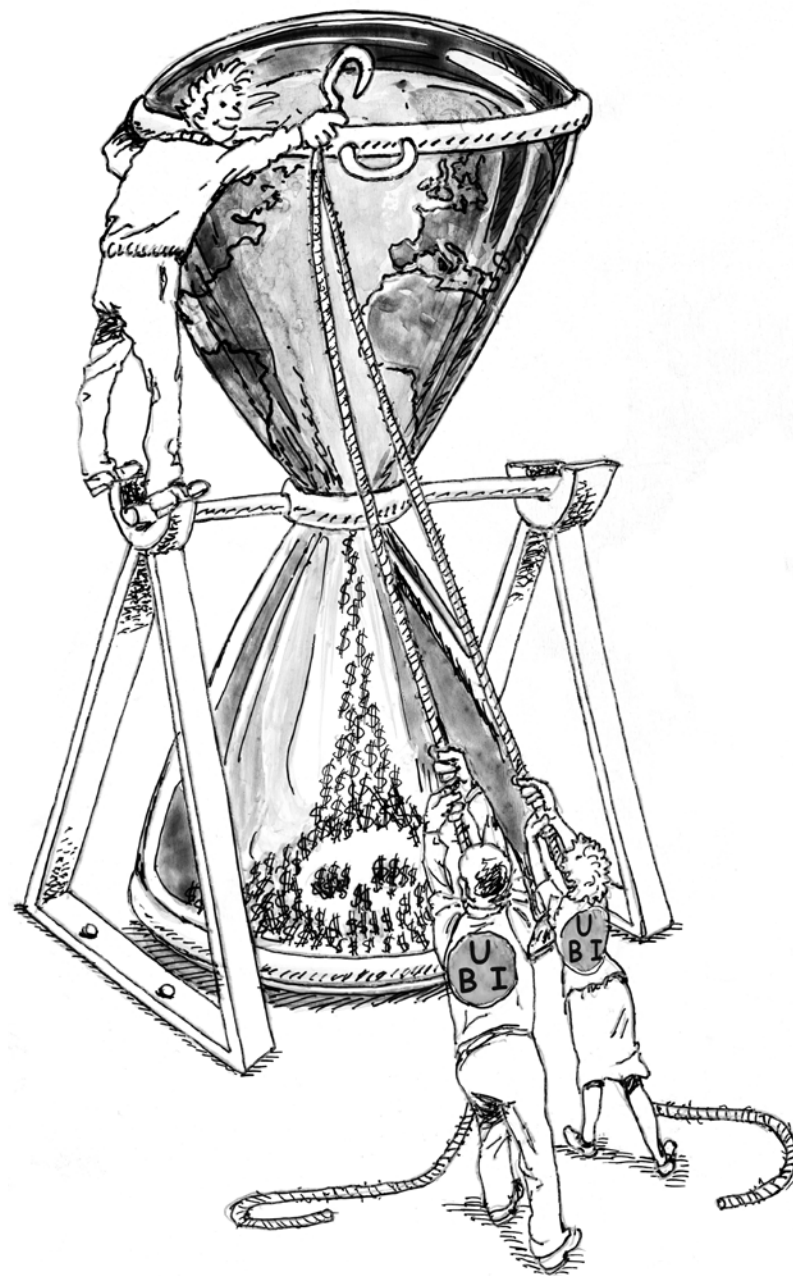
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Joseph Meyer

A timely reorientation of thought would enable us to turn our planet's hourglass before it is too late. Caught in the stranglehold of profit-seeking concerns, our planet is running out, grain by grain, with each disappearing animal or plant species. All that will be left is a pile of useless paper money.

But if we turn the hourglass together, then our marvellous planet, preserved safe and sound, will continue to serve to our children and grand-children, as it has so wonderfully served us and our ancestors for millions of years.



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