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Proposals Paper
For the 21st century

**FISCAL POLICY: TAXES,
DISTRIBUTION OF NATIONAL INCOME,
AND SOCIAL SECURITY**

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1 – OBSERVATIONS AND DIAGNOSIS

The overall institutional framework

It has been unanimously observed that the expansion of transnational firms and financial irregularities have led to a weakening of nation-states. We subscribe to this observation, provided that one defines the differences between events in the countries of the North – the central, rich, and powerful nations – and those of the South – the peripheral, poor, and/or emerging nations. Both the largest firms and conglomerates and their majority shareholders are located in the Northern nations; in the North, the transnational companies and deregulated capital act as “extraordinary” reinforcement agents for their respective nation-states and governments, with which they share the glory, the power, and the money.

Opposite trends appear in the poor and emerging nations: de-industrialization, the incapacity to manage technology of their own, loss of markets, lack of financial resources, and growing indebtedness. This impoverishment, which can be seen to the South of the Equator, has led many sociologists to believe that the greatest conflict of all time will result from the polarization between the North and the South. In the lagging economies, the state is undergoing an acute process of financial weakening, lack of legitimacy, and even loss of sovereignty in the face of international lending institutions. Fiscal (or structural) adjustment programs in their current version – zero deficit – drafted and controlled by international agencies (like the IMF and the World Bank) help to weaken governments and limit their growth and economic development, while promoting models based on commercial and financial liberalization, the most visible result of which is the loss of monetary autonomy and burgeoning, unpaid foreign debts. Particularly in Latin America, a process of military occupation of national territories is still under way, with the expansion of United States military bases and agreements that are contrary to the interests of Latin American countries.

In both the North and South, the de-politicization and loss of confidence in traditional mechanisms of liberal democracy are occurring at an increasingly fast pace, with a decrease in the relationship between the vote and the representativeness of elected officials. Voters have participated in decreasing numbers wherever voting is not compulsory (with a turnout of 30% or less of the electorate). In political regimes where voting is compulsory, the mass media and large corporations wield significant power over public opinion. In both cases, social representation is lower in political parties dominated by representatives of business sectors and the local and international financial elite.

From the point of view of world order, this period has corresponded to the consolidation of the United States as the hegemonic world power, internationalization of cartels and oligopolies originally formed in triad countries (North America, Japan and the European Union), dismantling of the Soviet Union, and China’s economic and political emergence.

Observed fiscal policy trends

During the last two decades, government authorities have increasingly adhered to the One-Track Thinking System as a whole and its purported fiscal policy premises. Taxation has undergone: a) reduced progressiveness of direct taxes; b) a shift of subsidies and fiscal incentives from labor to capital, from consumers to business, and from demand to supply; c) an increase in the base and rates for what are considered more fair and voluntary taxes; and d) partial elimination of taxes on foreign trade. As for public spending, the dominant discourse in Northern countries condemns the activities of state-owned firms and promotes their progressive privatization. In the South, the main issue is denationalization on top of privatization, since the majority shareholding of state-owned companies is largely being transferred to major international financial capital. Meanwhile, the institutions responsible for the Welfare State are being dismantled.

Asymmetries of power and technological and financial capacity between central and peripheral nations, or rich and poor countries, have produced very different consequences for the North and the South. The full complexity of these consequences cannot yet be analyzed within the limited framework of the current report. However, some important characteristics are worth highlighting. Firstly, contrary to official rhetoric and events in North America and the European Union, the tax burden has increased considerably in the peripheral countries, completely divorced from social and collective interests: tax payments are being raised steadily to cover high interest rates on both the foreign and domestic debts. Growing debt helps justify the adoption of confiscatory and vampirish interest rates, five to ten times

the growth rate of the Gross Domestic Product, leading to chronic, explosive indebtedness and deterioration of monetary sovereignty. Factors such as the withdrawal of strategic public investments (in physical infrastructure), the reduction of social spending, and the dismantling of public social security systems weaken society and foster increased violence and further concentration of income.¹

Current fiscal policy also reflects a tendency to undermine social rights, not just the citizens' rights listed in Constitutions, but particularly in the capital-labor relationship, with an attempt to create rules to make the labor market more flexible. This means a reduction in salaries and deterioration in the material conditions necessary for workers' reproduction. The freedom granted to companies in labor flexibility means that the costs that should be borne by companies and the risks caused by fluctuations in demand are transferred to workers.

In addition to erroneous interventions by the International Monetary Fund and World Bank, peripheral countries and their governments face concrete threats from the World Trade Organization, which attempts to include restrictive fiscal policy clauses in agreements on trade and international investments. While negotiations pertaining to the Multilateral Agreement on Investments (MAI) are at a standstill, their clones are still present in the impositions by regulatory agencies and/or international financing.

Compensatory tendencies

The emergence of the United States as a superpower (a veritable quasi-planetary empire), the weakening of other nation-states and their macroeconomic instruments (currency and national budget), the reigning insecurity in material living conditions for the majority of the world's population, the excessive and dictatorial power of international capital financiers, and the myriad characteristics of post-modernity have sparked defensive reactions and movements by some collective actors. Examples include the regional blocks in the European Union, within which people speak more of shared sovereignty than loss of sovereignty; an immense and growing number of all kinds of associations (consumers, producers, users, citizens, people excluded from society or who suffer discrimination, etc.); internationally influential organizations acting on a multinational level who condemn the hegemonic social organizational model and struggle to build a new utopia, as is clearly the case of the Association for the Taxation of Financial Transactions in the Aid of Citizens (ATTAC); the Alliance for a Responsible, Plural, and United World; and the Working Group for the Socio-Economy of Solidarity (WSES). In Brazil and many other countries, there are extensive and varied networks of socioeconomic solidarity. Global protest and demonstrations against institutions representing neoliberalism and its policies are multiplying: Seattle, Washington, Prague, Nice, the Porto Alegre World Social Forum, and Geneva are some key examples.

There are also individual reactions to such pernicious globalization, like increased religiosity, crime, and urban violence.

However, the field of socioeconomic solidarity shows a glimmer of a realistic utopia capable of offering alternatives, not just temporary, but solid, durable, and compatible with the basic spiritual need of men and women: united humanism. The following chapters will expand further on this topic.

2 – NEW VIEWPOINTS AND PARADIGMS

According to many important social scientists, the current period marks a paradigm shift [B. Santos: p. 15 and following]. That is, we are witnessing the end of what is conventionally called "Western modernity," a period that converged towards both capitalism (regulated or unregulated) and its opposite, state socialism. In the West, modernity has been heavily characterized by the debate between freedom and equality, given that society's economic arena has focused on the production of exchange values and the capitalist accumulation of wealth. The political arena has concentrated on formal democracy via elections, whether through Presidential or Parliamentary systems, in Republics or Constitutional Monarchies.

After several centuries of capitalist expansion and liberal-democratic experiments, the promise of freedom (for all), minimum equality (in the possession of material goods), general prosperity, and generalized and universal citizenship have not been upheld². The observations described above, of growing inequality, generalized poverty, and material insecurity, in addition to threats of ecological imbalance, appear to signal the end – a necessary end – of this stage of civilization that we know as Western modernity. They appear to signal the end of the "order-and-progress" period, during which civil society – a space for people and the reproduction of human and cultural life – was constantly under the yoke of capital – the organizer of material production – and of the state – the agent that confirms political power.

This new age and new paradigm are just being built and should arise from the struggle between the old and the new within each social arena, leading to a new format in regimes and regularities inside these arenas, as well as in the institutions responsible for articulating the macrostructures. In the economic sector, for example, there is discussion about the capitalist market (coordinating the production of exchange values) and the different systems for non-commercial exchange as attempts to minimize the extent of exclusion in society and to guarantee continuity in the production of use values³ needed for survival. In the political arena, the conflict lies between the formality of electoral representation and the lack of authority and legitimacy of the established powers, creating a vacuum for other (and not always legal) types of power (the Mafia, money laundering, organized crime, etc.). In the family arena, the traditional wealth-driven and patriarchal family is breaking down, with the constant adoption of new criteria to create new families, including those consisting of members of the same sex.

Despite great uncertainty, widely varying opinions, and a huge amount of divergent and convergent actions related to the direction of this paradigm shift, one can already catch a glimpse of the key ideas, values, and moral and ethical trends which should prevail if we are indeed on the threshold of a new age of civilization⁴. These ideas and values allow us to predict the direction and horizons of new social configurations.

First, there is the desire to emancipate civil society, to break the shackles of the two sources of power that characterize modernity: capital and the state. This notion of emancipation will have to break the famous Bronze Law, developed by David Ricardo and later adapted by neoliberalism to flexibilize working conditions and dismantle the Welfare State. Two demands are heard: full employment and minimum income. Full employment is clearly in the conservative camp, struggling to restore values of Western modernity, purportedly to avoid social chaos and maintain traditional order. The demand for minimum income is revolutionary, since it permits the differentiation between work and employment, employment and survival, and income and the market. It breaks with the necessary commercialization of the work force and destroys the myth according to which it is possible to sell one's individual productive capacity without selling oneself.

In the field of state power, there is increasingly widespread skepticism concerning the democratic nature of Western governments. In the richest nation in the world, which claims to speak for modern democratic ideals, a sharp decrease in political interest and the institutional non-compulsory voting ultimately give a disproportionate amount of power to people whose mandate may represent from less than 20% of the voting-age population, thus shedding doubt on their legitimacy as representatives. There is increasing perception that officials elected by popular vote, whether for executive or legislative offices, use their powers as representatives to serve commitments that are not publicly explicit, rather generally conducted behind closed doors, with those who detain national and international economic power. Such events, appearing daily in the press, undermine public officials' legitimacy⁵ in the public eye and their ability to draft public policies aimed at improving the population's living conditions.

The social nature of state action, a symbol of the "thirty glorious years," is confronted on one side by "social initiatives" from the private sector, especially in sectors such as education, health, social security, and culture. In general, this is more a struggle for control and manipulation of the ideological apparatus (aiming to homogenize ethical and moral principles) than a real desire to improve the social welfare, by private companies whose objective is to maximize profit, even at the cost of high unemployment rates and a reduction in workers' purchasing power.

On the other side, government faces the challenge of the "Third Sector," a broad definition that includes NGOs, cooperatives, and associations of various natures, with various practices. The Third Sector represents a field where there is in fact a rich and promising cultural plurality. It is difficult to explain the historical importance of the Third Sector in this essay, as its path of growth is neither linear nor predictable; nevertheless, it is expected to develop according to the structural characteristics of the societies in which it acts.

The public nongovernmental organizations that comprise the Third Sector can act in collaboration with government authorities as well as private enterprises. They can finance their own work or depend on grants from other national or foreign institutions, public or private. Some aim at modest profit, while others do not. They can use both paid and voluntary labor. They can integrate into a production chain or act independently. These alternatives, along with many others, should determine the social role the Third Sector will play when there is a new world format and a new society. But what is expected of them is that they act in line with the re-establishment of a certain equilibrium between material production and social needs and between the decisions by elitist governments and the aspirations of working-class participation and enhanced democracy.

3 – INITIATIVES AND INNOVATIONS

There is a wide range of initiatives attempting to minimize the pernicious effects of neoliberal globalization. We are only selecting those that occur in the field of macroeconomic policies – monetary and fiscal – and which interfere in the tax and financial regimes of the public order [B. Théret, 1992]. We prioritize initiatives that denote rebellion or resistance to the neoliberal guidelines and the One-Track Thinking system (thus, we do not include the initiatives taken by large capital, such as pension funds, the colonial currency board system implemented in Argentina, or the IMF's attempt to privatize tax collecting in Argentina).

- *Social currency*

Contrary to predictions by current social thought in the United States (like Garry Becker's texts, with numerous followers there and elsewhere), advocating the generalized monetization of all social relations (including affection), social currency is the opposite of currency from the prevailing institutional point of view (one of the main demands of the dominant view is that money in circulation in the form of paper or written currency have a solid value, defined rules, and responsible institutions, and operates in an area based on monetary systems and/or regimes).

Since social currency has no monetary value, it is limited to those places where it is accepted voluntarily by the community, and is thus called on to play a role in "community cohesion." The reason for the exchange expressed in social currency is determined by negotiation at the heart of the community for which it is intended. Such currency can be based on a "fictitious market" or simply symbolize the work devoted to producing the respective goods or services, without differentiation in the qualifications of those exercising such work.

There are numerous interpretations for the present and future significance of social currency⁶. A recent and politically relevant example comes from Argentina. Just a few months ago, the provincial government of Buenos Aires was forced to issue a new currency with no monetary value, called patacones⁷, intended to pay civil servants and government suppliers. After an initial, understandable rejection, the Association of Argentine Banks announced that its members "were willing to accept patacones for payment of small installments on personal loans, mortgages, and wages" (Gazeta Mercantil, August 24-26, 2001). This is an extreme situation taking place in a country monetarily crippled by the currency board system⁸. In Argentina, this currency board regime has fueled a situation of extreme external vulnerability with high domestic and foreign indebtedness – in dollars – and an insufficient domestic monetary base to deal with the requirements of the national markets. With the active circulation of patacones, Argentina is officially entering a three-currency regime (dollars, pesos, and patacones).

With reference to the current study, it is important to emphasize that social currency has emerged as a reaction to the dictatorship of financial capital (exercised by large banks and international financial capital), whose presence is tragic in peripheral countries, who have to bear not only currency shortages but also interest rates which are far higher than the usury condemned by the Catholic Church in the past. The different types of social currency used in Canada, Japan, Brazil, and Argentina are still an objective and explicit way of negating the Constitutional monopoly of issuing paper money (by governments and central banks) and the issuing of bank notes by commercial banks.

It is possible to conduct some research into the expansion of social currencies or credits. For example, according to French "regulationists", this type of currency indicates the existence of a movement apart from economic agents, a set of collective beliefs (confidence, reputation, legitimacy), which represent a real institution of social mediation (means of payment) with symbolic power (the social creation of wealth). Likewise, it is "society's public wealth, like language. (...) It is public wealth par excellence" [M. Aglietta: 437]. From this regulationist view we can ask the following question: will the patacones represent yet another element in the disintegration of the Argentine nation?

Secondly, we can observe the financial significance of social currency within the area of public finance. The use of patacones is not restricted to government payments, but is also evident in tax collection. Therefore, we can deduce that the public economy of the province of Buenos Aires may progressively break away from the national economic system (which works in dollars or in pesos), moving towards an "all-or-nothing" situation: total autonomy/absolute autarchy or complete annihilation. It would only take an IMF declaration via the Argentine central government to wipe out all the provincial agencies, shifting to the World Bank the responsibility for condoning debts incurred with the private sector ? via external credit! We believe this future scenario cannot be ruled out.

Finally, in a positive scenario of an increase in social currency, the question arises of how it is possible to pay the foreign debt with a currency that cannot be converted into dollars. This would allow us to link the future of social

currency to the exportation of the goods and services it provides. In the present framework of international recession, this alternative seems improbable.

In fact, in order to evaluate the historical significance of social credit, of different currencies in different official monetary systems, we must “think beyond the system of market economy, producer of commercial goods, and its abstract economic machinery (with the corresponding political forms). ... we must do something different, something new, something that has not existed up to now,” [R. Kurz: 192 and 195]. From the more encouraging perspective, social currencies intrinsically form the embryo of a new, non-mercantile, non-capitalist society.

- The participatory budget

The participatory budget is an instrument for sharing authority concerning the allocation of public resources. Traditionally, in Western countries, either Congress or the Executive Branch make the decisions regarding public spending. The deterioration of ethical conditions in the exercise of public power – which includes the power to establish budgetary legislation – and constant reports of corruption in handling the state’s financial resources – an effect of the “oligarchization” of government – are elements that favor increased mistrust towards government’s capacity to exercise allocation of resources for public welfare.

Recently, differences have increased between the Executive and Legislative branches concerning public spending. Legislators attempt to satisfy their personal interests (individual or collective) when budgets are voted, while the ministerial bureaucracy takes a technocratic attitude aimed at a somewhat superficial application of business criteria to decisions that are, or should be, eminently social.

The participatory budget, first implemented by the Workers’ Party in Porto Alegre (Rio Grande do Sul), Ipatinga (Minas Gerais), and other municipalities in Brazil, is a way of socializing budgetary decisions, increasing the transparency of government action, and changing the arena for conflicts between the Executive and Legislative branches, with the aim of allocating the budget. Above all, in the realm of social investments (education, health, urban planning, public safety, electricity, etc.), community participation in the choice of projects financed by public funds is an element that favors and increases efficiency and productivity in public spending.

Participatory budget is the most successful fiscal policy innovation in the last 20 years. Thus, it is hoped that the participatory budget practice will be extended this year to other States of Brazil and other countries. This community debate should also be applied to the tax system as a whole, favoring more transparency in taxation: that is, who pays taxes, capital, labor, business, or consumers?.

Official agencies have also realized the political stakes of the participatory budget and are already anxious to incorporate it into their activities. The World Bank is expected to offer resources to disseminate participatory budget practices not only in Latin America but also in Africa. In Brazil, the current government has just announced a “tax literacy” campaign, using Federal and Regional internal revenue inspectors in a tax education program in schools, together with civil society. The program aims to emphasize the social nature of taxation, meaning its capacity to create social services for the poorest members of society. Since this campaign has not actually begun (but has only been advertised on television), it is difficult to predict the results.

- The Solidarity Economy

This section discusses activities organized according to criteria and rules that are fundamentally different from those of typical capitalist business (that is, private ownership of capital, pursuit of maximum profit, individual accumulation of wealth and surplus value, and production of exchange values divorced from social and collective needs). The activities in this section are also totally different from state-owned companies in relation to the origin of funds and operational and decision-making rules.

According to articles by Alain Lipietz and Edith Arxhambault published in *Problèmes Economiques* N. 2712, entitled “Association et Lucrativité” (Association and Profitability) and “L’originalité du modèle français” (The Originality of the French Model), the units comprising the Social Economy in France share a common feature, their nonprofit status, adopted historically because of mistrust towards the internal revenue service and the private sector. In fact, in France, associations were born through a process of public self-assertion, permanently struggling against both the state and big business.

Units of the social economy are classified in three groups: cooperatives, associations, and mutual aid organizations, spawned by the Centennial Act of 1901, allowing the self-organization of civil society without prior consent from government. The Act is thus seen as fostering freedom, autonomy, and citizens’ initiatives. According to Gide and

Jaurès, French associations were the precursors of the Welfare State until Liberation; later, they became sub-contractors of the state.

A set of rules: the guiding principle “one person, one voice”; the principle of indivisibility of reserves; limited profit. This set of rules allows units in the social economy to serve as commercial initiatives not driven by profit criteria.

One person, one voice, one vote: a principle of management – power control is linked to people’s membership and not to participation by capital (which is, in this case, the principle of corporations). This principle is considered democratic.

Social units have their own capital, which cannot be appropriated by members, but which is collective and indivisible, stemming from their “existential” autonomy with regard to the founders and their successors.

Their aim is a social project, separate from members’ profits and private gains. According to the current interpretation of this nonprofit status (a concept that would exclude cooperatives), any surplus should be reinvested in social projects.

The Economy of Solidarity is present in several European countries and reaches considerable dimensions in terms of the number of people employed. In Brazil, from 1990 to 1998 the number of cooperatives grew by 44%, while membership increased by 53% [N. Tadashi Oda: 1995]. An estimated five million Brazilians now belong to cooperatives (roughly 5% of the labor force). The WSES (Workshop on a Socio-Economy of Solidarity) made up of the Institute of Alternative Policies for the Southern Cone of Latin America, the Charles Léopold Foundation for the Progress of Humanity, and the ADSP (Agency for the Development of Local Services) gathers, analyzes, moderates, and discusses universal experiences currently under way that are linked to the Economy of Solidarity

The Economy of Solidarity prioritizes use values as compared to exchange values, based on the free association of individuals in a collective project, emphasizing values of cohesion and solidarity, favoring a rapprochement between the economy and ethics. Ultimately, we consider the current initiatives in the Economy of Solidarity as society’s response to both neoliberalism and the material difficulties affecting most populations, despite the growing diversity and multiplicity of objectives in a specific group formed by NGOs. We need statistics on the latter sector, and in particular on the units that we could include in our Economy of Solidarity.

4 – PROPOSALS

Among the items discussed above, we can highlight the following measures, considered priorities in the framework of a fiscal policy oriented towards collective welfare:

1. Promotion of a universal minimum income policy.

This is a profoundly revolutionary demand, since it allows one to differentiate between work and employment, employment and survival, and income and the market. It also breaks with the need to commercialize the work force and with the myth whereby it is possible to sell one's individual productive capacity without selling oneself. Minimum income should be seen as a social right, for all citizens, guaranteed for everyone, from cradle to grave, regardless of his or her integration in the economic process.

2. Promotion and reinforcement of participatory budgeting and social currency

A budget always requires resources and financial viability. That is why we believe it is necessary to combine the two topics in a single proposal.

Social currencies are almost anti-currencies from an institutional point of view, since they are devoid of the value demanded in peripheral countries and because they can symbolize a society's revolt against the dictatorship of financial capital, against the pernicious way in which a central bank and commercial banks, wielding their power, treat money as if it were simply a commodity serving speculation and extortion. We maintain that the use of social currency can help to form a fund to redeem the social debt, fed by the hegemonic rights passed from the state to society and by all the supplements coming from the increase in national production. Rather than covering current spending, such a fund should aim to build a minimum capital base for all citizens in order to guarantee housing for everyone and provide citizens with the ownership of capital goods required for production within society.

Participatory budgeting allows for shared decision-making power in resource allocation, socializing decisions concerning the public budget, with positive effects on efficiency and productivity of social expenditure. Although in Brazil the participatory budget has been linked historically to municipal governments headed by the Workers' Party, several other countries and international institutions have already recognized the process as a significant innovation. In this context, we believe it is equally important to extend the democratic debate to the tax system as a whole and to analyze its fiscal impact.

3. The struggle against fiscal adjustment and zero deficit programs

When drafting fiscal adjustment programs for peripheral countries, the IMF and World Bank use deficient models and proposals that run absolutely contrary to development and social justice objectives. Moreover, such proposals stimulate excessive indebtedness in poor nations, weakening their already fragile sovereignty.

4. Auditing the foreign debt

In peripheral countries, foreign debt is an instrument of submission to the interests of dominant nations and their economic and political elites. We believe that the debt was not incurred with the aim of the collective welfare of the populations that are being forced to pay it. High indebtedness results from interest rates set in oligarchic markets, following more of a usurer's logic than the spirit of international cooperation. In general, international funds are not used for economic development in the nations that receive them. The foreign debt often increases in parallel with tax evasion by large national and international companies which frequently use peripheral economies as tax havens. For all these reasons, we emphasize the urgent need to audit the foreign debt to distinguish between legitimate and illegitimate debts.

5. Promotion of taxes and expenditure in line with the Economy of Solidarity

For state reforms to be efficient, they must be combined with a new ethic and a new social organization of production, from which exchange values, merchandise, and the *lex mercatoria* would be excluded in the long term. Thus, in a united society, the main tax burden should be on inheritance revenues, levied universally according to criteria of social justice, and taxation on foreign trade. Income tax is essential for full citizenship and political equality; it is the tax

counterpart of a process of power-sharing, of the multiplicity of power poles. Taxation of foreign trade is an instrument necessary to achieve certain national objectives, such as food sovereignty, for example. As for public expenditure, the production of socially relevant goods should obey a collective decision-making process.

6. Defense of public social security based on shared systems

We consider that pension funds, when they are open and individualized, hide the pernicious mechanisms of income concentration. They can help make the elites richer and be used for speculation in the financial, real estate, and government debt bonds markets. For the moment, the best social security system is one that shares public resources of generalized and universal coverage, with levels compatible with the minimum requirements for survival and dignity.

The implementation of the proposals presented above requires a double defensive strategy, to deal with consumerist and individualist values but which is also constructive and capable of drawing on solid core groups geared at reproducing the material goods required by individuals and societies. In particular, we believe that cooperatives, associations, and unions are prime arenas for identifying the social actors engaged in the project for a new society where everyone has a decent life. It is highly likely that we could design a realistic utopia based on consolidated principles of administration within the groups dedicated to an Economy of Solidarity.

In such a period of paradigm shift, it is admittedly difficult to propose a new fiscal policy for a new united and plural society, the society we have imagined but not witnessed. However, the picture we have of this society can be based on historical archeology and cultural anthropology. The central value – solidarity – is a living legacy in many of our countries. In Latin America, for example, local tradition is full of the values and practices of united communities. Braudel taught us that the production of use values was quite common in Portugal during discoveries of the New World (see point 2 of “New Paradigms”). Even today, many authors contend that survival in poor communities in Brazil requires solidarity and the exchange of services without mediation by money from the capitalist market.

Such an approach is not far from the proposals presented and approved unanimously at our meetings in Rio de Janeiro last April. It is true that up to that time our suggestions were quite close to an ideal Welfare State, with a Keynesian and social democratic format, covering all the basic needs, where direct and indirect taxes had progressive rates linked to income, net equity, and level of need of the respective products. Beyond this, it became clear at that meeting that there was a preliminary condition for the full exercise of fiscal instruments in Southern countries: to partially write off and re-negotiate the foreign debt while at the same time confronting the structural adjustment programs drawn up by the IMF, the World Bank, and G-7.

However, the perspective we introduced (based on WSES texts and on the works of authors like B. Santos and B. Théret), according to which we are living in a period of transition towards a new paradigm and can choose the paths that will lead us to “another world,” in which the principles of Western modernity will be replaced by a new code of ethics founded on solidarity, power-sharing, and an abundant supply of use values, has led us to update these proposals, making them compatible with something that could become “our utopia.”

Like Boaventura Santos [p. 174], we believe that, “the state-society civil dichotomy has started a dynamic relation between the two concepts, which, in general terms, can be described as a reciprocal and constant mutual absorption (...) [which implies] two different processes: the reproduction of civil society under the form of a state, and the reproduction of the state in the form of civil society. (...) So, this explains the fact that the majority of recent proposals to grant power to civil society end in social and political disarmament for most citizens: the power that is apparently taken from the state to give to civil society does in fact continue to be exercised under the ultimate supervision of the state. Only during direct execution does it replace public administration by private administration and thus exercising democratic control that public administration is subjected to. Private logic, which is almost always the logic of profit, combined with the absence of democratic control, can only worsen the social and political inequalities” [The Critique of Indolent Reason]. In other words, it is of no use to privatize, or to turn the state into an NGO. Political reforms have to be more profound and combined with a new ethic and a new social organization of production, from which it will be necessary to exclude exchange values, merchandise, and, with them, the *lex mercatoria*.

Without the production of merchandise, it is highly likely that taxes on production and consumption could be abolished within a nation. Moreover, if the exchanges were carried out on the base of production costs, reducing profits to zero, it would also not be necessary to tax companies. In a society with solidarity, only two taxes are necessary: an income and inheritance tax, collected universally, in accordance with criteria of social justice, and a tax on foreign trade in order to facilitate international exchange without hurting each nation’s economy.

Income tax is an essential element of full citizenship, of political equality. It is the tax equivalent of a power-sharing process, of the diversification of centers of power. B. Théret taught us that taxation is production transformed into political power! Its progressiveness depends on conditions in the distribution of the Gross Domestic Product and national revenue. In egalitarian societies, progressive taxation is unnecessary.

Expenses in the production of collective goods, under the responsibility of the state and communities, should be the subject of a collective decision through the establishment of rules by a consensus or by a majority. According to the French National Tax Union, the amount of public spending should be decided according to social and collective needs. The amount of public expenditure should determine the amount of taxes that need to be collected.

The two proposals above focus on an immediate need to strengthen the institutions and procedures involved in participatory budgeting, spreading the democratic debate to the tax domain for analysis of tax levying.

With regard to social protection and social security institutions, the first step is to consistently denounce the pernicious mechanisms of income concentration embedded in pension funds, instruments at the disposal of the elites and supplied with speculative mechanisms (operating in the real estate and securities markets, thus including debt bonds). Currently, the best social security system is a shared system, with public resources, with generalized and universal coverage, at levels compatible with minimum requirements for survival with decent living standards.

Contrary to neoliberal dogma, currency is not a commodity like any other, and we should eliminate all mechanisms allowing speculation on monetary assets and set a limit for real interest rates, never above 6% per year. These two restrictions will permit a healthy use of the monetary system aimed at facilitating exchanges, almost exclusively as a priority.

Recovering the role of currency as an exchange instrument also means opening possibilities for forming a fund to redeem the social debt, fed by seigniorage rights transferred from the state to civil society, and in supplements according to increases in national production. Such a fund would serve as more than just a mechanism for current costs. It should be used to establish minimum net equity for each citizen, guarantee universal housing, and ensure that everyone possesses the capital goods required for production in society.

For the moment, these are the proposals we consider compatible with the principles of a new society, where the main link in social cohesion is an ethic of solidarity.

5 – STRATEGIES AND ACTORS

The protagonists in the development of a new society are all those who choose life, or, as Victor Hugo says,

“The living are those who wage battle
The living battle on, ever holding
A clear purpose in mind and spirit.
Their lofty destiny scales the jagged peak.
They march forth pondering, enraptured with sublime purpose.
The eye ever fixed, day and night,
On some holy task or some great love.
(...)
They live, Lord! I grieve for all the others,
For they grow drunk on the void of their boredom,
And the heaviest burden is existing without living.”
(Châtiments [The Castigations], December 31, 1844)

Victor Hugo’s verses reveal a de facto revolution without armies or arms and the possibility of defensive strategy in the foreground. By defensive strategy, we mean the capacity to materially and spiritually resist the current economic crisis, which tends to deepen and literally annihilate large segments of the population. This also means resisting the dictates of an individualist, competitive philosophy and consumerism, which Eric Fromm (in the 1960s) identified as a capitalist disease.

In reality, the consumerist ideology is central to current neoclassical economic theory, reaching the paroxysm of referring to the commodities in mercantile exchange as “goods”, and considering that homo economicus’ greatest satisfaction comes from, or is equal to, the maximum consumption of goods... Along the same line of thought, this theory confuses collective welfare with the production of goods (whether useful or useless, that is, lacking use value), by once again claiming that welfare, arms, education, and tourism, the cave and the palace, are all equivalent [Ceci Juruá, “ Life and the Economy ”]. It is not hard to deny consumerism, because it has already been denied, in practice, for most of the population. It is necessary to destroy it ideologically by opposing it, in turn, with values more adapted to the full development of human potential, as in Leonardo Boff’s work, for example.

But it is also necessary to elaborate a constructive strategy that organizes solid, united core groups capable of reproducing the material means necessary for life and the reproduction of society. But that is where we find, in all countries and in increasing numbers, cooperatives, associations, and a varied group of public nongovernmental and nonprofit organizations (such as unions). These are examples of the Economy of Solidarity that are currently at everyone’s disposal, with the philosophy and principles we mentioned earlier in point 2, on new visions and a new paradigm.

There are various areas for reflection in the Economy of Solidarity: work, production, consumption, credit and finance, and many others. The strategy for their expansion should not be limited to sectors, but should spread to a set of systemic activities. That is why it is difficult to approach the Economy of Solidarity exclusively from a fiscal policy perspective. Likewise, it is difficult to segment the new positions of individual and collective actors, which should be reflected in all fields of human activity.

More than ever, humanity currently needs sources of hope, knowing where not to go if we want to reach a more pleasant place that guarantees a “decent life” in the future, as proposed by Boaventura Santos, the true apostle of paradigmatic transition. Finally, we ratify the certainty that the Economy of Solidarity offers a realistic utopia for all of humanity.

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1 Cf. *Le Monde Diplomatique*, "Baisses d'impôt, retour aux fortunes d'antan" ("Tax reductions, return to the fortunes of yesteryear"), September 2001, article by Thomas Piketty, director of l'Ecole des Hautes Etudes en Sciences Sociales, Paris.

2 The erosion of an enlightened faith in an integration-oriented modernization process has undermined the belief that only a highly industrialized society is capable of releasing human potential. [WSES/Workshop, Labor, Employment and Activity, project summary submitted at the Findhorn Assembly/June 2001].

3 "(...) In the 16th century, the money supply and monetary values at stake in domestic trade were higher than the trade in pepper, spices and drugs. But this domestic trade was generally carried out according to the rules of exchange and use values". F. BRAUDEL. *La dynamique du capitalisme*. Ed. Flammarion, Paris, 1985.

4 "It is not just a question of crisis management, but of change at the very heart of society as a whole, to where it will no longer accept the existence of such radically adverse social inequalities or such irresponsible behavior towards nature." – [WSES/Workshop, Ethical Consumption, project summary submitted at the Findhorn Assembly/June 2001].

5 The loss of legitimacy stems from several factors, particularly the authoritarian nature of decisions by the Executive Branch. Brazilian President Fernando Henrique Cardoso signed 5,295 so-called Provisional Measures from 1995 to September 6, 2001. During his first term, from January 1995 to December 1998, the 2,609 rulings signed by Cardoso represented 2.5 Provisional Measures per working day. During his current term, from January 1999 to September 6, 2001, taking into account normal working days, Fernando Henrique has issued one Provisional Measure every 160 minutes... " [in Jânio de Freitas : "Laws in the Trash Can", *Folha de São Paulo-A5*, Sept. 9, 2001].

6 "Today there are a number of complementary currency experiments that have set up different forms of exchange, in an attempt to deal with an absence of money". [WSES/Workshop on Social Money."Project Summary"].

7 Paper currency issued by the government of the province of Buenos Aires, used to pay civil servants' salaries and suppliers' invoices.

8 The monetary regime established in Argentina in 1990, which sets exchange parity between the US dollar and the Argentine peso and a variation in the monetary base according to availability of foreign exchange reserves.

International reserves increased from US\$ 67 billion in late 1965 to US\$ 150 billion in 1973, to US\$ 1 trillion in the late 1980s, with a predominant share of US dollars.

Questionnaire

We would be very happy to have your opinion on the proposals contained in this notebook. In order to facilitate this task, you will find below some questions to which we hope you will take the time to answer. Your assessments and comments will be very important for the continuation of the collective work. We hope that the reading of this notebook will inspire you and will bring you to read other Proposal Papers of the Workgroup on Solidarity Socio-Economy and of the Alliance (see <http://www.alliance21.org/en/proposals>.)

We also invite you to indicate what are, for you, the proposals most crucial and important to build alternatives to the present model of globalization, and to suggest projects that would represent the practical application of these proposals.

The Proposal papers:

- What is your opinion on the notebook in general?

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- On the diagnosis?

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- On the proposals?

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The proposals

- What are the proposals you agree with?

Numbers:.....

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- Any comments?

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- What are the most useful proposals for your everyday action? In what way (inspiration for the action, for lobbying, for experience sharing...)?

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.....

.....
➤ What are the proposals you don't agree with? Why?

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.....
The future

➤ What suggestions would you do for the follow-up of this workshop?

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This questionnaire is to be sent back to Françoise Wautiez, email: <<mailto:psés-sp@alliance21.org>>