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SESSION 22 POLITICS OF BASIC INCOME

Why and How Basic Income Must Be Financed by Monetary Creation

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SINK TANK

REFAIRE LE MONDE
PLUTOT QUE LE DÉTRUIRE

THE SINK TANK

We are a French think tank focusing on how to finance environmental transition, with Basic Income as a keystone.

Our model is based on French economy, but can be scaled internationally.

This presentation is a summary of our approach. It will (hopefully) be thought-provoking, but would need far more developments.

We argue that a 20% GDP Basic Income can be 100% financed by monetary creation if it is part of a larger environmental shift, along with strong control mechanisms.

WHY BASIC INCOME SEEMS DOOMED TO UTOPIA

BASIC INCOME SHOULD ALREADY EXIST

- A unique, bi-partisan proposition
- Tremendous advantages vs. redistribution
- A (probable) massive public support

And yet, appart from scarce experiments,
basic income is nowhere on political agendas worldwide.

EVEN WORSE... ADVERSE TRENDS

It seems like we have never been that far from success:

- Almost everywhere in the world:
  taxes and public expenditures are diminishing.

- Almost everywhere in the world:
  right wing political agendas are (quite successfully) attacking welfare in general.

AND GENERALLY SPEAKING…

In reality, it seems like it will never be the right time
for a significant Basic Income:

- Its financing needs, at some point, taking money from someone who's got money:
  they won't be thrilled, and they're strong enough to protect their interests.

THE SHORT CASE
FOR A BASIC INCOME FINANCED
BY MONETARY CREATION

The case for monetary creation

Obviously:

- No redistribution = no one loses a dime.
- Money creation = it costs absolutely nothing.

On a symbolic level:

- No redistribution = no stigma for recipiendaries.
  As a society, we decide to create the money needed to keep each other safe.

OUR MODEL

A significant Basic Income financed by money creation

A global political agenda

This is of paramount importance: Basic Income would be implemented inside a larger new macro-economic model aiming at a cleaner liberal economy.

1. **A positive, global aim: environmental transition**
   1. We need to change our consumption.
   2. We need to change the way we work and produce.

2. **The end of redistribution**
   1. A Basic Income to end poverty.
   2. A Basic Income to end Welfare.

3. **No rupture with the capitalist frame**

How much?

Our French model is set to come close the ideal amount of 25% GDP:

- €900 per adult/month
- €300 per <18/month
- No condition whatsoever
- Close to the poverty line

A yearly cost of €600b / year (20% of French €2,400B GDP)

Can we create that much money?

Character of created money

- **A <u>complementary</u> money created by the State**
- **At par with Euro**
- **Non convertible**

- **Can be used for any commercial transaction on national soil.**
- Can be used to pay taxes (with a cap TBD annually)
- Can be used to pay wages (with a cap TBD annually)

HOW CAN IT WORK?

How realistic is it to create 20% GDP money?

> Mechanisms to limit inflation

Inflation, inflation, inflation!

Inflation is of course the main concern.

- First, we are obviously convinced that an increase in quantity of money does not automatically mean an increase in prices.
- Second, we argue that the 3 mechanisms we imagined will prevent unwanted inflation.

1) Characters of the new money and of Basic Income

- Using a complementary money instead of pure euros will by essence limit some of the uses of the revenue.

- With a significant Basic Income Revenue, a slight diminution of paid labour can be expected, households revenue might not rise that much.

➢ This tends to keep Demand reasonable.

2) Money destruction

With a considerable use of money creation, the State & public administrations will change their revenue structure:

- Important tax cuts can be implemented.
- No longer need for public bonds and other private credits.

➢ **In our model, the State reimburses approx. €170b of public debt every year.**

– out of a stock of €3000b (20 years of money destruction ahead)

2) Money destruction

Moreover, tax cuts + basic income will bring a lot more available money to the private sector (households and business).

- We can thus expect that bank credits will decrease, reducing private money creation along with destruction of existing euros (private credits stock).

3) The great counterpart: the EVT

We propose to suppress all business and consumption taxes (VAT, profit taxes, production taxes…) and replace them by a single tax:

the Environmental Value Tax.

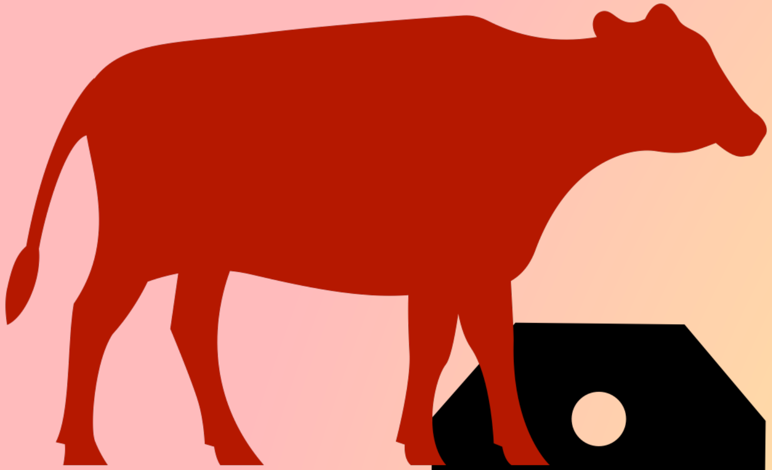
- **This tax would be based on each business environmental footprint. EVT's rate and amount would compensate 100% of said footprint.**

- **Rates will be re-assessed yearly:**

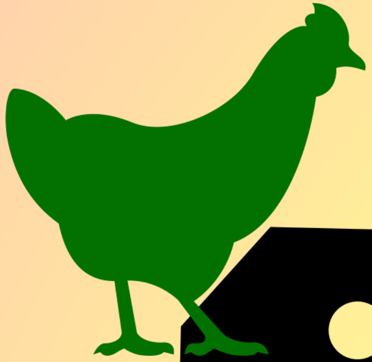
➢ businesses that have improved their production (cleaner processes) will have their tax rate reduced,

➢ leaving those who have not with a bigger share of the tax to pay.

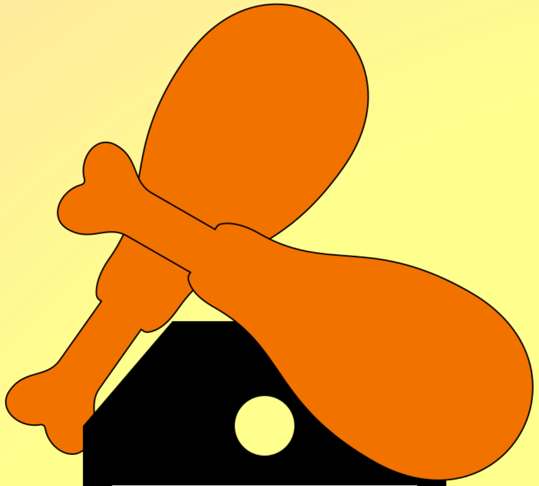
EVT: one quick exemple



1 kg beef
€20
+
35% EVT
= €27



1 kg organic chicken
€15
+
3% EVT
= €15.5



1 kg industrial « wings »
€11
+
30% EVT
= €14.30

3) The great counterpart: the EVT

- Fossil fueled products & services will be more expensive.
- ➢ This is a wanted inflation.

- Environnemental friendly products & services will be more affordable.
- ➢ This is deflationary.

- The rate of the EVT being variable (depending on each business footprint), companies will face a tremendous competitivity challenge.
- ➢ They will have a hard time rising their prices.

3) The great counterpart: the EVT

The EVT requires a thorough fiscal database (including prices of almost all products and services) that would obviously be a solid <u>monitoring tool</u>.
Abusive price raises could be easily spotted, allowing:

- to open discussions with the sector representatives,
- if needed, to launch well-targetted price control actions.

Addendum

THE MODEL:
A FEW NUMBERS

OUR MODEL

All data: France, 31/12/2019 (in €b)

Today: €1300b (excl. Debt)

Revenues

335	Taxes on revenue and assets
130	Other taxes
405	Taxes on production and consumption *Inc. VAT*
400	Social contributions
70	Credit & bonds

Expenditures

600	Public services *Security, education, health*
110	Equipment & environnemental exp.
80	Subventions to businesses
40	Debt interests
510	Welfare *Net subsidies: 465*

Tomorrow: €1530b (excl. Debt)

Revenues

500	Taxes on revenue and assets
100	Other taxes
600	EVT Environnemental Value Tax
400	Monetary creation
100	Transition costs (€ creation)

Exp.

600	Public services *Security, education, health*
400	Equipment & environnemental expenditures
230	
170	*Inc. debt reimbursement: approx. 170*
700	Basic income *600 + 100 transition costs*

OUR MODEL

All data: France, 31/12/2019 (in €b)

	Revenues	Expenditures
Citizens pay for their public services	500 Taxes on revenue and assets 100 Other taxes	600 Public services *Security, education, health*
Businesses pay for their impact	600 EVT Environnemental Value Tax	400 Equipment & environnemental expenditures *230* *170* *Inc. debt reimbursement: approx. 170*
The State provides essential needs	400 Monetary creation 100 Transition costs (€ creation)	700 Basic income *600 + 100 transition costs*

OUR MODEL

All data: France, 31/12/2019 (in €b)

Revenues

335	Taxes on revenue and assets
130	Other taxes
405	Taxes on production and consumption *Inc. VAT*
400	Social contributions

Today: €1270b

20% less taxes

= a lot of money left in the economy to finance a shift in production

Revenues

500	Taxes on revenue and assets
100	Other taxes
400	EVT Environnemental value tax

Tomorrow: €1000b

OUR MODEL

All data: France,
31/12/2019 (in €b)

Expenditures

110 Equipment & environnemental exp.

80 Subventions to businesses

510 Welfare

Net subsidies: 465

Today: €700b

€230B more expenditures

a boost in public env. investments

= a lot of money as incentive to the shift in production

Expenditures

230 Equipment & environnemental expenditures

700 Basic income

600 + 100 transition costs

Tomorrow: €930b

Thanks for listening!