

*Alliance for a Responsible, Plural and United World – Pole of
SocioEconomy of Solidarity
November 2001*

PROJECT SUMMARY – FINAL VERSION

**WORKSHOP 5 - FISCAL POLICY: TAX, DISTRIBUTION OF
NATIONAL REVENUE AND SOCIAL SECURITY**

(By Ceci Viera Juruá, Fiscal Policy Workshop leader, with observations and suggestions on the revised version by Marcos Arruda, SocioEconomy of Solidarity workshop leader)

SUMMARY

1. Observations and diagnosis
- 2- Viewpoints and new paradigms
- 3- Initiatives and innovations
- 4- Proposals
- 5-Strategies and agents

1 – OBSERVATIONS AND DIAGNOSIS

The general institutional framework

It has been unanimously observed that the expansion of transnational firms and financial irregularities are leading to a weakening of nation-states. We subscribe to this observation provided that the differences are defined between what is happening in the central, rich and powerful countries of the North, and the peripheral, poor and/or emerging countries of the South. The largest firms and conglomerates, as well as the holders of financial securities, are located in the Northern States; and it is in the North that transnational companies and the de-regulated capital act as “extraordinary” reinforcement agents for their nation-states and their governments, with which they share the glory, the power and the money.

The opposite is the case in poor or emerging economies: here we find dis-industrialization, the incapacity to manage their own technology, the loss of markets, a lack of financial resources and growing debt. This impoverishment, visible south of the Equator, has led many sociologists to believe that the biggest conflict of all times comes from the North/South polarization. In lagging economies, the State goes through an acute process of financial weakening, of growing delegitimization and even of decadent sovereignty in view of international creditors. The fiscal (or structural) adjustment programmes and their present version – zero deficit -, elaborated and controlled by international agencies (such as the IMF and the World Bank) contribute to the weakening of governments and to limiting their growth and economic development and to promoting models of commercial and

Alliance for a Responsible, Plural and United World – Pole of SocioEconomy of Solidarity November 2001

financial openness, the most visible result of which is the loss of monetary autonomy and growing, unpaid external debts. In South America in particular, a military occupational process of the national territories is still under way, with the expansion of the North American bases and military agreements, unfavourable to the countries in this part of the world.

In the North and the South, depoliticization and loss of confidence in the traditional mechanisms of liberal democracy are taking place at an increasingly fast pace the vote and representativeness of those elected. In those places where voting is not compulsory, a low turnout of voters has been noted (equal to or under 30% of the electorate). In political regimes where voting is compulsory, the power of the media and capital has a significant impact on public opinion. In both, the social representation is lower in political parties mainly dominated by representatives of business sectors and the local and international financial elite.

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

Observed Fiscal Policy trends

In the course of the last two decades, there has been a growing adhesion by the governmental authorities to the One-Idea-System, as well as to the premises that are attributed to it regarding fiscal policy. In the field of taxes, there has been: a) a reduction in the progressiveness of direct tax; b) a reorientation of subsidies and fiscal privileges, from work to capital, from the consumer to businesses, from demand to supply; c) an increase in the base of incidence and the aliquot parts of indirect tax considered fairer and more voluntary; d) partial elimination of the tax that has an impact on foreign trade. In the public spending sphere, in the Northern countries, the predominant view condemns the activities of State-owned firms and their progressive privatization. In the South, it is more a question of denationalization than privatization, considering that shareholder control of the State-owned firms is currently being transferred to a large extent to large international financial capital. At the same time, the institutions responsible for the Welfare State (or State of Social Welfare) are being disarticulated.

Asymmetries of power and technological and financial capacity amongst central and peripheral countries, or amongst rich and poor countries, have had very different consequences in the North and in the South. The complexities of these consequences cannot be analysed within the restricted framework of the current report. However, it is worth highlighting some important characteristics. Firstly, contrary to the official rhetoric and to what can be observed in rich North America and in the European Union, in the peripheral countries there has been a considerable increase in the tax burden, completely separate from social and collective interests: tax payments are progressively being raised in order to cover the high interest rates applied to external debt and national internal debt. The growing debt helps justify the adoption of confiscatory and vampire-like interest rates, more than five or ten times higher than the growth of the National Product, leading to chronic, explosive debt and to the deterioration of monetary sovereignty. The withdrawal of strategic public investments (the physical infrastructure), the reduction of social expenditure and the dismantling of state Social Security systems,

Alliance for a Responsible, Plural and United World – Pole of SocioEconomy of Solidarity

November 2001

act as factors that break up society and encourage an increase in violence and a reconcentration of the revenue.¹

Current fiscal policy also reflects a tendency to lose social rights, not only in the field of the citizens' rights listed in the Constitutions, but in particular in the capital-work relationship, where an attempt is made to lay down rules to make the labour market more flexible, which means: reductions in salaries and deterioration in the material conditions necessary for workers' reproduction. The freedom businesses are allowed regarding flexibility of labour means that expenses that should be part of the firms' conditions of contract, as well as the risks stemming from fluctuations in the demand, are delegated to the worker.

In addition to the erroneous interventions due to the IMF and the World Bank, the peripheral countries and their Governments are faced with concrete threats from the WHO, which is trying to include restrictive fiscal policy clauses in the agreements on trade and international investments. Whereas it is true that the negotiations relating to the MAI - Multilateral Agreement on Investments – are paralysed, 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 super power, or as a veritable empire of almost planetary dimensions, the weakening of nation-states and their macro-economic instruments (currency and national budget), the insecurity that reigns regarding the material living conditions of the majority of the population, the excessive and dictatorial power of international capital financiers and, finally, all the features that represent post-modernity, have sparked off defensive reactions and movements amongst certain collective agents. It is sufficient to mention a few: the regional blocks of the European Union in particular, 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.); entities with international influence and acting on a multinational level, who condemn the hegemonic social organizational model and fight for the construction of a new utopia, as is clearly the case of the Attac/Association for the Taxation of financial Transactions and the Aid of Citizens and the Alliance for a Responsible, Plural and United World, and of the WSES- Workgroup on a SocioEconomy of Solidarity, among others. In Brazil and many other countries, there are extensive and varied networks of socioeconomic solidarity. The shouts and demonstrations of global protest against institutions representative of neoliberalism and its policies are finally multiplying: Seattle, Washington, Prague, Nice, the Porto Alegre World Social Forum, Geneva, etc.

Individual reactions to this pernicious globalization could also be quoted: growing religiosity, crime and urban violence, for example.

However, it is in the field of socioeconomic solidarity that we see a glimmer of a realistic utopia capable of offering alternatives, which are not just provisional, but which are both solid and durable and compatible with a basic spiritual need in men and women: united humanism. This topic will be expanded upon in the chapters that follow.

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.

Alliance for a Responsible, Plural and United World – Pole of SocioEconomy of Solidarity

November 2001

2 – VIEWPOINTS AND NEW PARADIGMS

For many important authors related to Social Science, the present time is a moment of paradigmatic transition [B.Santos : p. 15 and following]. That is to say we are witnessing the end of what is conventionally called “western modernity”, a period that has converged towards capitalism, regulated or not, and towards its opposite, State socialism. In the West, modernity has been strongly characterized by the debate between freedom and equality, given that society’s economic arena has been focused on the production of exchange values and towards the capitalist accumulation of wealth, and the political arena for formal democracy via elections, presidentialist or parliamentary, republican or for a constitutional monarchy.

After several centuries of capitalist expansion and liberal-democratic experiments, the promises of freedom (for all), minimum equality (of possession of material goods), of general prosperity and generalized and universal citizenship, have not been kept². The observations described above, of growing inequality, of the generalization of poverty and material insecurity, as well as the threats of ecological imbalance would appear to designate the end, a necessary end, of this stage of civilization that we know as western modernity. It appears to designate the end of the time of “order and progress”, 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 the new paradigm are just under construction and should rise from the adjustment of the old and the new within each social arena, leading to a new formatting of regimes and regularities inside these arenas and, also, of the institutions responsible for the articulation of macrostructures. In the economic sector, for example, there is discussion about the capitalist market, the co-ordinator of the production of exchange values, and the different systems of non-commercial exchanges through which attempts are being made to minimize the number of those excluded and to guarantee the continuity of the production of use values³ necessary for survival. In the Political arena, the conflict lies between the formalism of the electoral representativeness and the established power’s lack of authority and legitimacy, opening an arena for other, not always legal, types of power (the Mafia, money, crime). In the Domestic arena the traditional wealth-driven and patriarchal family is being disarticulated and new criteria are constantly being adopted to found new families that can even be made up of members of the same sex.

Despite great uncertainty, a wide variety of opinions, an enormous multiplicity of divergent and convergent actions, related to the path of paradigmatic transition, it is already possible to catch a glimpse of the key ideas, the values and the moral and ethical axis which should prevail if we are indeed on the threshold of a new age of civilisation⁴. These ideas and values are predictive of the direction and the horizons of new social configurations.

² With the erosion of an enlightened faith in an integration-oriented modernisation process, the belief that only a highly industrialised society is capable of releasing human potential is broken. [WSES/Workshop, Labour, 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

Alliance for a Responsible, Plural and United World – Pole of SocioEconomy of Solidarity November 2001

In the first place there is the desire for the emancipation of civil society, the wish to break the shackles of the two centres of power that characterize modernity: Capital and State. This idea of emancipation should break the famous Bronze Law, perceived by David Ricardo and later adapted by the neoliberalism under the name of flexible working conditions and the disarticulation of the Welfare State. Two demands are heard: the demand for Full Employment and the demand for Minimum Income, the former situated clearly in the conservative camp, fighting for the restoration of the values of western modernity, certainly subject to the need to avoid social chaos and to maintain traditional order. The demand for a minimum income is revolutionary, since it permits the differentiation between work and employment, employment and survival, market return; it breaks with the necessary commercialization of the work force and with the myth whereby it is possible to sell individual productive capacity without selling oneself.

In the field of state power, mistrust regarding the democratic nature of western governments is increasing. In the richest nation in the world, which claims to be the spokesman for the democratic ideals of modernity, the growing lack of interest in politics and institutional non-compulsory voting lead to too much power for people who may have been voted by less than 20% of the population of voting age; this questions their legitimacy as representatives. There is an increase in the perception according to which those elected by voting, whether it be to Executive or Legislative power, try to slant their decisions in order to honour commitments that are not publicly explicit, generally carried out behind closed doors, with the holders of national and international economic power. The result of these and many other events and observations that appear in the press every day, is the loss of the public authorities⁵ legitimacy and their incapacity to outline public policies aimed at improving the population's living conditions.

The social nature of state action, a real sign of the “ thirty glorious years ”, is confronted on the right by “social initiatives” from the private sector, especially in sectors such as education, health, social security and culture. In general, it is more a dispute over the control and manipulation of ideological machines, aiming to homogenize ethical and moral principles, than a real desire to improve the social welfare of private companies whose objective is maximum profit, even at the cost of huge unemployment and a reduction in the workers' purchasing power.

On the left, the Government is faced with the challenge of the “third sector”, a rather wide definition to include NGOs, co-operatives and associations of quite a varied nature, with quite varied practices, so that this third sector represents a field where there is in fact a rich and promising cultural plurality. It is hard to explain here the historical importance of this third sector, as its path of growth is neither linear nor predictable; nevertheless, it is hoped that it follows the structural characteristics of the societies in which it acts.

irresponsible behaviour towards nature. ” – [WSES/Workshop, Ethical Consumption, project summary submitted at the Findhorn assembly/June 2001].

⁵ **The loss of legitimacy stems from several factors amongst which one should highlight in particular the authoritarian character of the decisions of the Executive power. Fernando Henrique Cardoso (president of Brazil) signed 5,295 provisional measures between 1995 and September 6, 2001. During his first mandate, from January 95 to December 98, the 2,609 measures signed represented the issue of 2.5 provisional measures for each working day. During his current mandate, from January 99 to September 6 last year, taking into account normal working days, Fernando Henrique issues one provisional measure every 160 minutes... ” [in Jânio de Freitas : “ The Laws in the Trash Can ”, Folha de São Paulo-A5, 9-09-2001].**

Alliance for a Responsible, Plural and United World – Pole of SocioEconomy of Solidarity November 2001

The non-state public entities that make up the third sector can act both in collaboration with the governmental authorities and with private enterprise. They can finance themselves or depend on gifts from other national or foreign entities, public or private. Some aim for modest rates of profit, others do not. They can use both paid and voluntary labour. They can integrate with a production chain or act independently. These alternatives, along with many others, should determine the social role the third sector will really 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 reestablishment of a certain amount of equilibrium between material production and social needs and between the arbitrator of the elitist governments and the aspirations of working-class participation or of increased democracy.

3 – INITIATIVES AND INNOVATIONS

There is a wide range of initiatives that are trying to minimize the pernicious effects of neoliberal globalization. We are only selecting those that take place in the fields of macro-economic policies – monetary and fiscal -, and interfere in the tax-finance regimes of Public Order [B. Théret, 1992]; we are giving priority to the initiatives that denote rebellion, resistance, along the guidelines of neoliberalism and the one-idea-system (thus, except for the initiatives taken by big capital such as Pension Funds, the colonial currency board system implanted in Argentina, and the IMF's attempt to privatize tax collecting in Argentina).

- Social money

Contrary to the predictions of current social opinion developed in the United States (like Garry Becker's texts, that have numerous followers in this country and elsewhere) that advocate the generalized monetarization of all social relations (including affection), social money is an anti-money from the prevailing institutional point of view (one of the main demands of the prevailing view is that money in circulation in the form of paper money or written money, has a solid value, defined rules and responsible institutions, and operates in an area based on monetary systems and/or regimes).

Since it is money with no value, social money is limited to those places where it is accepted voluntarily by the community, and is thus called to play a role of "community cohesion". The reason for the exchange expressed in social money and determined by negotiation at the heart of the community for which it is intended; it can be based on a "fictitious market" or simply symbolize working times with or without a differentiation in the degree of qualification it exercises.

There are numerous interpretations of the present and future significance of social money⁶. A recent example of great political dimension comes from Argentina. A few months ago, the government of the province of Buenos Aires was forced to issue a new currency with no value, *patacones*⁷ intended to pay civil servants and government suppliers. After an initial, understandable rejection, the Association of Banks of Argentina announced that its associates 'were ready to accept the patacones for the payment of small portions of personal loans, mortgages and wages' (Gazeta Mercantil 24/26 August 2001). This is an extreme situation taking place in a country crippled from a monetary point of view

⁶ " Today there are a number of complementary money 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 money issued by the government of the province of Buenos Aires, used for the payment of the salaries of the province's civil servants and to pay suppliers' bills.

Alliance for a Responsible, Plural and United World – Pole of SocioEconomy of Solidarity November 2001

by the currency board system⁸. In Argentina, this currency board regime has built up a situation of extreme external vulnerability with very high domestic and external debts – in dollars -, and an insufficiency in the domestic monetary base in the face of the requirements of the national markets. With the active circulation of the patacones, Argentina is officially entering a 3-currency regime (dollar, peso and patacones).

With reference to this study, it is important to underline the fact that this social money has emerged as a reaction to the dictatorship of financial capital, exercised by the large banks and by international financial capital. The presence of this capital is tragic in the peripheral countries, who not only have to bear money 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 money used in Canada, Japan, Brazil and/or in 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 money by commercial banks.

We can carry out some research into the expansion of currencies or social credits. According to French regulationists, for example, the currency indicates the existence of a collective outside of economic agents, a set of collective beliefs (confidence, reputation, legitimacy), which represent an real institution of social mediation (means of payment) with symbolic power (the social creation of wealth). It is likewise “ 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: are the patacones going to represent yet another element in the disintegration of the Argentine nation?

Secondly, the financial significance of this social money can be observed within public finances. It is obvious that not only the government’s payments are made in patacones, tax collection is too; from this one 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), going towards an “all or nothing” situation: total autonomy/absolute anarchy or complete annihilation; it would only take a declaration by the IMF via the Argentine central government to wipe out all the provincial organisms. This would pass the responsibility of paying the debts incurred by the private sector via external credit on to the World Bank! We believe this future scenario cannot be ruled out.

Finally, in a positive scenario of an increase in social money, we can ask ourselves how it is possible to pay the external debt with a currency that cannot be converted into dollars. This would allow us to link the future of social money to the exportation of the goods and services it provides. In the present framework of world recession, this alternative seems improbable.

In fact, in order to evaluate the historic significance of social credits different currencies in different official monetary systems, we must “think beyond the system of market economy, producer of merchandise, and its abstract machinery for economic use (with the corresponding political forms) (...)...we must do something different, something new, something that has not existed up to now ”. [R. Kurz: 192 et 195]. In the perspective that encourages us, the social money intrinsically forms the embryos of a new, non-mercantile, non-capitalist society.

- The participative budget

⁸ Monetary regime established in Argentina in 1990, according to which there is a fixed parity of exchange between the dollar and the Argentine peso, and a variation in the monetary base in accordance with the availability of international reserves. International reserves have risen from US\$ 67 billion at the end of 1965 to US\$ 150 billion in 1973 to US\$ 1 trillion towards the end of the 80s, with a predominance of the participation of the US dollar.

Alliance for a Responsible, Plural and United World – Pole of SocioEconomy of Solidarity

November 2001

This is an instrument that shares the authority concerning the allocation of public resources. Traditionally, in western countries, Congress or the Executive Power decides public expenditure. The deterioration in the ethical conditions of the exercise of public power – which is part and parcel of the competence to promulgate the Budget Law - and the constant reports of corruption in the manipulation of the State's financial resources, with the oligarchization of the government, are elements that favour an increase in mistrust regarding the government's capacity to exercise the functions of the allocation of resources for public welfare.

Recently, the divergences between the Executive Power and the Legislative Power concerning public expenditure have increased. The deputies try to satisfy their personal interests (individual or collective) when budgets are voted, whilst the ministerial bureaucracy takes a technocratic attitude that attempts to apply, somewhat superficially, business criteria to decisions that are, or should be, eminently social.

The participative budget, the historical materialisation of which is the Worker's Party in Porto Alegre (Rio Grande do Sul), Ipatinga (Minas Gerais) and in other municipalities in Brazil, is a way of socializing the decision concerning the budget, of increasing the transparency of governmental action and of moving the place where conflicts between the Executive Power and Legislative Power are resolved, with the aim of allocating the budget. Above all, regarding social investments (education and health, but also town planning, public safety, lighting, etc.), the participation of the community in the choice of projects financed by public funds is considered to be an element that favours and increases the height of efficiency levels and the productivity of public expenditure.

It is the most successful innovation in the last 20 years regarding fiscal policy. Thus, it is hoped that this year this practice will be extended to other states of Brazil and other countries. It is also desirable that the communitary debate spreads to the tax system, favouring transparency in the incidence of tax payments (who pays taxes? The capital, labour, businesses or the consumers?).

The official bodies have also understood the political stakes of the participative budget and already want to incorporate it into their activities. The World Bank will probably offer resources to spread the practices of the participative budget not only in South America but also in Africa. In Brazil, the government has just begun a tax literacy campaign, using the inspectors of the Federal and regional Revenue Offices for a programme in tax education in schools and in association with civil society. The aim of this programme is to place the emphasis on the social nature of the tax, that is to say its capacity to create social services for the poorest members of society. It is hard to predict the probable outcome of this campaign, as it has not even started, it has just been advertised on television.

- The Economy of Solidarity

This contains the set of activities organized according to criteria and rules that are fundamentally different from those of the typical capitalist business: private ownership of capital, pursuit of maximum profit, individual accumulation of wealth obtained and of the capital gain, production of exchange values divorced from social and collective requirements. They are also totally different from State businesses regarding the origin of the resources and the rules of operation and decision-making.

Articles by Alain Lipietz and Edith Arxhambault, published in "*Problèmes Economiques N. 2712*", and entitled "Association et Lucrativité" (Association and Profit), and "l'originalité du modèle français" (The Originality of the French Model), explain that the units which make up the Social Economy in France share a common feature, the non-profit-making status, imposed and accepted historically because of the private sector's mistrust of the tax office: in fact, in this country, the associations were born of a process of public self-assertion, permanently struggling with the State and against Business.

The units that make up the social economy are classified in 3 groups: co-operatives, associations and mutual aid organizations (mutual insurance companies), spurred on by a centenary law of 1901, which permitted the self-organization of civil society without prior consent from the Government. For this reason it is considered a law of freedom, autonomy and of citizens' initiatives. According to Gide and

Alliance for a Responsible, Plural and United World – Pole of SocioEconomy of Solidarity November 2001

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

A set of rules: the guiding principle “one person, one voice”; the principle of the indivisibility of the reserves; limited profit. This set of rules permits the units of social economy to be situated as commercial initiatives that are not directed by the criteria of profit.

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

The social unit has its own capital, that cannot be appropriated by the associates, but which is collective and indivisible, stemming from its “existential” autonomy with regard to the founders and their successors.

Its aim is a social project, which is separate from the profits and private gains of the associates. The current interpretation of non-profit-making status (a concept that would exclude co-operatives) shows that, if there is surplus it should be reinvested in the social project.

In several European countries, the Economy of solidarity is present and reaches considerable dimensions in terms of the number of people employed. In Brazil, between 1990 and 1998, the growth rate of the number of co-operatives was 44% and the growth rate of the number of members reached 53% [N. Tadashi Oda: 95]; the number of Brazilian members of co-operatives is estimated at 5 million (roughly 5% of the economically active population). There is also a WSES- Workshop on a SocioEconomy 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, which gathers, analyses, facilitates and discusses universal experiences currently under way and that are linked to the Economy of Solidarity

It is important to underline the fact that the economy of solidarity prioritizes use values, compared to barter values, basing itself on the free association of people round a collective project, placing the emphasis on the values of cohesion and solidarity, favouring a rapprochement between the economy and ethics. Finally, let us consider that the current initiatives that are developing around the economy of solidarity can be regarded as an adaptive response by society to neoliberalism and to the difficulties of material life that affect 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

Of the above expositions we can highlight the following measures, considered to be of priority in the framework of a fiscal policy slanted towards collective welfare:

1. Promotion of the Policy of the Universal Minimum Income.

It is a deeply revolutionary demand, since it allows one to differentiate between work and employment, employment and survival, income and market; it also breaks with the need to commercialize the workforce and with the myth whereby it is possible to sell individual productive capacity without selling oneself. The minimum income must be seen as social and a citizen's right,

Alliance for a Responsible, Plural and United World – Pole of SocioEconomy of Solidarity November 2001

guaranteed for everyone, from the cradle to the grave, regardless of his or her integration in the economic process.

2. Promotion and reinforcement of the Participative Budget and Social Money

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 money is almost an anti-money from an institutional point of view, since it is discharged of the value demanded in peripheral countries and because it 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 merchandise serving speculation and extortion. We maintain that the use of social money can help form a **recovery fund for social debt**, supplied by the hegemonic rights passed from the state to society, and by extras that come from the increase in national production. Rather than covering current expenditure, this fund should be aimed at building a minimum capital for each citizen to guarantee a home for everyone and to provide each citizen with the ownership of capital goods required for production within society.

The participative budget allows authority to be shared, relating to the granting of public resources, and to socialize the decisions concerning the public budget, with positive effects on the levels of efficiency and productivity of social expenditure. Although historically Brazil has been linked to municipal governments occupied by representatives of the Labour Party, the participative budget is already recognized as a significant innovation for several countries and international institutions. We believe it is equally important to extend democratic debate, in this context, to the tax domain and to analyse the fiscal impact.

3. Struggle against the FAP – fiscal adjustment programmes and Zero Deficit

The models used by the IMF and the World Bank when drawing up the fiscal adjustment programmes for peripheral countries are deficient and present proposals that run absolutely contrary to the objectives for development and social justice. Moreover, they stimulate excessive debts in poor nations, weakening these countries' already fragile sovereignty.

4. Audit of the external debt

In the peripheral countries, external debt is an instrument of submission to the interests of dominant nations and their economic and political elite. We recognize that it was not incurred with the aim of the collective welfare of the populations that have to pay it in view. Its high value is the result of interest rates fixed in oligopolized markets, more following a usurer's logic than in the spirit of international co-operation. In general, the international funds are not used for the economic development of the nations that receive them. Often, the increase in external debt takes place in parallel with a process of tax evasion by the large national and international companies that frequently use them as tax havens. For all these reasons, we defend the urgent need for an audit of the external debt that is capable of distinguishing between legitimate and illegitimate debts.

5. Promotion of taxes and expenditure in line with the economy of solidarity

For State reforms to be efficient, it is necessary to combine them with a new ethic and a new social organization of production, from which exchange values, merchandise and the *lex mercatoria* would be

Alliance for a Responsible, Plural and United World – Pole of SocioEconomy of Solidarity

November 2001

excluded in the long term. This is why, in a united society, the fiscal emphasis should be placed on patrimonial income taxed universally, following criteria of social justice, and on a tax on foreign trade. Income tax is essential for full citizenship, for political equality; it is the tax counterpart of a process of power sharing, of the multiplicity of power poles. The imposition of foreign trade is an instrument necessary to achieve certain national objectives, such as dietary sovereignty, for example. As for public expenditure, the production of goods of social interest should obey a process of collective decision-making.

6. Defence of Public Social Security based on sharing regimes

We consider that pension funds, when they are open and individualized, hide the pernicious mechanisms of income concentration. They can still help make the elite richer and be used for speculation on the financial and property markets and for public debt securities. For the moment, the best Social Security system is one of sharing public resources of a generalized and universal amplitude, to levels compatible with the minimum requirements for survival and for dignity.

The implementation of the proposals presented above requires a double defensive strategy, in view of the consumerist and individualist values, but also constructive and capable of drawing on solid core groups geared at reproducing the material needs required by individuals and societies. In particular, we are thinking of co-operatives, associations and unions privileged places for identifying the social agents engaged in the project for a new society where everyone will have a decent and dignified life. It is very likely that we could design a realistic utopia based on consolidated principles in gestation within the groups dedicated to an Economy of Solidarity.

Admittedly it is difficult, at this time of paradigmatic transition, to make proposals relating to a new fiscal policy for a new united and plural society, the society we have imagined even if we have not seen it. But the picture we have of this society can be built based on historical archaeology and cultural anthropology. I would say that the central value – solidarity – is a heritage that still continues in many of our countries. In Latin America, for example, the 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 at the time of the discoveries (see point 2 of the “new paradigms”). Even today, many authors accept that survival in poor communities in Brazil necessarily involves united attitudes and the exchange of services without the intermediation of money from the capitalist market.

I also believe that, proceeding thus, I am not straying too 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, in a Keynesian, socialdemocratic line, where all the basic needs were covered, where direct and indirect taxes had progressive aliquots linked to the revenue, to the heritage and to the level of need of the products. Beyond this, it became clear at this meeting that there was a preliminary condition for the full exercise of fiscal instruments in the Southern countries: to partially write off and renegotiate the external debt whilst at the same time confronting the structural adjustment programmes drawn up by the IMF, the World Bank and the G-7.

However, the perspective I introduced (based on WSES texts and on the works of authors such as B. Santos and B. Théret), according to which we are living in a transition period going towards a new paradigm and we can choose paths that will lead us to “another world”, in which the principles of western modernity will be replaced by a new ethic founded on solidarity, division of power and the abundant offer of use values, has led me to update these proposals, making them compatible with something that might become “our utopia”.

Like Boaventura Santos [p. 174], I 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,

Alliance for a Responsible, Plural and United World – Pole of SocioEconomy of Solidarity November 2001

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 the public administration by private administration and thus exercising the democratic control which 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”, in [The criticism 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 profound and combined with a new ethic and a new social organization of the production, of which it will be necessary to exclude the use values, merchandise, and, with them, the *lex mercatoria*.

Without the production of merchandise, it is very probable that it would be possible to abolish taxes on production and consumption within a nation. Moreover, if the exchanges were carried out on the base of production costs, by reducing profits to zero, it would also not be necessary to tax companies. In a united society, only two taxes are necessary: an income and heritage tax, collected universally, in accordance with criteria of social justice, and tax on foreign trade in order to facilitate international exchanges without damaging 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 multiplicity of centres of power. It was B. Th  ret who taught us that tax is production transformed into political power! Its progressiveness will depend on the conditions of the distribution of the product and on the national revenue.

The expenses due to the production of collective goods, under the responsibility of the State and the communities, should be the subjects of a collective decision through the establishment of rules set by consensus or by a majority. According to the words of the French National Tax union, the amount of public expenditure will have to be decided on the base of social and collective needs. It is the amount of the expenditure that will have to determine the amount of tax that will need to be collected.

The two above proposals focus on an immediate need to strengthen the institutions and procedures linked to the participative budget, increasing the democratic debate to the tax domain for analysis of the fiscal incidence.

Regarding social protection and security institutions, the first step to take is to denounce, at all times, the pernicious concentrating mechanisms of income hidden in pension funds, instruments placed at the disposal of the rich elite and supplied with speculative mechanisms (within the property markets and financial securities, and thus including the national debt). For the moment, the best Social Security system is a shared system, with public resources, within generalized and universal reach, at levels compatible with the minimum requirements for survival in a dignified manner.

Contrary to that which is established in neoliberal dogmas, money is not an item of merchandise like any other, and we must eliminate all the mechanisms that permit speculation on monetary assets, as well as set a limit for the real interest rates, never above 6% per year. These two restrictions will permit healthy use of the monetary system aiming at facilitating exchanges, almost exclusively as a priority.

A recovery of the role of money as an exchange instrument also means opening up possibilities of forming a rescue fund for social debt, supplied by seigniorial rights, transferred from the State to society, and by supplements due to the increase in national production. More than serving as running costs, this fund should be used to build a minimum heritage for each citizen, to guarantee housing for all and to ensure that everyone possesses the capital goods required for production in society.

These are, for the moment, the proposals that appear to me to be compatible with the principles of a new society, where the main link of social cohesion is an ethic of solidarity.

*Alliance for a Responsible, Plural and United World – Pole of
SocioEconomy of Solidarity
November 2001*

5 – STRATEGIES AND AGENTS

The agents in the building 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, every 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 real revolution without an army or arms and the hypothesis of strategic defence in the foreground. By strategic defence, we mean the capacity to resist, materially and spiritually in the face of the current economic crisis, which tends to deepen and literally to annihilate important masses of the population. This also means submitting to the dictates of an individualist, competitive philosophy and consumerism, which Eric Fromm in the 60s identified as a capitalist disease.

In reality, the consumerist ideology is central in the current neo-classical economic theory, reaching the paroxysm of calling merchandise of mercantile exchange “ goods ”, and of considering that *homo economicus*' greatest satisfaction comes from, or is equal to, the maximum consumption of goods...In the same line of thought, this theory confuses collective welfare with the production of goods, useful or useless, that is to say lacking use values, by once again saying the that welfare, arms, education and tourism, the cave and the palace, and so on are all equivalent [Ceci Juruá, “ Life and the economy ”]. It is not hard to deny consumerism, because it has already been denied, in practice, to most of the population. It is necessary to destroy it ideologically by opposing it, in return, for values more adapted to the full development of human potential, as in the line by Leonardo Boff, for example.

But it is also necessary to draw up a constructive strategy that forms solid united core groups capable of reproducing the material means necessary for life and the reproduction of society. But it is there we find, all over the country and increasing in numbers, the co-operatives, the associations and a rather varied group of public non-state and non-profit making organizations (such as the unions, for example). These are examples of economy of solidarity that are today at everyone's disposal, with the philosophy and principles we mentioned earlier in point 2, on the views and the new paradigm.

The areas of reflection related to the Economy of Solidarity are quite varied: work, production, consumption, credit and finance, and many others. The strategy of their expansion cannot be sectorial, but it should spread to a set of systemic activities, which is why it is difficult to approach this from the exclusive perspective of fiscal policy. Likewise, regarding the agents, individual and collective, whose new position should be reflected in all fields of human activity, it will be hard to segment it.

More than ever, right now humanity needs sources of hope, of knowing where not to go if in the future one wants to reach some more pleasant place that guarantees a “ decent life ”, as proposed by Boaventura Santos, the true apostle of pragmatic transition. Finally, we ratify the certainty that the Economy of Solidarity offers a realistic utopia to the whole of humanity.

*Alliance for a Responsible, Plural and United World – Pole of
SocioEconomy of Solidarity
November 2001*

BIBLIOGRAPHY

(original titles translated into French)

AGLIETTA Michel. "Etat, monnaie et risque de système en Europe". In: B. HERET (org), *L'Etat, la finance et le social*. Ed. La Découverte, Paris, 1995.

HOBSBAWM Eric. "La faillite de la démocratie", in *Folha de São Paulo/Caderno Mais* du 09-09-2001.

JURUA Ceci. "Le vide et l'économie: le désert et les mirages". In: Formas de Vazio, ed. Via Letters (no prelo).

KURZ Robert. "Adieu à l'économie de marché. Perspectives d'une transformation différente et pas seulement en Allemagne". In: *Le retour de Potemkin: capitalisme de façade et conflit distributif en Allemagne*. Ed. Paz e Terra, São Paulo, 1993.

PROBLEMES ECONOMIQUES Numéro 2677, entièrement consacré à l'"Economie Solidaire et Sociale". La Documentation Française, Paris, août 2000.

PSES/Pôle de Socio-Economie Solidaire – Projets de Synthèse des chantiers, présentés à la réunion de Findhorn/juin 2001.

QUINTELA Sandra et ARRUDA Marcos. "Economie à partir du cœur". In: *L'Economie Solidaire au Brésil. L'auto-gestion comme réponse au chômage*. Ed. Contexto, São Paulo, 2000.

S.SANTOS Boaventura- La critique de la vision indolente, vol. 1: contre le gaspillage de l'expérience. Cortez Editora (3ème édition), São Paulo/2001.

TADASHI ODA Nilson. "Syndicalisme et coopérativisme: les métallurgistes de l'ABC et l'Unisol Cooperativas". In *L'Economie Solidaire au Brésil* [ibid]

THERET Bruno – Régimes Economiques de l'Ordre Politique. Presses Universitaires de France, Paris/1992.