

A RADICAL REFORM INSTEAD OF TRIVIAL REFORMS

THE DILEMMA

By Götz W. Werner

We are continually increasing the productivity of our economy but this is leading to more and more people who are mainly contributing to our economic performance through manual labour, such as agricultural or industrial workers, becoming unemployed.

For me, as an entrepreneur, this only presents an apparent dilemma but it will remain one for as long as income is linked to work. The late Peter Glotz pointed out that this linkage cannot be maintained. He even said that in spite of the talk about full employment there was in fact a quiet conspiracy on the part of the Establishment.

In fact, 15 million people in Germany today live on inheritances, social assistance, unemployment benefit, illicit work or donations from third parties. At any rate, they do not rely on their own earnings or the income of a family member.

The way out of the crisis is accordingly the way out of this apparent dilemma, and we can only find it by abolishing the link between work and income. And that will have to be coupled with the introduction of an unconditional basic income.

WHAT BENEFITS WILL AN “UNCONDITIONAL BASIC INCOME” BRING?

Net prices are going down as wages and salaries are in some cases being replaced by a basic income. However, since people are compensated for their lower pay their purchasing power remains the same.

A second consideration is that the state is able to discontinue its existing transfer payments to the citizens as well as other benefits. Moreover, grants to pension funds, capital transfers between employment agencies and health insurance funds, child and housing benefit, grants towards travel costs and other subsidies will be abolished.

Thirdly, products destined for export that are currently subject to taxes on company earnings and income taxes will become much cheaper.

Accordingly, the introduction of an unconditional basic income must be accompanied by a radical tax reform. As the world's export leader and as a post-agrarian and post-industrial society in an increasingly borderless world economy, Germany needs to restructure its tax system and, instead of taxing earnings, place the emphasis on taxing real income, which will impact on domestic consumption. In other words, the tax should not be on the work performed but on consumption.

This system of taxing consumption will involve a gradual increase in value added tax accompanied by a lowering of company taxes.

All those who suspect this is a hidden plan to raise company profits need to be reminded that all taxes are in any case included in the so-called consumer prices – ie the consumer is already paying for high taxes today by having to put up with higher prices. Mistrusting the intentions behind the proposal is thus not very helpful.

In my opinion, this mistrust reflects a negative view of others, and this seems to me to be the main problem at the moment since it is preventing a radical reform of the tax system. It can be assumed that policymakers benefit from the existing structures, but they themselves appear to believe that an unconditional basic income will weaken the individual's motivation to work hard.

THE FUTURE OF WORK

I believe, however, that if citizens receive a basic income they will no longer have to look for a job involving work that does not utilise their skills and aptitudes and will be able to seek employment that gives them the opportunity to develop their personal potential. The consequence would be that they would increasingly seek jobs they regard as sensible since they both meet their own aspirations and correspond to generally accepted moral standards.

This would also result in an enormous potential for affordable employment for the benefit of others, such as care services for the elderly and sick or work in the educational or cultural fields.

Last but not least, as an employer I expect a considerable boost to self-organisation and self-responsibility. Business start-ups by individuals (in Germany so-called “Ich-AGs” [ich: I, AG: public limited company]) would not receive state subsidies, but entrepreneurial initiatives would be made possible because the state would provide the freedom for citizens to engage in business activities.

It is, after all, an objective fact that any work carried out in accordance with the principle of the division of labour is not done for one’s own benefit, as the concept of “Ich-AG” implies, but for other people. Economic activity is accordingly based on a constant interexchange of services, ie on an extensive process of working for one another.

As the economy is an organised form of working for one another, it will be necessary to gear our income, social and tax policy precisely to promoting this organisation in the best way possible.

I think we can only do this if we give people the freedom they need by guaranteeing basic incomes, if we believe that individuals are willing to make their contribution both intelligently and with a due sense of responsibility and if we accept that our German economy, with its modern production methods, can generate sufficient income for all the country’s citizens and that everyone in the country can live a comfortable and economically secure life – without the questionable obligation to work and without the presumed disgrace of being unemployed.

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