

Revolution of capitalistic economy: toward the common good

#econrevolt

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Capitalism is broken. The 2008 financial crisis came and went and another crisis is being predicted in 2018. Crisis are caused by the economic financial-political system unable to reform itself. Multinational organizations are able to con the nation-states that speak for the civilians of this earth. Finance is manipulating the political economy (Stiglitz, The great divide 2015: part 1; Of the 1 Percent, by the 1 Percent, for the 1 Percent).

In this design we will not debate the need for a different design of the economic political system. We will simply assume it is needed and from there on try to design a radical new economic system configured to make society and well-being the goals of political economy.

The revolution will come, but we need practical ideas to shape its outcome

When the next financial crisis indeed arrives, and the banking system again has to be saved by taxpayers, it is time for a revolution. However, anger and revolution cannot build a just new order. A revolution will make currently unthinkable solutions possible, but what solutions? We need guides toward a new and fair and robust economy, and we need to write them now.

Much anger is out there against the 1 percent, but not many radically new ideas / solutions are yet to be found and discussed. A good place to search for such new ideas might be outside the now ruling financial-political system: cybernetics and system thinkers are ideal in formulating solutions for systems, whatever the content of such systems.

This writing is an attempt to start a discussion of possibilities to use after the economic revolution. Please refer to it on social media and elsewhere by the hashtag #econrevolt

A solution design of a new radically different financial economical system in three layers.

Below I will sum up as briefly as possible the revolutionary ideas as concise as possible. Criteria for the design can be found in appendix A.

The three levels will be

A) **Level one is built by general goals.** This level can be seen as a political economic Europe- or world-wide constitution.

B) **Level two consists of different sets of mechanisms or means** to use to achieve goals in the constitutional level. , so sufficient money can be raised and

C) **Level three consists of configurations:** Specifics of how to configure and re-adjust the mechanisms best to achieve the goals.

A. Goals that together should form a new Political Economic Constitution

The goals set about here are not means to be exclusive. Undoubtedly I have forgotten important goals. But the core of thinking consists of this set

- I. Local well-being. The goal of the economic system is to minimize suffering and maximize well-being of people in the local economy / society they live in
 1. Human living standards should be the first design goal of the economic system
 2. These standards are local: for instance where costs are cheap income can be low
 3. Well-being means people should have access to basic human rights like schooling, proper food, proper healthcare and so on as stated in international human rights conventions

4. Well-being means all people that wish so must be given the chance to participate in society, while at the same time their well-being should be guarded. So in this inclusive society specific jobs or roles are also available for groups less able to participate: ie disabled people or people without education.
5. If the economic system of markets does not provide for medicine, schooling, public services and so on, governments have the duty to raise taxes and/or to provide the means necessary. So if medicine is not produced by corporations, governments will organize
- II. “Donut economic” goals are also part of, or needed adjacent to local well-being. This means that the economic political system should have ecological boundaries as a second set of goals. One might also consider Donut-goals as a subset of well-being: either way, the goals of the economic systems should be ecological balance, and growth of the production of manufacturing fo physical products seems to be limited by this goal.
- III. Democratic and scientific systems. Democracy cannot function without certain investments in society. Financial issues are undermining these institutions. Therefore all nation states will provide free of cost to its civilians:
 1. Education services
 1. Schooling
 2. Scientific institutions like universities
 2. Opinion and information services
 1. Free press services
 3. Local democratic systems
- IV. Inequality and ownership. Capital ownership is no longer guaranteed in more cases . The financial system is a good way to disperse capital where it is needed. However, speculation on markets often has more return to investment when compared to investment in well-being. The financial system is blind for the well- being of people and this must be changed:
 1. Money lendend to or invested in other parties is no longer always claimable. If financial mechanisms and players in markets undermine society their investment and money can be forfeited partly or completely.
 2. In particular ownership of housing or real estate or land used for public housing can and often should be nationalized. Real estate and public housing is important for well-being of local communities. The creation of bubbles by the capital system is a hinder to well-being.
- V. A robust financial system might not prevent economic downfall, but it should prevent financial collapse, where tax-payers need to bail out large financial institutions.

B. Mechanisms to achieve the constitutional economic goals

We want to achieve societal and individual goals with this economic system design. To do so we will need to direct money from the financial system, where large investors and corporations rule the world, to the real economy where people live, and to governments, so they can organise the parts of well-being that do not work well under market-mechanisms. To do that they need money and therefore taxing is needed.

It is not the aim to abolish capitalism: cafes, businesses, trade and so on should not be run by political parties or ministries: capitalism runs them fine. Capitalism is a good and fine mechanis for people to thrive in. But the global financial markets and corporations have gone off to fend for themselves, divide and concer nation states and outsmart the common good.

It is this last aspect that needs change. The mechanisms below do this in several ways:

1. Divert money from financial and trade markets toward public uses by a new set of taxing policies. These must be implemented at the level of economic unions to be effective: so the EU can implement these systems, but France alone can't.
2. Redirect the economic system toward goals that serve the common good by taxing good things less and harmful things more.
3. An essential part besides increasing taxes is radically decreasing taxes on labor. Many people in society cannot participate because they are not among those that are highly-educated and labor needs to perform highly because labor is expensive. However, labor is expensive because taxes are high and because essential goods like housing are costly. When

costs for living and labor taxes fall, the need for high wages disappears. In an economic system configured this way inclusion is easy because the costs to hire people drop. Societal costs for jobs in healthcare, education, policing and so on will drop and society can afford to include people and deliver quality services for well-being.

Capital gained is no longer guaranteed, but must be counterbalanced by the rights of human society to well-being. There are a number of essential mechanisms usable to make sure capital is usable where needed:

I. Capital tax. The international financial system has stockpiled enormous amounts of capital. But it has no longer the right to hold on to this money. The following forms of taxes should be put in place:

1. International investment tax. All capital that flows between parties will be taxed. Stocks bought, bonds purchased, private equity transactions and all other financial instruments where capital flows.
 1. This tax will be divided automatically between nation states by an international set of rules
 2. The investment-tax will be paid to countries where corporations invested in sell their goods.
 3. Stockmarkets inside unions like the EU, China, USA and so on must automatically cream off investment-taxes as part of trading.
2. Other international finance taxes around trade and financial markets can be proposed. Financial products are seen as trading of investments and will of course be taxed. Of course these products can be profiled in an economic zone.

II: Gross turnover taxes and import taxes

Amendable turnover (gross revenue) taxes.

1. In the end products are sold to local societies: food, building materials, licenses to software and so on. To counteract tax avoidance gross revenues will be taxed in nation-states or unions of states and import can be taxed.
2. To enable well-being taxing will be based on profiling of the product and the seller

III: Automatic Corporate ethical profiling

Corporate profiling. To make sure investment taxes are not avoided, mechanisms will be put in place to counteract avoidance: Corporations that want to sell services or goods will be profiled. If corporations are not paying their fair share of taxes, they will be taxed differently

Profiling will take place to assess the following:

1. Guidelines of investment-tax (IT profile)
2. Guidelines of investments in non-ethical business (NEB profile)

According to profile gross-turnover tax must be paid.

Explanation: A Hungarian company sells wood in France for housing. This company is financed by a bank from New-guiney. No investment-tax has been paid when this financing took place, because there is no investment-tax in New-guiney.

The imported wood is "tainted" by the IT profile of the seller. Therefore the wood will be taxed according to a higher tax profile. If the seller was financed by a transaction where investment-tax had been paid, the wood would have been cheaper. Therefore goods by "ethical" sellers will be cheaper and the financial system will be guided toward ethical behavior.

Some specifics on profiling

FAQ. Decisions like in the FAQ are part of C: specifics of system configuration

- Now what if a company has investments with different IT profiles? A(nswer): In that case the import-tax will be higher or lower according to the volume of tainted investment.
- Now what if a company just sells and resells products? A(nswer):
 - first of all, profiles stick to products when they are sold (using blockchain for instance)
 - Secondly, if no profile is found, the worst profile is assumed (no freeloading)

IV: Automatic financial product profiling

Financial products are profiled and taxed accordingly

1. It seems logical to tax trading of products according to risk criteria
2. It seems logical to tax trading of products where the seller is known to be a risk taker more

Again, the specific profiling variables and methods are a matter of fine-tuning and further policy making. The goal is well-being of local people in local economies. Profiling and taxing accordingly should be a proxy of these goals. Counteracting banks that are too big too fall seems to be a legitimate goal here. So taxing of Deutsche bank trading should be higher.

V: Product, investment and other accounting by blockchain

If you want to tax products, corporate investment and other variables on the basis of profiling, a mechanism must be in place to record such profiles. Proposed are blockchain mechanisms. This means every trading and investment organization must have a running profile of its Tax-profiles online at all times for Tax-authorities to use for taxing.

VI: Customer, civilian and society protection against speculation

Civilians should be able to afford housing, schooling, afford food and so on as set as the goal of a new economy.

Because land and housing is relatively expensive the financial system speculates and uses its power to create bubbles, where civilians are pushed into debt they cannot avoid. However, housing is an essential part of well-being. Therefore the following mechanisms will be put in place:

1. Housing including landowning is considered a public good. The costs civilians pay are restricted to a maximum regardless of costs actually needed or payed in the past. A scoring system will determine the maximum sellingprice of a house or building.
2. This means real estate property will become less valuable dramatically. Owners of investments in these sectors will not be compensated.
3. Civilians who bought their houses above the maximum price, will have their mortgage re-initiated. If they have already payed the maximum selling price mortgage payments will end and the house is their property.
4. Speculation of land for housing. Landprices have also become speculative financial tools. A maximum price will be established for land where public housing takes place. The government will make sure enough public housing property and land becomes available. When such lands are needed property rights of owners are forfeited, but of course they must be paid the max housing land price.
5. Public housing is no investment and not for rich people that already have housing elsewhere. Therefore it is not allowed to buy housing when the buyer will not be living in the house. Housing can be invested in by the capital market, only the returns will be limited by the max pricing.

VII: Climatechange combat mechanisms

While climatechange policy could and should be in corporate ethical profiling, it is such a huge problem it should have mechanisms of its own that can target more items at the same time.

So, policies to combat climatechange could be:

1. Companies trading in and working in the oil industry or other industries known to undermine combating climate change will be profiled (CLIM- profile) and can be taxed higher automatically.

2. Companion buying and selling while helping to combat climate change can be profiled as CLIM+ and can be taxed automatically lower in all kinds of taxes. They could be taxed less when buying products, selling products, raising investments and so on.

VIII: Changes in tax labor rates

A goal of the design is to include people in their society. A second goal is to provide a good public sector with healthcare, education, justice systems and so on.

The new influx of financial-taxes creates room to radically lower income taxes for normal civilians. Income taxes should be around 5-15% max for the first 75.000 of income in the Euro zone. When public housing prices fall, this can also result in a reset to lower incomes while maintaining well-being. So policies around income-taxing should include:

1. Tax rates for labor should be around 5-15% max.
2. The public sector should be reconfigured in such a way that fte's can rise by 150%. So a hospital with 100 nurses can and should now increase to 150. Or small schools and nursing homes that have been closed due to austerity can re-open.
3. New jobs can and must be created by offering new services for well-being. Many things now done by volunteers can become jobs. Alternatively, volunteers can be payed by a basic income: the effect is the same

C) Specific configurations of mechanisms

Once mechanisms are chosen they must be specified: how high must investment-tax be?
How will we divide investment-tax once it is collected? How high should public housing cost be?

For now we will be glad to leave such question for others to explore.

Appendices

Appendix A: criteria for a good design

A good design of any economic system should adhere to the following criteria:

- A clear set of goals must guide the mechanisms of the system.
- It must be possible to implement it in a large economical zone, like the EU, without consensus with other parts of the world. Of course it must be radically different. However, mechanisms must be able to work without an all-inclusive agreement globally.
- It must be internally logically sound
- It must be realistically implementable. In this criterion we do not mean to say that the current economic elite will approve: they will not. We mean that the mechanisms, like the blockchain, must be feasible instruments technically.
- It must be effective in its design to protect people, instead of power and capital.
- **The set of solutions making up the design for economic control must be set up in loosely coupled levels.** We need to design a system that can be again and again evaluated against higher level goals: means can and should be changed in time, but goals will probably be much more stable.