



RE-DESIGNING THE GLOBAL ECONOMY

April 2000



THE GLOBAL ECONOMY - and its problems

The current state of affair:

- ➔ 365 billionaires have the same wealth as the income of the poorest 40% of the world's population.
- ➔ Each year, the indebted countries transfer about 50 billion US dollars of net capital to their creditor countries or banks.
- ➔ Every day, 35,000 children die from hunger and related diseases. The countries they live in are so crippled by accumulated debt that many are unable to provide even the most basic food, health care, clean water and sanitation for many of their citizens.

Actions for change:

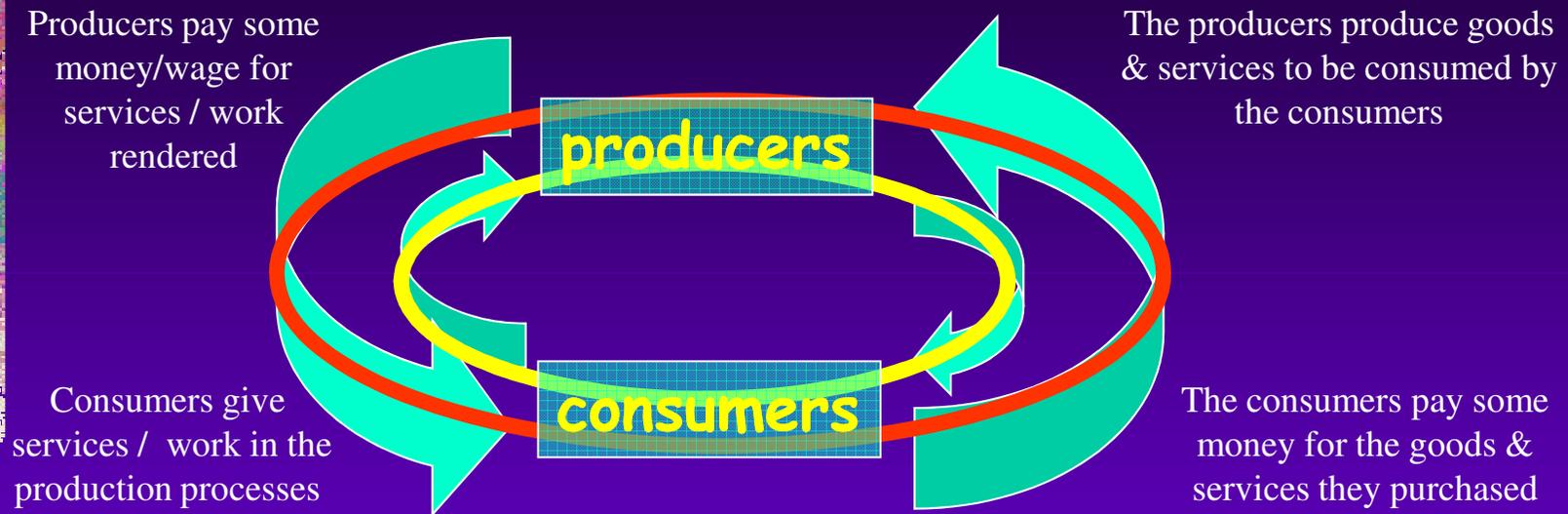
- January 99:** Pope John Paul II calls for urgent debt relief.
- November 99:** WTO meeting in Seattle collapsed due to an unprecedented protest from people and governments all around the world.
- April 2000:** Massive rally at the IMF & World Bank spring meeting in Washington DC demanding the cancellation of unpayable debt owed by the poorest countries.

But !, . . . What is the real/core problem ?



BACK TO BASICS - The primary cycle

★ The two basic economic elements:
the producers and the consumers



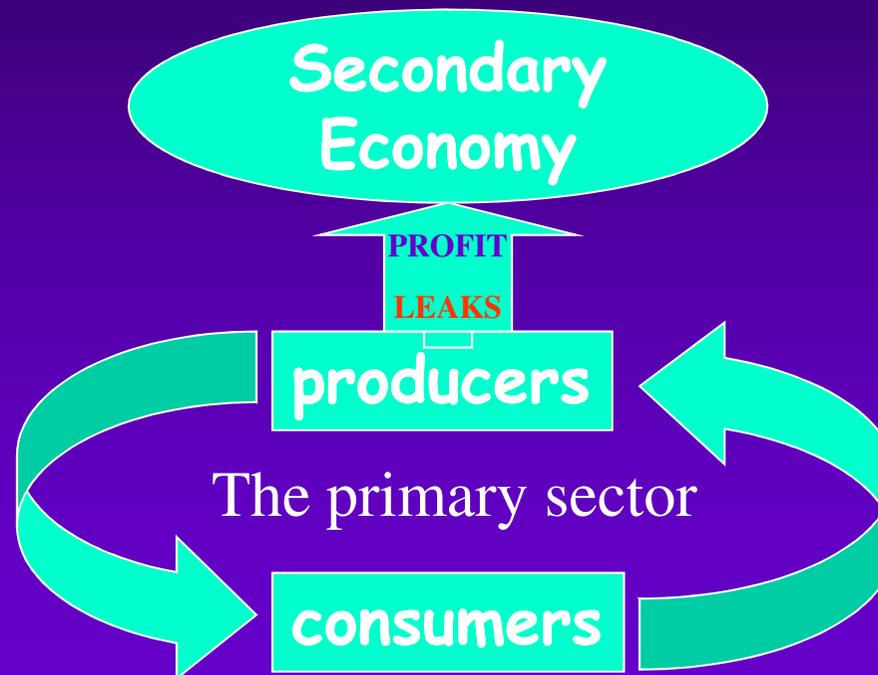
★ In the primary cycle:

- ➡ Goods & services flow in a clock-wise direction
- ➡ Money circulates in an anti clock-wise direction



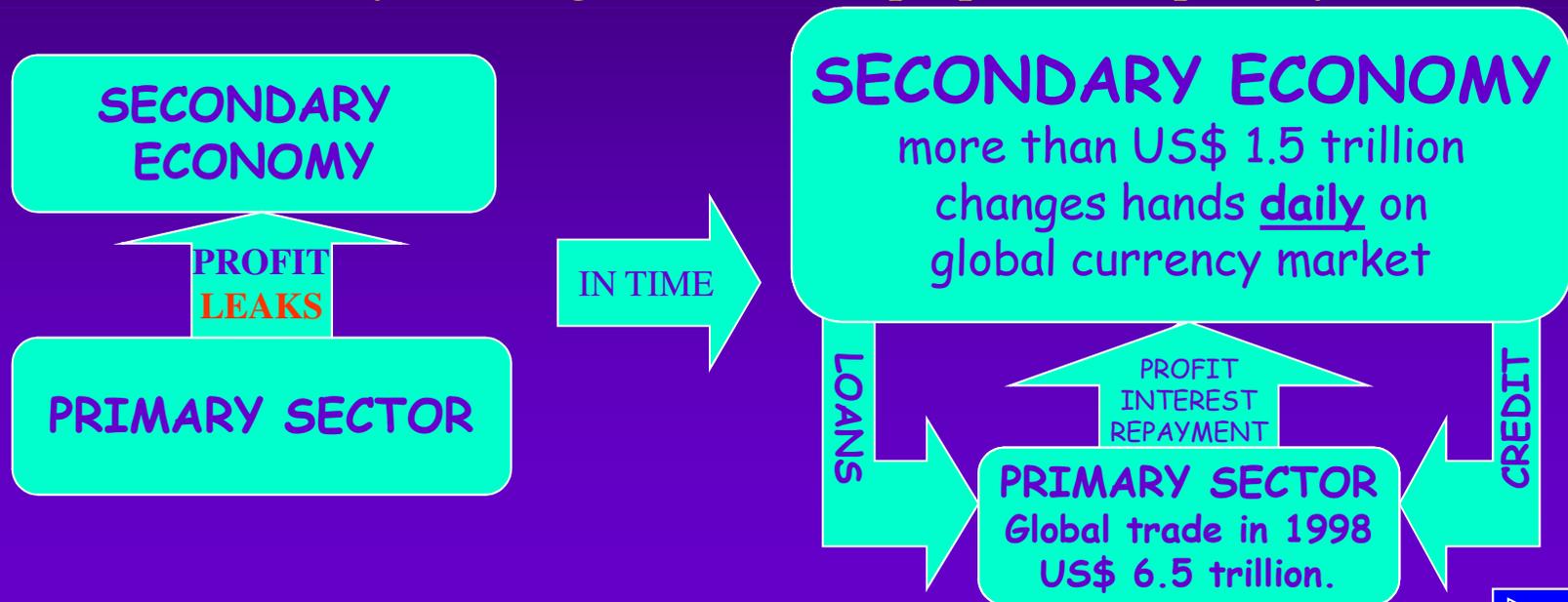
BACK TO BASICS - Profit and growth

- ★ Profit is considered as essential in any business enterprise.
But, unrestrained/irrational profits reflect inefficiency in the economy.
- ★ Re-invested profit for growth is money injected back into business.
But, it should ensure maximum utilization of business resources.
- ★ Otherwise, profit is leaked to non-productive uses, e.g. speculative finance, money / financial market etc. – the **secondary economy**.



BACK TO BASICS - The primary & secondary sector

- ★ Profiting => re-investing => make more profit => but how to use profit?
 - ➔ Money market (secondary sector) grows to support primary sector !
- ★ Through loans and credits, money is re-injected into primary sector to stimulate trades. The products have to be sold ...
 - ➔ In Australia the total household debt has reached 344 billion A\$ or 98% of the annual disposable income – expenditure unsustainable.
 - ➔ Also, loan repayments and interest creates a further burden.
 - ➔ So, money market grows faster in proportion to primary sector.



THE "TRIUMPH" OF CAPITALISM

The concentration of capital through profit.

- ★ The secondary economy (money & stock market) has become the 'primary' activities in nowadays economy.
- ★ People make money [profit] with money, and the more money one has the more money one can make.
- ★ The unavoidable consequence: The rich get richer and the poor get poorer. It's getting faster and faster, since it's an exponential curve.

Result:

- ➔ Income gap between 20% of world's people living in the richest country and 20% living in the poorest jumped from 30:1 in 1960 to 74:1 in 1997.
- ➔ The world's 200 richest people more than doubled their net worth from 1994 - 1998 to more than US\$ 1 trillion.
- ➔ The assets of the top three billionaires are more than the combined GDP of the least developed countries which have a total population of more than 600 million people.



THE "TRIUMPH" OF CAPITALISM

Facts behind the booming economy of USA:

- ★ The top 2.7 million Americans have as much income as the bottom 100 million.
- ➔ Yet, the poorest 20% families have seen their income reduced by \$ 577 annually (the poorest 10% even lost \$ 814 / year).
- ★ Since the 1970s the top 1% households in the US have doubled their share of national wealth. The top 1% now have more wealth than the entire 95%.
- ➔ Yet, 40% of American families have more debt than assets.
- ★ America has the world's richest person whose worth is well over the combined GNP of 10 Latin American countries.
- ➔ Yet, 46 million American, nearly 17% of the population, live below the poverty line.

Is this economic system sustainable ???





TOWARDS A HUMANISTIC WORLD ECONOMY in the post capitalism era

A possible impossible dream



*You may say I'm a dreamer, but I'm not the only one
I hope someday you'll join us, and the world will live as one.*

John Lennon [Imagine]



Have we over-grown our system ?

★ Humanity has overgrown the capitalist economic system.

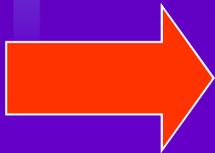
➡ Our conscience can no longer tolerate the current conditions, the ever rising inequality within nations and between them. People Power emerges demanding a global change.

➡ Yet, we don't know any better system than capitalism. It is the only system that survived thus far, though it's more than two centuries old and doesn't seem to be sustainable any longer.

★ Strangely enough, the accumulation of wealth through profiting hardly has anything to do with human greed, so they say ...

➡ Wealthy people are not necessarily greedy. Most of them are altruistic, sharing their wealth through foundations etc.

➡ Trans-national corporate executives are not necessarily greedy people. A lot of them are big donators for charity organizations.



Why? Because wealth has become a score board for our competitive economic games.



Towards a humanistic economy through a global humanistic fiscal policy

★ Equal taxation for individuals and corporations.

➔ In general, corporations only pay corporate tax based on profit, where profit is revenue less cost. It is tax on 'surplus'.

➔ As individual we pay tax on our income before we spend anything to cover our cost of living. On top of that, we also have to pay all other taxes (sales tax, GST/VAT, etc) just to live.

➔ Equal taxation means that we should pay tax on our surplus, which is our income less our cost of (comfortable) living.

➔ **Increase personal income tax-free threshold to a much higher level.**

★ Create a new "score board" that benefits the community.

➔ Discourage irrational profit taking, and encourage community cooperative investment with a transparent 'scoring', through a principle of 'surplus sharing' via equitable distribution of wealth.

➔ **Introduce a 50% to 100% surplus sharing rate of profits to those in the cooperative, with the balance as 0% to 50% tax on profit.**



The current and the new taxation rates





The devil is in the details:

- ➔ A new fiscal policy has to be implemented globally at the same time to avoid capital flights.
 - ➔ A united People Power across nations borders (grass roots democracy) is necessary to balance the power of Trans - National Corporations.
 - ➔ Income tax threshold is to be calculated in relation to the GDP of each community, states and/or nations.
 - ➔ It is out of the current economic theories and thinking, which is based on irrational system of excess accumulation of wealth with no limits, therefore any theoretical debates may be useless.
 - ➔ We can imagine many possible scenarios for more rational distribution of wealth, but one thing must be guaranteed to all and that is the minimum necessities of life, through provision of adequate purchasing power for all, by employment for all.
- ➔ Don't think of profit for the company, but think community.

