FROM CONSUMPTION TO PARTICIPATION ECONOMY



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Changing relations between market and government

How to restrain the consumption economy and unleash the participation economy

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Inhoud

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1 FROM CONSUMPTION TO PARTICIPATION ECONOMY

Ever since the subprime mortgage crisis broke out in the US in 2008, Europe has been rolling in and out of crises. Even though some believe the worst is behind us, others don't believe there is a structural recovery: economic growth remains weak and unemployment rates remain high. The often used recipe for economic recovery, cuts in government expenses and the implementation of reforms, does not seem to yield the expected results. Some believe this recipe has even had the opposite effect and has jeopardised Europe's stability and increased inequality. Economists also aren't unanimous as to what is the best structural solution to the problem. Keynesians believe the government should spend more money so as to keep the economy running. Neoliberals believe that this will cause national debts to become too large, which will eventually be harmful for the economy. They argue in favour of putting our shoulder to the wheel now to avoid suffering the consequences later. However, in my opinion this debate of economists is beside the point. I think that economists like Tim Jackson[1] and Robert Skidelsky[2] have a more realistic view of things, they question the concept of economic growth itself. Jackson does this on the basis of the limitations of the environment, Skidelsky does it from a moral point of view. Their reform proposals (work less, basic income, expense taxation) have however hardly been elaborated. With this article I want to present you with a view on this subject that explains the underlying mechanisms of the crisis and that I will use to argue that the present relationship between market and government has to be reformed drastically in order to tap into another, new form of growth. It's high time to change course: the consumption economy is dead, long live the participation economy.

1.1 The mechanism of the economy

In a free market, people initiate economic activities that affect the distribution of work, capital, well-being and welfare. Economics focuses on the relationship between all these processes and tries to formulate rules and laws that may serve as a basis for (political) policies and governance. I will analyse economic activity from the point of view of two different, opposite, economic forces, a ***divergent force***, which increases difference in income, capital and welfare, and a ***convergent force,*** which, by contrast, makes these differences smaller and brings the two extremes together. Both forces have to be in

1 Jackson, T (2010) Welvaart zonder groei, Published by Jan van Arkel

2 Skydelsky, R and Skydelsky, E (2013), Hoeveel is genoeg? De Bezige Bij Antwerpen

balance in a healthy society. The most important source of divergence is technology. Technological innovation is the substitution of work by capital. Businesses increase their profit by raising productivity. Therefore, if production does *not* increase, technological will *destroy* jobs. If production, prices and wages stay the same, a business will make more profit and its investors will get higher returns on their investments using technology. By in turn investing this profit and capital in the company, capital accumulates in a small group of rich individuals, whereas those who become unemployed on account of this increased productivity lose all or part of their income. Inequality increases. Therefore ***technology*** is a divergent power pur sang.

However, in general technology is considered something positive rather than something negative. An increase in productivity means that more can be produced and more profit can be made with the same number of man-hours. Technology increases welfare. It makes our lives more comfortable. We often only notice this last aspect and we forget that technology is also a divergent force. The positive side of it can only be realised if the divergent force remains contained by convergent forces.

Marx didn't see these forces. He predicted that the ever increasing accumulation of capital and the exploitation and 'verelendung' of the working class in the 19th century would inevitably lead to a world revolution. But those states in which the people actually took power over the production ultimately degenerated into horrible dictatorships. The capitalistic West however, found an economic route that has led to a high degree of welfare for everyone. The West successfully developed convergent elements that managed to contain the divergent power of technology. The three most important elements of convergence are ***market competition, government regulation and labourism.*** I will leave out the fourth element, war. More competition causes prices to drop and increases purchasing power. Worker's wages increase on account of the labour movement. Government regulation battles excesses in the economy and redistributes income. These three aspects each 'force' companies to 'hand over' a part of their profit and give workers new purchasing power. The ultimate result is a redistribution of income. The increase in purchasing power generates new economic activities, new products and new consumption and therefore, new opportunities for innovation. The route that the West took is an upward spiral of productivity, purchasing power and an exploding consumption. Western capitalism has escaped the 'self-destruction' Marx predicted by inventing the 'consumer economy'.

But this route has been faltering the last few decades. In the past thirty years, divergence has outgrown convergence. The differences are growing larger. Inequality is increasing. Economic growth in the US and in Europe is declining. Increases in productivity and employment opportunities seem to be out of phase. What happened? Let me first clarify

that the process of decreasing employment has been around for centuries. Nowadays, we're working substantially less than a century ago, especially in proportion to our life expectancy. This decline was made possible by an increase in welfare and well-being *and* productivity. This general decline of employment, which is camouflaged by growing welfare, is however not the problem. The problem of our time is two-fold: the consumer economy is reaching the limits of mankind and environment, limits that were hard to imagine not so long ago. For two centuries, the environment hasn't imposed any restrictions on our economies whatsoever. But environmental pollution, climate change and overpopulation force us to start looking at our economy from a different perspective. In a similar fashion, the limit of mankind as a consumer has also been reached. In order to preserve (full) employment, a volume growth of needs, and thus consumption, is essential. But mankind is not an endless well of consumptive needs. An unrestrained growth in consumption makes people ill[3]. Man and Earth have their limits and these limits require changes in our economy, today. The second problem is that convergent powers have been bypassed on account of globalisation. The result is that Marx' 'pure capitalism' is making its re-entry.

The danger is more real than it might seem. That is because the spiral of welfare that drives the consumption economy is characterised by so-called 'positive feedback', which means that innovation leads to consumption, which in turn leads to more innovation etc. etc.. Characteristic for positive feedback is an exponential growth process, which we have grown so accustomed to over the past few decades. But it also means that our society is not in balance, and also isn't on its way towards some kind of balance. She is either exploding, or …. She is imploding. As soon as the limits of mankind and the earth have been reached, a relatively small disturbance may cause this spiral of growth to completely reverse: a short crisis causes unemployment, which leads to a loss in purchasing power, which causes production to decrease, which leads to loss of jobs and in turn creates more unemployment and thus even more loss of purchasing power etc. etc. This positive feedback now works the other way around, no more explosive growth, but an implosive collapse. Economic crises, such as the crisis of 2008, can (with a lot of effort) be turned around, but it is only a matter of time before the next (even more severe) crisis will break out, because the underlying causes haven't been addressed.

In the remainder of this chapter, I will further analyse the mechanism of the global consumption economy, demonstrate its inevitable end and provide the first outlines for the necessary structural reforms.

3 In the US, over 47% of the population is overweight. (NRC, 04-06-2016, column) Obesitas is a serious problem.

1.1.1 Technology and employment

Technology is a great good in economics. In the Lisbon strategy, drafted in 2000, The European Commission states that

"Knowledge and innovation are essential for an ongoing growth in productivity, which is a critical factor for Europe, because in the context of global competition, Europe faces competition that has a much cheaper workforce and natural resources." [4]

To realise this, investments in research and development need to be raised, the use of information technology, environmentally friendly technology and renewable energy sources needs to be stimulated, the competitive position of businesses needs to be strengthened and the technological potential of the European industry needs to be put to use more efficiently. The EU is completely silent about the downside of the technology: the destruction of employment. The economic paradigm is: without technology there can be no growth, and without growth there can be no new jobs. In order to understand how this paradigm came to be, it is helpful to explain the economic and technological developments in Europe over the past 5 centuries.

In the middle ages, all European societies were agricultural societies. In the middle ages, most people in Europe were employed in agriculture. The land was owned by the nobility, farmers were tenants who grew crops that provided them with sustenance, but that predominantly enhanced the nobility's wealth. Technology changed these agricultural societies. Better farming equipment increased agricultural yields. It facilitated a population growth, but it didn't cause an increase in welfare because the proceeds mostly went to the nobility, who became ever richer. The nobility completely controlled agricultural production. Economic competition was non-existent. The increased wealth of the nobility did however unchain a 'battle for power' between the noble families. This battle, bloody as it was, essentially was a converging force: wealth was being redistributed (over nobility and soldiers), which meant purchasing power at the bottom of society increased and new markets could emerge. This new 'room' of needs, consumption and production was being filled by new crafts that offered new employment opportunities. New techniques improved productivity. Eventually the loss of jobs in the agrarian sector had been compensated by new jobs in the various crafts. Because these crafts concentrated in the cities, new centres of power emerged.

During the phase of technological innovations that followed, craftwork was being scaled up by the industrialisation. Production processes were made more efficient in factories and production increased vastly. The first capitalists were (just like the nobility) little short of monopolists and made a lot of money. The differences between rich and poor increased

4 www.europa.eu

strongly (divergence). But as the knowledge of production became more widely distributed, competition increased and prices dropped, which meant extra purchasing power for workers. In addition, the emergence of labour movements posed a new converging factor that caused the wages of the workers to rise. Both processes caused the purchasing power of the poor to rise gradually towards the end of the 19th century. This redistribution of income (from both work and capital) caused an explosion of new industrial products that found their way to the consumer who now had ample purchasing power. Employment in the agrarian sector and the crafts sector had been strongly reduced by that time, but this decline had been amply compensated by new jobs in the industrial sector.

Technology keeps on moving forward. In the 20th century, employment in the industrial sector stabilises. The markets in Europe start to become saturated. Products are still being improved/renewed/replaced, but these investments do not ultimately lead to more jobs. More and more people turn to the (commercial) service sector. This is a sector in which technology hasn't gotten a foothold yet, because it's a profoundly human job. The work consists of inter-person contact that does not require or allow the intervention of a machine. People earn their money by giving specialised advice in matters like buying a house (real estate agents) or a car (car dealers), in furnishing the house, garden, organisation or bookkeeping, covering risks (insurances) or how to handle (savings) money (banks). Because growing welfare and technology require ever more education and care, the government has by now become a major employer.

In the early 80's, the service sector already provides over 70% of all jobs. The share of employment on account of the industrial sector has decreased to 25% and that of the agrarian sector to 5%. From 1980 on, ICT makes its entry. The computer proves to be the machine that's able to substitute work in the service sector with capital. Banks replace their receptionists with software (internet banking). The real estate agency becomes a DIY-website. ICT goes hand in hand with scaling-up and is closely related to globalisation. Work and capital cross national borders and go 'global'. The result is that local competition suddenly becomes irrelevant. Businesses can make lots of money by taking advantage of these huge global differences in labour and capital. Complete industries start relocating globally to those places that offer the most profitable circumstances. Entrepreneurs maximise their profits by taking advantage of cheap labour in developing countries and by subsequently selling these products in the affluent West. Differences between the rich and poor are growing larger all over the world. Convergent powers are absent.

Globalisation is a reason why the increase in productivity in ICT hasn't led to redistribution like it did in earlier technological revolutions. New companies use the networking effects of

the worldwide internet to grow at a monstrous pace. Because capital is extremely mobile, large investments can be made in a short time. As a result, new ICT companies are already monopolists before the competition is even in sight. Capital is also used to buy out competition in an early stage and to integrate them in the own company. Next to that, globalisation also virtually made it impossible for national governments and/or labour movements to intervene. Capital has unlimited freedom, moves freely over the globe and uses the abundant labour supply to realise the lowest production costs.

Moore's law is a law that characterises the speed of ICT-innovation. It predicts that the number of transistors per computer chip doubles ever year, for half the costs. Computers become faster and more powerful according to an exponential curve. It's an impressive development but it might be a scary one too if we translate it into economic terms. In that case the law states that: "Each x years, ICT-applications double shareholder value while halving employment." ICT accelerates inequality at an alarming pace. At this moment, in its current form, Silicon Valley, the hotbed of capital and digital technology, might well be more dangerous for global stability than the terrorist organisation Islamic State.

The effect of ICT on employment differs between the goods and services sectors. In case of goods, only the volume of employment decreases. In case of services, also the quality decreases. Nowadays, after the innovations of cassette, DVD, USB and Spotify, of all people active in the production of LPs 30 years ago, only a few per cents remain (assuming an identical scope of production). We do not usually recognise this fact as such because the market itself has grown phenomenally on account of increased productivity. The effect of ICT on services is, on the one side, loss of employment (counter staff has been substituted by online banking) and on the other side loss of quality of labour. This last fact is illustrated well by applications like Uberpop and AirB&B. Uberpop, the app that allows civilians to use their car as a taxi cab and act as a taxi driver, turns normal civilians into entrepreneurs, mostly freelancers who compete with each other to gain the customer's favours by keeping prices as low as possible and getting the highest ratings. In this way Uberpop-users indirectly cause a dramatic flexibilisation of labour, destroying jobs in the regular taxi-sector and replacing them with highly insecure jobs that fit within an 'on-demand' economy. AirB&B causes a similar effect in the hotel sector, but this effect is more complex. In this situation, the rich can enhance their wealth by letting (one of) their houses as a luxurious apartment'. People who are less affluent (having to pay a substantial mortgage), might use it as a means to get by, especially if they have lost their jobs. Moreover, there are capitalists who buy common living houses just to rent them to tourists because it's the most lucrative thing to do. But just like with Uberpop, the global effect is a destruction of established economic sectors with stable jobs and good secondary working conditions, in favour of individualised slavery under the pretext of flexibility and market competition. Those who benefit from this sharing-economy are the 'owners'

who have something they can share and the shareholders of ICT-businesses. The net effect: more inequality. Income from capital increases, income from labour decreases. Here the economic version of Moore's law also applies, be it slightly reworked: With every new app, income inequality increases, shareholder value increase and jobs and income from work disappear. The additional profit realised by increased productivity (more taxi-kilometres for a lower price) mainly benefits capital.

ICT is 'bad news' for (net) employment and we're in for much more 'bad news'. New technologies are coming: artificial intelligence (AI), robotisation, genetic engineering, and nano and gigatechnology. As soon as intelligent computers hit the market, all new employment in ICT will instantly vaporise because AI will enable everybody to make their own app. Programmers will be redundant. In November 2014, the Dutch minister Asscher pointed out the danger that robotisation posed for unskilled labour in particular. Many growth-adepts scoffed Asscher and said he was giving off the wrong signals. Robots would instead create growth and jobs. We should embrace them as an opportunity. But his worries seem very valid to me. Genetic engineering makes us healthier and increases food production, which also improves our longevity. It will ultimately not yield any new employment (healthcare expenses!) but it will increase work pressure in the healthcare sector. Nanotechnology (manipulation at a molecular scale) and gigatechnology (manipulation of the climate, ocean currents, earthquake prevention etc. etc.) will not produce a substantial amount of employment, but are even more dangerous than genetic engineering when it comes to the protection of our living environment. In order to prevent any accidents with these technologies, we need a world state, but that is still a long way off.

The vision of the European Commission doesn't mention any of this. They, mostly economists, believe that the crisis in Europe and the environmental problems can be solved simultaneously by investing in technological and green innovations, after all, you'll kill two birds with one stone: more employment and less pressure on the environment. But as Tim Jackson points out so well in his book, the current policies are just a few drops in the ocean. The benefits for the environment are insignificant. CO2 emissions are still increasing. And employment? Undoubtedly the new sustainable, circular economy will produce hundreds of thousands of new jobs, but a multitude of that will disappear as a result of the dismantling of the unsustainable (dirty) economy. Ultimately there will be a net decrease in employment. Investment in green initiatives are absolutely vital to keep our world liveable, but they do not alter our consumption pattern and they do not create jobs.

The bottom line of this story is that the 'monster' of unemployment is catching up with us and cannot be beaten this time. I predict that economic growth will generate less and less jobs in the future, and will eventually become 'jobless' and only create unemployment

rather than employment if we don't make structural changes. It will lead to huge differences between rich and poor. The divergent powers will win, unless we are fully committed to a redistribution of income and labour, but I will get back to that later.

Finally, suppose that the redistribution of capital and income, on a global, continental and national scale does actually take place, then we will have to ask ourselves the question in which sector this new employment will emerge. The ICT destroys employment in the services sector. Even if we manage to mobilise the converging powers, then still, where is the demand, where are the products and the consumers needed to compensate for the loss of employment in the ICT sector? The answer is education, healthcare, art and participation (in its widest sense). This trend has remained unchanged for centuries. We consistently consume more and more education, healthcare, culture and participation. But it's hard to realise a growth in employment in these sectors, because they are being financed by the government. They are isolated from the market. Additional employment in education would make government expenses explode. ICT companies also experience this problem (a shortage of skilled professionals) and solve it in their own unique way: they train their own people, they select the best talent and lure the best people with options and shareholder value, which will rapidly increase. This causes quality ICT-work to be almost completely unrelated to capital, and to add to a dichotomy in the labour market.

1.1.2 Capital in the 21st century

In his book 'Capital in the twenty-first century', Piketty provided extensive prove that global inequality has increased over the last few decades. The diverging forces in our economy have grown stronger than the converging forces. In the past few years, entrepreneurs have had the chance to 'protect' their investments in technology by preventing competition from entering the market, by playing off governments against one another and by bypassing labour movements. Some of the strategies used to this end are the filing of patents (on ever more products), creating juridical obstacles, buying out competition, making price arrangements, negotiating subsidies when settling in a certain country, dodging taxes by establishing letterbox companies and forcing labour movements to agree with lower wages and more unfavourable employment conditions in exchange for the preservation of jobs. The uneven global distribution of welfare and wealth is the reason why they more easily succeed nowadays then they did before. A certain degree of equality is a prerequisite for any kind of competition. Competition does not fare well in a world in which there are very large differences in labour, capital, resources and welfare. The (global) market therefore is also not a (trade) market of equals, it's an arena where a hard fight over money is fought out. In this arena, the adage is 'the winner takes it all'. The winners of the free market are the large companies that have ample capital to invest in technological innovation to extend their advantage in productivity even further. The rich

are the big winners, using their wealth to become even wealthier. They are the heroes of the consumption economy. The losers are the smaller companies that are of a more human scale. They are the poor, the underprivileged and the (working) impaired.

Piketty summarised two centuries of capitalism in a formula that is as intuitive as it is simple: R > g. Return on capital (R) is larger than the economic growth (g). His research shows that return on capital has been fixed at about 4 % the last few centuries, whereas growth on average does not exceed 1 % in the long term. Simply put, people who have money make more money than those who have to earn their money by working for it. "The past devours the future", says Piketty. Capital acquired in the past grows faster than labour. This causes an ever increasing inequality between rich and poor. Piketty's evidence is impressive. However, it is a pity that he doesn't venture out to the theoretical question as to *why* capital is more lucrative than labour. Is there a law of nature going on here? Does it have to do with the organisation of our society? Or is it maybe our economic organisation? Which invisible forces are working here? Let me make a suggestion here: If R > g, then the price of capital is lower than the price of labour. The 'price' of capital is established on the financial markets. But how is this price being established? Are really all costs included in the calculation? The environmental and social costs are becoming clearer and clearer and we slowly start realising that the costs are not calculated well at all. For centuries we have assumed that resources are there for the taking, free of charge. But if you would add all the costs for environmental pollution, climate change and wastage to the equation, then the price of these resources would increase substantially. As a result, the return on capital would be significantly lower. The balance of technology in terms of employment is a negative one. The government has to put in a lot of effort to try keep employment up. She has to make sure there are enough skilled people and pay social security fees to those unemployed. If we were to include these costs when calculating the cost of capital, the price would again rise and returns would shrink. The unsettling truth is that a large part is left out of the equation of the capitalistic economy. The truth is that capital is artificially kept cheap and labour is artificially made expensive.

Piketty believes that in a perfect society, the following is true: R = g. The word 'perfect' is remarkable and striking. It means that he regards the current economic situation normal and the situation in which R = g as an exceptionally ideal situation. I do not agree. I think that this 'perfect situation' is the normal situation. In a normal society there are no differences between the price of capital and labour. Both are equal and can be deployed as such. They keep each other in balance. Our current capitalistic consumption-economies are factually abnormal and highly unstable because the price of capital is artificially being kept low and that of labour high. Capitalism is a parasite on the government/society. In order to turn this relationship into a symbiosis that both parties can

gain from, these companies would have to pay substantial taxes to cover the government's expenses for facilitating this capital.

Piketty does not choose for taxation of the economy, but for taxation of the citizen. He proposes the introduction of a progressive taxation of capital in order to reduce the differences between rich and poor. He acknowledges that this is difficult because governments would need to gain insight in people's capital and its whereabouts. Moreover, the taxes would have to be global, to prevent people from moving their capital around. This seems very difficult to realise, especially because such a taxation would be considered a 'penalty for successful entrepreneurship' or denying people 'remuneration for work'. However, that is a completely wrong interpretation. This wealth is acquired at the expense of society. Suchlike taxation therefore serves no other goal than redressing the proportions within society and returning the burden of the costs to those who cause them. Piketty furthermore shows that the return on capital is higher as capital itself grows. Because the super-rich achieve higher returns than the somewhat less rich, taxation of capital should therefore be progressive. By levying progressive taxes on capital, return on capital will diminish and we will move in the direction of a normal situation, in which $R = g$. The economist Piketty does warn us for a stagnation of the economy because entrepreneurs could stop innovating as a result of this taxation scheme. This fear is completely misplaced, as I will demonstrate. There is little time to lose. We need to quickly undertake reforms. We need to take action while at the same time keeping our heads cool and keeping open all possibilities to correct the process on the go.

We should not underestimate the degree to which this inequality has already changed and corrupted our economy. The consumer economy has steadily changed into a class-economy. Economic growth predominantly leads to an increase in purchasing power for the rich, but not for the poor. The rich have different needs from the poor. For the rich, status is what counts. A clear distinction can be observed in our economy, in which one half is all about luxury, design and status products and the other half struggles to be able to buy food and other basic needs. This dichotomy takes place both on a national and a global scale. The rich upper layers of all nations create an own global status-economy, buying homes all over the world and living exuberant, cosmopolitan lives. In this status-economy, the actual achievements are totally disproportionate to the income and the price of a product is completely unrelated to the costs for production. There is no job an individual can do to justify an income bonus of 20 million. But in the 'world of the rich' this is an enormous boost to your status. The status economy is all about fashion, design, luxury goods, a third house or a fourth car. It's the world of glitter and glamour. It's the fairy world that the poor, scraping by working multiple, flexible minimum wage jobs, can dream of.

In the last few decades, the growing inequality between rich and poor has led to a new, comprehensive phenomenon called 'making bubbles'. The rich don't just have a lot of money, they have *too* much money. They have 'spare' money that they want to do something with. Money constantly looks for new 'opportunities' for returns. The ongoing stream of technological innovations offers a wealth of opportunities to make even more money by investing money. That is called 'blowing bubbles'. Blowing bubbles is a very destructive activity for society. Not so much for the rich themselves, but for the poor in particular. Driven by greed and greedy banks who want to offer credits, civilians (rich and somewhat less rich, but also the poor) collectively try to hop the bandwagon of new and promising trends. Be it misleading policies or an internet-bubble, from the real-estate market to social media, the bubbles are following each other up in an ever faster pace. And they all burst. They are big social earthquakes that make society more instable every time. The 'poor man' who invests 20,000 euro will probably lose all his money if a bubble bursts, but the super-rich with an investment of 2 million euros, will probably still have a return of 6% on account of cleverly hired knowledge. The richer, the easier it gets to ride the wave of the bubble blower. The global effect of blowing bubbles is (strange as it may sound) an increase in inequality.

1.1.3 The finite world

Capitalism received a massive boost on account of the globalisation of the economy. Many interpret the concept of 'globalisation' as an expansion of the economic space to unknown dimensions that creates opportunities, but also risks and dangers for welfare and employment. But there's also another possible interpretation: globalisation shows the limitations and restrictions that the Earth and mankind pose for the economic process. 50 years ago, our horizon was a national one. There was a national economy, there was a domestic territory and there was foreign territory. Other countries were an unknown, but basically endless space of possibilities, an unlimited export market. Export allowed for a substantial increase in production and employment. Nowadays, we have a world economy. Our horizon is the global one. From a global perspective, the world is a closed-off village within which one man's gain is another one man's loss. Slowly this globalisation forces us to closer examine those interdependencies and the limitations that the world imposes on us. The economic worldview that emerges from the analysis of interdependencies is extremely complex and differentiated. What may be true for Europe or the US, may not be true for China or Africa. Globalisation allows continents like Africa and Asia to catch up because their low wages give them a good competitive position. But this catching up does not lead to an increase in welfare standards. It mainly results in higher shareholder values for clever multinationals. In the West, unemployment is being imported from the BRICS countries, after having exported it for years and years. Many jobs were transferred to low wage countries. You would expect rich and poor to converge in a world with true free

competition, but that is not the case here. Globalisation has led to a larger gap between rich and poor in Western countries and in developing countries as well.

For the Dutch, the situation is still relatively favourable, because export is substantial. In 2012 the Netherlands had an export surplus of 17 billion euros. Put otherwise, the Netherlands extract more than half a million average jobs (€ 34,000 excl. VAT) per year from other countries through export. But these export surpluses of the Netherlands and Germany are being frowned upon within the EU more and more by the Southern EU members. In the battle for employment, an export surplus is often regarded asocial.

The big capital thrives well in a world with large differences. The competition within China keeps wages low in the country. The high welfare levels in Europe keep purchasing power and wages high there. By producing in China for the European market, companies can make a lot of profit. But that profit is not being distributed evenly over the world. We're lacking a worldwide redistribution of income. Inequality between rich and poor increases both within China and Europe. It's an explosive relationship. Because Chinese state capitalism is failing when it comes to the redistribution of welfare, it may be on the verge of social unrest as soon as growth starts slowing down (which Piketty deems inevitable). The same thing might be about to happen in Europe. Globalisation puts pressure on employment and purchasing power. Because the EU (and national governments) do not redistribute income from capital and work, the gap between rich and poor is widening. This will eventually lead to widespread social unrest. This unrest is already manifesting itself in the multicultural European societies through the emergence of conservative nationalism throughout all of Europe.

Globalisation could bring on enormous growth in production, employment and welfare. By far not everyone in the world has a microwave, a refrigerator, a property insurance or an iPad! Indeed, most people still live under the poverty line and have a hard time even acquiring the most basic needs. But the problem is that they're lacking purchasing power. There is no redistribution.

A good example is the crisis surrounding Greece. The Greek elite has acquired an immense wealth by dodging taxes, corruption and by clever use of the capital they already had (because $R > G$). Instead of concentrating on these super-rich (who are free to move their capital abroad), the European Troika has the poor (those without capital) pay even more. It's like beating a dead horse.

In some African countries governmental power simply equals self-enrichment. It's no coincidence that elections sometimes initiate civil wars. Because a lot of trade and development aid takes place through institutions connected with the government it hardly comes as a surprise that these cash flows lead to a larger gap between rich and poor.

Various studies have shown that it would be much more effective if the poor would temporarily receive a small sum as an unconditional basic income.

Multinationals believe that national governments impose too many restrictions that harm the global economy. They put their trust in taking away trade barriers. In 2015 a trade agreement was to be signed between the US and the EU that takes away these trade barriers in many departments. European resistance is widespread. And rightly so. Trade barriers exist for a good reason: protecting domestic employment. By putting everything under one regime – if production remains the same – the most productive entrepreneurs will win and ultimately jobs will be lost (in both continents). Those in favour of trade agreements assume that production will increase and that employment will increase as a result. But that will only happen if in reality the increase in corporate profit will be redistributed. Because no single government has included redistribution in this kind of trade agreements, the chance is very small that, within the current global context, an increase in employment will be the ultimate result.

The gap between rich and poor sometimes has peculiar consequences. For example, the Netherlands successfully export chickens to Africa. Is this just a matter of good entrepreneurship? Does the high productivity of the Dutch intensive livestock farming sector beat the 'low wages' of local chicken farmers in Africa? Maybe. But it's much more probable that it's a simple matter of a rich upper class that assigns the Dutch chicken a status value. It's an almost perverse combination. A trade that should be restricted by trade restrictions flourishes at the expense of animal wellbeing, the environment (a lot of CO2 emissions) and the local African chicken farmer.

Not in the last place, we're faced with the limitations the earth in the form of climate change. In order to prevent climate change, we're going to have to change our consumption patterns. The best solution is to pass on the costs for the environment to the price of the product or the production process from now on. The result will be that technological innovation is only profitable if it is sustainable. If we would take along the costs of CO2 emission and water use in the price of a steak, then this price would double. That is 'hard to swallow' for the spoiled average consumer. If every human on the planet would have their own car, the Earth would be dead already. Developing countries though, feel like they're owed welfare. Here we also encounter a complex system of interdependencies within which effective policies are hard to develop. Because welfare in the West serves as a role model for many developing countries, the West should take responsibility and restrict over-consumption in favour of a better climate policy. Let's stop eating too much, buying too much, producing too much waste and let's start to move and participate more and give away the money we don't need to constructive initiatives in

Africa. Of course this will cost employment, so that the new adage here is: redistribute employment and income.

1.1.4 The role of the government

Because global competitive relationships no longer lead to a redistribution of income, ICT further fuels the engine of capitalism and we're lacking a global labour movement, there is only one means left to solve this problem: the government. One would expect that the government would correct the shortcomings that we've just identified, but in reality legislation is very ineffective (take for example the system of CO2 emission rights) and governments compete with one another to maintain the domestic economy and to draw international business to their respective countries. Large companies are lured with fiscal benefits, subsidies and all kinds of facilities. Tax havens are the direct excesses of this competition. Additionally, governments are strongly urged to reform labour markets: in other words, make labour more flexible so that it becomes cheaper. The truth is that the government has become a slave of the economy. The economy dictates, the government follows.

In the 'ideological' sense, this compliance is traceable to neoliberalism. In this philosophy the role of the government is limited. The minimalistic government should 'interfere' as little as possible and should improve the mechanism of the market. Many neoliberalists regard the welfare state, which acts as a safety net for people who cannot make it on their own within our society, as a superfluity. It only creates 'lazy people'. In Europe the welfare state is also on a gradual return. The neoliberal policy of the minimalistic government is full of contradictions. Environmental policies are not allowed to interfere with economic growth, which is a contradictio in terminis. Governments try to guarantee sufficient competition through competition regulators, while at the same time financing technological innovation, which yields the opposite effect (divergence). In the battle for (multinational) businesses, governments lower taxes, which has an even more adverse effect on the redistribution of income, if there actually is any at all. To improve employment opportunities, they reform the labour market, which further increases differences in income. Various economic analyses moreover show that this is at the expense of productivity growth. We work too hard, too much, for wages that are too low, and the innovation (which, provided that it is distributed evenly, yields an increase in welfare) is coming to a halt.

Finally, if an economic crisis strikes, it's never the market that is to blame, but always the government. The government is accused of (having become) too large and putting too many restrictions on the market. Cuts nee to shrink the government and reforms have to improve the mechanism of the market. Nobody mentions the 'reason' for the government's size. The government has been growing for centuries because employment in the

(semi)public sectors, education, healthcare and welfare are 'human work' in which labour is hard to replace by capital. From a market perspective, they are unproductive sectors unsuitable for making a lot of profit. Therefore it is only natural that these have become government tasks. On top of that, these costs have further risen because the wages in these sectors cannot differ too much from those in the market. The government therefore is forced to raise its wages, whereas there is no corresponding extra productivity. In short, the market mechanism itself is the reason for the expanding government.

The neoliberal trend of the past few decades is flexibilisation, privatisation and freer competition in the (semi) public sectors. We may draw the conclusion that this policy has had an adverse effect. Government expenses have increased, not decreased. This should hardly come as a surprise, if you take into account that 'capital' is being used to substitute work that cannot be substituted by capital. It's not working at all. As a result, capital looks for alternative ways to make a profit: by lowering wages and flexibilising jobs, by improving efficiency through scale enlargement, by working with more management layers so as to make the work more controllable, by 'rationalising' human interaction (maximally 10 minutes to wash a client, one hour for checking a thesis, etc. etc.) and by increasing working pressure. The ultimate effect of privatisation and the free market on government work is dehumanising: ever larger 'factories' in which the quality of work decreases and contact between people is disappearing2.

1.1.5 From consumption to participation

The divergent powers of capital and technology widen the gap between rich and poor everywhere in the world. There will be a point when this inequality has become so large that there is 'no way back'. That is the point when accumulated wealth starts to corrupt democracies everywhere in the world. Something that is already starting to happen in many places. The converging powers of competition and labour movements hardly have any global power. The government is the last stronghold that fights capital. As soon as this stronghold falls, there is no way back. In that case, the differences will only grow, up to the point that it's a matter of 'every man for himself' and society falls into anarchy, an oppressive police state or until civil wars break out. But there is still time.

200 years of economic growth have brought Europe a lot of wealth, but it's currently being confronted with the limitations of this system. The end of the consumer economy has arrived. The substitution-mechanism does no longer work, because conditions for growth have evaporated. For the first time the limits of man, the environment and resources have become painfully clear. 1. Resources are running out, making them become ever more expensive. 2. The unrestricted use of fossil fuels causes climate change. 3. The present day permanent encouragement to consume in Europe only brings us overconsumption and

causes damage to health. 4. The accompanying overproduction causes ever more damage to the environment, increasing work pressure and other problems. We will have to accept that we will only import unemployment in the future rather than export it, on account of globalisation. At the same time, international solidarity imposes limitation on our export surplus.

All proposed solutions do not bring about enough relief. Technological innovation does not offer a solution for the distribution-problems or our consumption pattern, governmental free market policies achieve the exact opposite of what was envisioned, cuts initiate a process of social deterioration and an increase in taxes will cause growth to further stagnate and cause even more unemployment. So how do we get out of this vicious circle? The crisis we find ourselves in, is a system crisis, the engine of capitalism, substituting labour with capital, threatens to slowly destroy society. I suggest we change the engine for a newer type. The new engine has to turn our consumer economy into a participation-economy. Until now, the consumer economy has had the chance to grow because we didn't calculate the costs of environmental damage and unemployment into the production process, but passed it on to the future, the government, abroad, the tax payer or the weaker members of our society. Now that this is starting to cause problems, we have to come up with something new. If we want to maintain growth, this growth should no longer be dependent on natural resources – of which we only have so much -, but we will have to base it on something that is in unlimited supply: human social interaction. I propose we reduce material consumption and substitute it with 'relational consumption'. Therefore we will have to contain the consumer economy and 'unleash' a participation-economy.

Containing the consumer economy is not easy to do and requires a self-conscious and strong government. But strong does not equal large! It's not about more government officials, but about a number of effective rules. They should give the free market room wherever it is possible, but set very strict rules where necessary. The government should contain the market within a 'policy container', based on a set of principles, which contains and monitors the instable consumer economy. Within this container, the number of government regulations may be smaller, but at the edges, these principles create impenetrable boundaries for the market space. There are four principles. The first principle is that the battle at the market may never force people to live under the poverty line. Our current social security system, - a labyrinth of social safety nets and fiscal fees -, is much too complicated, it is full of loopholes and susceptible to fraud and needs to be replaced by a simple but solid basis. The walls of the container shall be formed by principles of sustainability and participation solidarity. Sustainable in this means that the consumer economy does not use any new resources, but solely runs on recycled materials. The economy cannot produce any new waste and needs to be CO2 neutral. Participation solidarity replaces income solidarity and states that everybody has an equal right to

work. The available work will therefore be permanently distributed over all of the working population. The ceiling of the container, the fourth principle, serves to contain people's greed and to tame the financial markets. It is simple: we have to set limits for individual wealth and company sizes. I will further elaborate on this principle in the next chapter.

Parallel to the 'containment' of the consumer economy, a participation-economy will have to be built up. The participation-economy is an economy that is centred on human relations/participation. It is an economy that centres on 'living together' rather than living an individual/consuming life. At the moment, healthcare/education accounts for 20% of total employment. I expect that in a few decades, 80% of all employment will (have to) be found in the current (semi-) governmental sectors like education, healthcare, culture, housing, welfare, social work, help, sports, environment and participation in a board or an ideological organisation. From a present-day perspective such a growth must seem totally unrealistic because there's no government will be able to finance it. It is, indeed, from this same perspective King Willem-Alexander in his king's speech of 2013 introduced the so-called participation-society: Under the guise of 'own responsibility' we should all participate *unpaid* in (former) governmental tasks because the government no longer has sufficient funds.

There is however another way. In a participation-e*conomy*, these sectors will be the new driving forces of economic growth. People will get paid for their work. And unlike now, growth of these sectors will not increase (government) expenses, but actually increase government income. In order to turn these sectors into the new growth accelerators of the economy, the tax pressure on different production factors has to shift. By means of taxation the price of work has to decrease and the price of capital and natural resources has to increase. The four containment rules that I have described above will bring about this change. Of course also new 'participation-markets' have to adhere to the principles of 'market containment', but because much less capital and resources circulate in these secors and because they are currently still being strongly ruled by the government, these markets will experience this transformation as a liberation, they will literally be unleashed. I will demonstrate this in the third chapter.

1.2 Restraining the consumer economy

The system I will now elaborate on is merely a guideline for a transformation process that will no doubt be long and complicated. It will take – both in scope and in depth – a lot of research and elaboration. I will work out the main outlines of containment in four tangible policy instruments. Other, less far-reaching variations on these instruments are of course

also possible. In that case, you may consider this elaboration a guideline for that alternative view. The four policy instruments are:

- work is being distributed by means of the issuing of equal amounts of working rights to every citizen of the working population,
- a basic wage will be introduced for every citizen of the working population as well as a basic income for children, adolescents and the elderly,
- a new company-dependent profile tax will replace all current taxes, excise duties, premiums and levies,
- a new, progressive property tax will be installed for private wealth and a new inheritance tax system will be introduced.

The scope, extent and design of these instruments will undoubtedly become the subject of extensive and heated public debate. The numbers mentioned in this writing are not fixed, but should be considered indicative. The focus of my argument is on the cohesion of the whole package. It is not possible to remove one element from the package without extensively damaging the transformation process.

1.2.1 Labour rights and basic income

The containment of the consumer economy is very invasive and risky, especially in countries like the Netherlands, which are strongly dependent on export. Because these principles make goods more expensive, export will decline and import will increase. This affects employment in the consumer economy, which will have to be offset by creating new jobs in the participation economy. But work in the participation-economy is work based on human relationships, it is localized work that cannot be exported. The distribution of available employment therefore not only is a matter of principle, it is also a bare necessity. I do not consider a general reduction of working hours, as Skidelsky and Jackson proposed, suitable to guarantee the right to work. The instrument is too rough. In addition to that, it does not take into account the fact that increasingly more work is becoming flexible work carried out by freelancers. Therefore we have to think of something else: work should be rationed. The government should periodically issue working quota to its citizens to guarantee an even distribution of work (1200 hours a year, for instance distributes over a 40-week working year with 30-hour working weeks). After introduction of this working-rights system, a lot of legislation that is currently keeping the labour market in a stranglehold will become redundant. The distinction between a fixed and a flexible employment contract will disappear. The labour market becomes flexible and dynamic. The principle of distribution is less rigid as it may seem. These working rights can be traded on a special market. People who want to work a lot and do not have enough labour rights may buy working time from others who'd rather work less. This way the

individual differences in level of education, experience, working preferences and capacities are being matched optimally through supply and demand. Tradeable working rights provide citizens with an income, they guarantee 'participation' in society, they develop talents, capacities and provide an individual with a sense of self-worth and identity. They are at the heart of the participation-economy.

Each hour of working rights issued by the government is connected to a basic hourly wage paid by the government (8 euros per hour, 800 euros per month). This income is being paid by the government and is coupled to the use of working rights and therefore to actually performed work. The income therefore is divided in two: it consists of a fixed government-part and a negotiable employers'-part. A separate basic income is essential for the transition: labour-costs for companies will decrease, creating more jobs, especially in the labour-intensive participation-economy.

Citizens may decide for themselves how they cash their working rights. This would normally be done by working, but as said before, it is also possible to sell them to others. I expect the price to be somewhat above the basic wage that is associated with it (for instance 10 euros per hour). If citizens are unable to find work on their own, the government is obliged to help them find a job. The future government will need better tools for this than those it currently has at its disposal. I will get back at that later. If a government has issued too many labour rights, then she can buy back these rights from her citizens for the price of the basic income. In that case, the basic wage turns into a basic income.

The potential for growth of the participation-economy is huge. People who are currently unemployed or do not participate in labour yet (2 to 3 million Dutch) all receive working rights. I expect that many, encouraged by the idea of the associated basic income, will take this opportunity to enter into the labour market. This group will mainly make the human relations market grow. Others will choose to sell their labour rights to the current professional population or to transfer them to their partner. Not only will more people participate in labour, but the number of personal relationships per person, - educational, cultural, healthcare, well-being, neighbourhood and residential relationships -, will also increase, be more varied and become more intensive within smaller circles.

Basic wages and basic income are individualised and therefore 'stackable' within a household. That means that the basic income financially encourages living together because financial advantages stay within the household.

The new social security system consists of working rights, basic wages, government support in finding a job and is completed with an additional regulation intended to account for frictional unemployment: each civilian has the right to sell back 3 years (3600 hours) of labour rights to the government for the price of the basic wage. I do not consider it a task

of the government to secure income security above the minimum income. This may be arranged by private or collective insurances. This is a task for social partners, employers and employees or individual civilians.

Basic wages may, in special cases (for instance in case of full working disability) be turned into a basic income, but that's an exception rather than a rule. The basic wage is a conditional basic income, with as a prerequisite 'thou shalt work'. In Europe there is a strong movement that advocates an unconditional basic income for everybody. Why shouldn't we forget about labour rights and turn the basic wage into a basic income for all of the working population? Those in favour expect that this will turn everybody into a creative human being that unfolds itself in all freedom. I reject a complete uncoupling of work and income. An unconditional income is only a partial solution and therefore no solution at all. It's not because it's unaffordable, as many of those opposed believe. I also don't think that people are going to lean back and do nothing. I am against an unconditional basic income because its implementation within the current zeitgeist, with its inequality, will have an adverse effect: instead of more equality there is a very real risk that a dichotomy arise in which there are two kinds of people: those with a good job and those without a job, but with a basic income. Income and work should remain intrinsically connected but the way in which they are connected may take on different shapes.

A *temporary* unconditional basic income may have significant positive effects in case of a one-off economic crisis, such as the Eurozone crisis and the Greek government-debt crisis. At present, the central banks of the US and Europe are battling this crisis with what's called 'Quantitative Ease' (QE): injecting a lot of new money into the economy by buying up (unpayable) debts from governments and banks. This mainly 'protects' the rich upper layer, who have invested their money in risky projects. The man in the street doesn't notice a thing. Moreover, it is likely that this money will create a new financial bubble. It's much better to choose for 'helicopter-money': a 'QE for the people'. Simply unconditionally give all citizens a month's income and let them reinvent the economy bottom-up. Of course this implies that states and banks may go bankrupt, but this mainly affects people with 'exuberantly much money' (especially in the affluent West).

1.2.2 Taxes for citizens

The future citizen will (want to) more often switch employers, healthcare providers and education (which will more often involve moving house). To be able to facilitate this we will have to take away one more major obstacle. Payroll tax is a major obstacle for the participation-economy. It requires a massive amount of bureaucracy and it smothers the dynamics of the free employment relationship. It should be abolished. Payroll tax plays an important role in the income policy. This will have to be completely reshaped. Abolishment will free the labour market. The fiscal boundaries between the black economy and the

formal economy and volunteering work will disappear, so that new work can be added to the formal economy. The policies aimed at income equalisation can be replaced by participation solidarity (labour rights) combined with an individual basic income/basic wage. Fiscal fees should be turned into special funds (see below).

The ceiling of the market-container is meant to constrain greediness, corruption, criminality and associated matters. The goal of a progressive taxation of wealth is to make it impossible to make more money with money once a certain amount of wealth has been gathered. In short: to bring Piketty's profitability R back to 0 for the super-rich. The title of the book by Robert and Edward Skidelsky is the moral question: "How much is enough?" I think that the answer lies somewhere in between 3 and 10 million euros. We could set a limit on wealth at 10 million euros by taxing the acquisition of any additional wealth above 10 million euros for almost 100%. A progressive taxation makes it harder and harder to accumulate more wealth once you have more of it. We could start with 10 tariff bands, starting at 100,000 euro, then 1 million euro, 2 million euro, up to 10 million euro. The tax rate in the first band is 10% (levied on the additional acquired capital). In each subsequent band, the rate increases with 10%. From band 10 on, one pays a 100% taxes over any capital growth.

Piketty proposed a progressive capital tax instead of my capital growth tax. With this proposal he aims to reduce the return of capital to the value R – B. Or to put it otherwise, income from work and capital both yield the same profit. This is not a good proposal, because it kind of 'penalises' having capital. That's not what's the problem here though. If it were up to me, would be rich. I just want to restrain the growth of wealth: from rich to super-rich. In my proposal the rich whose wealth is decreasing (voluntarily or on account of current circumstances) don't pay any taxes. We only tax growth. If there is no growth, you do not have to pay any taxes at all. That basically leaves existing wealth alone, until the owner dies, at which point a renewed inheritance tax regulation becomes applicable.

We define 'capital' as anything of value (shares, money, house, works of art, etc. etc.) with the exception of pension capital intended for retirement. Of course any debts will be deducted from the capital. In order to prevent the pension scheme from becoming a fiscal escape route, it is necessary to also make some changes in inheritance tax regulations. Heirs cannot inherit more than 10 million euro. The excess money goes to the state, or must be divided in batches of 10 million and distributed over several heirs.

How much money is this about? In the Netherlands, one of the most egalitarian countries in the world, there are 5000 people with a total wealth exceeding 10 million euros. These people own a total of 20% of all capital in the Netherlands (500 billion) = 100 billion. So the surplus, if we assume a maximum of 10 million euro per person, is 50 billion, which is the amount of money that will gradually (in 25 to 50 years) have to be transferred from

rich to poor through this progressive property tax scheme and the renewed inheritance tax regulation, leaving the governmental revenues from work and capital (2013: 64 billion) practically unchanged.

Undoubtedly this progressive taxation of wealth will lead to a flight of capital and tax avoidance. But this exodus will automatically come to a halt once it becomes clear that the 'good life in Europe' easily makes up for a somewhat lesser wealth. There will be a large-scale change in mentality. The age of groping is over. At this moment it is not unusual for soccer players, famous actors or CEO's to acquire this maximum amount of 10 million within only a few years, with annual incomes easily exceeding 10 million. In the new situation, these high earners will have a choice: a) work less 'for the money' and more 'for the cause', b) give away money to acquaintances, friends or charity or else, lastly c) 'give' to society through capital growth tax. In reality I expect that this capital growth tax will turn around the rich a 180 degrees: the 'groper' will turn into a philanthropist. We can observe that process happening automatically in the case of super billionaires like Bill Gates and Soros. The capital growth tax just significantly lowers this critical limit.

1.2.3 Profile tax for companies

By setting limits to poverty and wealth and by reinforcing social interaction with a basic income and working rights, a new balanced and cohesive socio-economic space comes to existence within which citizens can restore their trust in the government. But that's not enough to change the economy itself. In order to do that, we need the last part of this space: profile tax for companies. The profile tax is a tax based on a standardised company profile. This tax aims to pass on the social costs of consumption and increased productivity to the business world. It is a fiscal means to guide the economy. A company profile consists of financial key figures from the annual account, environmental and social figures. A tax formula is being determined per sector based on these key figures. Existing taxes such as corporate tax, VAT and the abolished payroll tax are, partially or in whole, transferable to the profile tax via the financial key figures of respectively profit, turnover, purchasing costs (VAT) and a sector-specific tariff levied on the total sum of the payroll of a company. Levies and excise duties for specific branches (such as the tobacco industry) can also be included in this profile tax. What's really new is that we're going to levy taxes on the basis of social and environmental key figures. The annual account of each business has to include key figures such as the use of natural resources and energy consumption, CO2 emissions, total amount of working rights and a participation profile of the workforce. Because there are large social, financial and environmental differences between different corporate sectors, a specific profile will have to be designed for each sector.

Less than 20 years ago, 'irresponsible business' was still the standard because this was most profitable. In the meantime, most companies have adopted the concept of 'responsible business', which comes down to doing the least amount of damage to the environment. The newest trend is 'meaningful business' (the 'purpose economy'), which does not focus on profit maximisation but on solving a social problem. These hypes however don't have very profound effects within the economy and are often merely 'window dressing'. The old norms and values are being camouflaged with a well thought-out marketing strategy. Profile tax however is a structural redefinition of the conditions businesses have to meet. Entrepreneurs continue to pursue profit maximisation, but because of the changing preconditions, this will automatically lead to a sustainable and a social economy, because that is what yields the largest profit.

The government finances the basic wage from the revenues from the profile tax. That basically means: the additional money the employer makes on account of lower wages, because the government pays a basic wage, he 'loses' on account of raised taxes. In order to prevent an unnecessary pumping around of money, I suggest to let payment of the basic wage take place via the employer by including it in the profile tax as a deduction. The net-effect is that, without having to wheel around too much money, the government gets a powerful tool (the sum of all basic wages: about 100 billion euros) to realise the necessary movement of tax pressure from labour to capital.

Of course we have to be careful with such a forceful tool. We intend to reform the economy, not tear it apart. The profile tax is a powerful and yet subtle instrument. If this 100 billion's worth of tax is being levied over the payroll lump sum with sector-specific rates, then we can make the profile fit very well to the current tax pressure for companies. The net incomes of businesses and citizens will not differ much from what they are now. The transformation could be put in motion by slowly, step by step, moving tax pressure from the production factor 'labour' to the production factors 'capital' and 'environment'. A tax on the value of raw materials will encourage businesses to use less of these resources. To encourage recycling, the amount of (returned) raw materials that a company offers for recycling should be taken into account. Carbon emissions trading should be replaced by a CO2 emission tax. The deduction on account of the basic wages can be made to depend on the composition of the workforce. Basing taxes on social key figures has a social goal, they have to facilitate some kind of redistribution. Businesses with a more balanced workforce, for instance an equal proportion of older and younger employees, will have a higher deduction. The same will be true for the proportion of natives/foreigners, men/women, productive/less productive, highly educated/lower educated, high-income/lower-income. Ad hoc measures such as wage subsidies are no longer needed.

An important part of the profile tax is a progressive turnover tax. As is the case with private individuals (rich become richer, the poor become poorer), the marketing mechanism 'forces' entrepreneurs to maximise company size, at the expense of smaller businesses. But companies that become too large monopolise the market and undermine competition. A progressive tax scheme takes away the advantages of economies of scale, so that, from a certain point on, it is no longer profitable for businesses to grow any larger. Rates and the tapers of the progressive turnover tax are different for each sector, depending on the minimum number of businesses that have to remain active within that sector. This part of the profile tax makes a lot of supervisory organisations redundant. We merely need a well-equipped tax-authority.

The exact shape of the profile tax for a specific sector therefore largely determines the economic activity within that sector. The profile tax has many benefits for the government but also offers large advantages for the business in question because it dramatically reduces the bureaucratic burden. There is only one integral tax left: the profile tax.

1.2.4 The formal and informal economy

The 'lever', - 100 billion extra deduction and 100 billion extra tax -, combined with the separation of the basic wage, defines a completely new relationship between the formal and the informal economy. The formal economy is the economy that involves the transaction of working rights and the informal (unregistered) economy does not. Formal work is work in which a transaction of working rights is registered between an employer and an employee. In case of unregistered or informal work, this is not the case. The introduction of labour rights therefore does not prohibit informal work, but it does make this kind of work more expensive than formal work with labour rights (in contrast with current 'unregistered work'). If an employee does unregistered work, he loses his basic wage, or the employer loses his deduction. Of course they can opt to share the burden. And of course this burden becomes less relevant with a higher income. If the working rights administration takes place both at the employer and the employee, law enforcement becomes a piece of cake. The government can use the height of the basic wages and the issuing of labour rights as an indirect tool to steer the informal economy. A strong relationship between the formal and the informal economy emerges. The informal economy is the natural source, hotbed and cradle of new businesses and new paid employment. Basic wages make it possible for currently unpaid work, such as household work and volunteering work, to be turned into paid work, with good working conditions and a basic wage. A movie house can man its ticket booths with paid employees, and a nursing home can offer its volunteers an employment contract, etc. etc. New, durable employment appears.

1.2.5 Containment of the financial sector

Lastly I would like to shortly elaborate on the 'containment' of the financial sector. Without a restructuring of the financial sector, we will never recover from the crisis. However, many are not sure about the exact form of this restructuring. It is however clear that SIFI's have taken irresponsible risks by extending too much credit and leaving society no choice but to rescue them. The lesson we have learned from this is that the government and market have to be separated much stricter and that both have their own tasks within the financial world. This division is realised by abolishing the deposit guarantee scheme, forming a state bank and by transferring the 'systemic part' of the financial sector (the consumer market) to this new state bank. In the future, this bank (that is: the tax payer) will guarantee 100% (and not just € 100,000) of your savings and pension money. However, interest on your savings will be low. The commercial banks are allowed to develop their own guarantee system, but the government will no longer contribute. Commercial banks will not be saved by the government. The effect of this restructuring is that commercial banks will become small, specialised banks for the corporate market and that every citizen who wants to take some extra 'risk' can deposit his surplus savings in a commercial bank because these banks will offer higher interest rates. It's even likelier still that in the future participation-economy, many civilians will act like small banks themselves (crowdfunding) by investing small amounts of money in promising companies or start-ups.

1.3 A new role for technology

Some fear that once capital and environment are subject to higher taxes and labour is being taxed less, competition will slow down and that the driving force of economic growth, -productivity and technological innovation -, will stagnate and we will turn into some sort of developing country. That fear is unfounded, but it is hard to take away. One needs a lot of imagination to conjure up an image of what exactly the economy will look like in the future.

It is evident that the containment-instruments change the relationship between capital and labour. When private wealth gets restricted and one can no longer acquire more than 10 million euros, stakeholder value can no longer endlessly accumulate and thus gets redistributed over more people. By giving the weakest in our society a basic wage and working rights, the battle for jobs will lose its unpleasant aspects: we can start working together rather than compete with each other. Technological developments that require large investments will only take place when many people want to contribute to them. It leads to a more careful weighing of profit and loss, costs and benefits, risks and certainties. Let me illustrate these trends with a few examples.

When the new social media and apps were introduced, they were welcomed as the agents of a new era, the era of the sharing-economy. From now on we would start sharing everything. But the reality is less idealistic. Facebook sure is social but it's still primarily a medium aimed at increasing consumption, by giving businesses a platform to advertise on, based on personal details and preferences. The shareholder dictates the policy. Facebook is an extension of the consumer economy. There are many apps that aim to bring people together, but they are all dictated by ICT-capital and aimed at maximising profit. How different would things be if not profit, but participation was the main driving force behind these developments? How different would things be if the revenue model was not based on advertisements and consumption but on participation? How different would things be if Uberpop started mediating with regard to our daily commuting trips and managed to reduce our fleet by half? It certainly would be a big step in the right direction when it comes to making our economy CO2-neutral. The new revenue model is based on the idea that participation is connected with shareholder value. Because in this new economy, private wealth and corporate turnover are both restricted, the limits will soon be reached if capital accumulates with too few people. As a result, entrepreneurs will transfer their 'earnings' to as large a participation as possible, which is 'encouraged' by letting users share in the shareholder value. If Uberpop chooses to let users share in its shareholder value, then this will yield a large advantage for the environment. Of course the loss of jobs in car plants will be compensated somewhere else in the participation-economy. In short: the capital accumulation within the ICT-era of the 21st century is spread out over users of the ICT-application. In addition, the government will let the whole population share in the growth through profile tax. If there is a decrease in employment, the available work will automatically be redistributed through the issuing of working rights. Where possible, agreements can be made on compensation-investments in the participation-economy.

Internet will play an important supporting role within the contained consumer economy and within the unleashed participation-economy. The sharing-economy will also promote the sharing of all kinds of equipment. Sales of power drills, saws, lawn mowers etc. etc. will plummet. Usage and recycling will drastically increase. There will be a lot of new employment and there will be an abundance of new apps, which we could call 'social engineering'. Business focuses on the building and intensifying of human interactions and participation, in education, healthcare, welfare, culture, housing and governance.

The way technology is being used changes. By taxing capital and relieving labour, we change everything around: upscaling becomes downscaling, egoism becomes working together, individualism becomes sense of community. Until now, technology went hand in hand with large, larger largest. Larger companies, larger turnovers, larger markets, because technology simply required large investments. ICT in the 21st century turns this around. Digital technology turns the trend of upscaling into a trend of downscaling. I

predict that the local supermarket at the corner will make a comeback, provided she makes good use of ICT possibilities and takes advantage of her main selling point (proximity). By combining ICT with solar cells, energy magnates will fall apart into millions of small home-made energy suppliers. Large plants will face competition from an army of small factories who will develop specific products using 3D printers. Employees and employers go from one job to another and from one project to the next using apps like 'Werkspot' and 'Elance'. ICT will drastically change the economy. A process that needs to be closely supervised by the government.

Because green investments will be taxed less than polluting, environmentally harmful business (the government does not subsidise solar cells but in stead tax coal-fired power plants extra), the former will quickly take off. If we pass on the social costs to the intensive bio-industry, returns will plummet. Less-intensive agriculture, but also farmers in developing countries, will suddenly have a much stronger competitive position. Animal well-being will improve.

New technologies like robotisation, genetic engineering, nano and gigatechnology require large investments. Sector-specific profile taxes allow for the fiscal 'controlling' of this kind of technologies, bringing social and environmental policies into the equation. The possibility that other countries gain an advantage on us (and apparently consider the risks for society less severe) is something we will have to (partially) accept and partially battle by putting social and environmental risks of new technologies on the international agenda.

The role technology plays as an accelerator of the economy is not over, but rather changes drastically. Technology will continue to generate growth, but it's going to be a different kind of growth. But in order to realise a true increase in employment in Europe and the US, growth is not what we need in the first place. We need a new economy: the participation economy. I will elaborate on that now.

1.4 The unleashing of the participation-economy

Basic wages, profile tax and capital growth tax are the instruments we have at our disposal to tame the consumer economy, to make capital more expensive and labour cheaper. They restrain our consumer economy. These same instruments are also the liberators of the new participation-economy because they make labour cheaper and thus encourage participation. Although these instruments are crucial prerequisites for unleashing the participation-economy, they, however, cannot yet initiate this completely, because the sectors of the participation-economy currently are held in a stranglehold by the government. In order to let the participation-economy flourish, it is also needed that the government changes its role and position in the sectors of the participation economy. On

the one hand she will have to abolish certain rules and regulations and on the other hand she will have to make new ones: she will have to keep a firm grip on a certain basic package of tasks, and on the other hand allow the market to open up for matters that are not part of this basis. I will describe the outlines of the changes to five new sectors: education, healthcare, culture, housing and (civilian) participation. Many details will have to be elaborated upon further. After that, I will, within a wider context, describe the new relationship between the market and the government.

1.4.1 Education

Primary education is and should be one of the tasks of the government. The core business of the government is to ensure young people have the same qualifications to start with when they wish to enter the labour market. There are a lot of rules and regulations that can be abolished if we keep this in mind. All kinds of complicated input financing (based on numbers of pupils, background of the pupils, fees for small schools etc. etc.) can be replaced by simple budget financing. The problems with 'white' and 'black' schools have to be dealt with more effectively and our unique legislation with regard to education should not be regarded invincible if schools with a different signature lead to large differences in starting qualifications.

From age 17 on, education becomes a marketplace. 'Higher education' (vocational education, academic education, adult education) is turned into a contained market within which boundaries and obstacles are taken away. Schools/universities will be split up into 4 different functions: facilitating businesses, (school- and/or university buildings will in principle be funded and maintained by the government), education businesses (they do the actual educating), independent testing businesses, and research businesses (currently still part of universities). The independent testing companies will test a core program established by the government, prevent the deflation of certificates and diplomas and safeguard quality. Educational businesses have to hire testing companies in order to take tests.

At age 17, each civilian will receive a certain amount of learning rights – a basic budget for education, to be spent at education companies. You may start with a small amount that will be gradually increased by the government. These learning rights will systematically increase growth of employment in education, without the government having to spend money on it. The basic budget of the student is, just like the basic wage, deductible from the profile tax of companies in the educational sector. In addition to learning rights, an education company has two other sources of income: achievement fees – money a school receives when students graduate and/or receive study credits – and tuition fees. Expenses for facilities (buildings etc.) are (in principle) for the account of the government. By adjusting the height of the achievement fees and the amount of learning rights, the

government can partly control both demand (the wishes of the businesses) and supply (the wishes of the citizens). Education businesses are free to determine the height of tuition fees as well as the curriculum. Everyone can set up an education company. Teaching permits are no longer necessary, but they will always be of great added value in the game of supply and demand. Education inspectorates are not necessary for commercial education. It is however important that the educational results from education companies are made public. This way the market will regulate itself. The student will be the one to determine the relationship between price and quality. The education market offers a lot of freedom and will get the best out of people when it comes to education. Teachers with new, innovative teaching methods are free to offer their services in the market. Good teachers will earn more money. Bad teachers will earn less. A large variety of companies will arise, some small (a single independent teacher) and some large (a university with several branches). The curriculum may be highly specialised or very general. An educational company may be excellent, popular, trendy, cheap without any guarantee of a diploma, or expensive with a near 100% guarantee of a degree. 'Anything goes!'. An appropriate profile tax will progressively tax turnover in order to avoid upscaling and in order to ensure a balance between learning rights and achievement fees, so as to avoid an overemphasis on achievement. Contrary to working rights, learning rights cannot be traded. This has been so decided because of the notion that learning and teaching are things that one does from an intrinsic relational motivation that is beneficial to any individual. In principle, it is possible to combine all 4 education functions (facilitation, teaching, testing and research) into one company (like current universities do), but only if this does not disturb the free market. Current secondary education will play a very special role within this system: in the future she will operate in two different areas, in the demand-funded education market (based on learning rights, achievements and tuition fees) and the supply-funded primary education of the government. These schools have to supervise the transition for pupils.

ICT will serve capital (the masses and scale) less and serve employment more. It can play a role in 'mass-education', but it can only be truly revolutionary if it offers new personal support for the teacher in his everyday reality. Because capital can no longer be accumulated, it will be invested in people, in lots of people.

1.4.2 Health sector

The health sector needs to be divided into basic care and supplementary care. The basic part is exclusively the task of the government, market mechanisms and competition between different healthcare providers are highly undesirable here. Choices within healthcare quickly become immoral if we attach monetary values to the various options. In the Netherlands, market mechanisms have led to a profound medicalisation of the health sector and to overconsumption of health products and a rise in associated costs.

Competition between insurance companies creates unnecessarily large buffers, high advertising and recruitment costs and complicated (and expensive) communication processes between insurers, healthcare providers and clients. This should not and does not have to be this way. The government should (once again) be the basic healthcare insurer, funded by tax revenues. The government provides a generic, but varied range of facilities through healthcare companies. Commercial healthcare is optional for supplementary care. Healthcare companies therefore become hybrid companies, providers of basic healthcare and commercial players in the supplementary care sector. The healthcare allowance is paid from a special fund. Healthcare companies might be given the right to ask an income-dependent individual contribution from the patient, which will (partly) be refunded by the healthcare fund for specific groups and services. This keeps basic healthcare accessible and it makes citizens aware of the costs.

Any divisions within the healthcare sector will disappear in the participation-economy, just like in the education market. Healthcare will become integral, it will take place on a smaller scale and it will be closer to those needing it. Think of so-called healthcare teams, small organisations in which various healthcare disciplines work together on a neighbourhood-scale under one director. By directing demand, it becomes possible to transform unpaid informal care into paid and registered work. Citizens can receive part of the basic care through individual healthcare rights, comparable to personal budgets. This budget may be used to incorporate alternative, informal care in the regular healthcare system as paid and/or unpaid work.

Working rights, learning rights and healthcare rights are major expenses for the government that are highly interconnected. The elderly need more healthcare and less education. For younger people this is the other way around. Innovative companies or institutions that are able to combine healthcare rights and education rights implicitly close this gap between generations. The higher-educated use more education rights and in general are healthier and therefore need less healthcare. For the lower-educated, the opposite is true. A combination of learning, healthcare and working rights might also establish bridges between rich and poor in this case.

1.4.3 Culture

A society's culture is determined by its past, the national mentality, the language, identity, national celebrations and norms and values. Every self-respecting society will want to pass this 'basic-culture' on to its citizens. Subsidising and guaranteeing this basic culture is a responsibility of the government. But what does this basic culture constitute? In the last few decades, our societies have turned into multicultural societies with the associated, well-known, problems. Fear of the unknown can only be taken away by more social communication. The participation-economy has the potential to solve the problem of these

cultural tensions. The government should construct a completely new culture market on the fundament of basic wages and working rights within which the native culture and other cultures are given room to flourish, with a focus on interaction. The government should focus on (the costs of) the physical infrastructure (stages, theatres, concert halls, parks etc. etc.). The government rents these facilities to different tenants, players, old and new cultural companies. New entrepreneurs who enter this market will make libraries profitable by offering a mixture between physical (book) and virtual (Google books) services. Amateur theatres will more easily find their way to professional companies. Sports clubs will hire employees. Health and wellbeing will turn into profitable economic sectors. The participation economy will make small-scale initiatives from neighbourhood boards viable. Employment and the cultural market will both benefit substantially.

1.4.4 Households

I use the term households to indicate an array of tasks and activities related to housing and living together. It encompasses the housing of the complete population, the composition of households and the people who live together in one house. Within the participation-economy housing needs to be divided into a basic task for the government and a supplementary task for the market. The government provides public housing and the market may both serve the rental-market as well as the house-owners market. This new division of tasks requires a fundamental restructuring of the housing policy. The current crisis in the housing market in the Netherlands is completely for the account of the Dutch government. The political ambition of promoting house ownership, combined with the deregulation of financial markets (in particular mortgage lending) has completely disrupted the market. The government needs to return to its basic task: guaranteeing housing. Individual asset accumulation through the acquisition of a house is not part of that. I propose to turn the current housing corporations into housing (market) companies within the new housing market. Mortgage interest and housing benefits are abolished and deposited in a housing fund. Housing companies maintain an integral renting/buying policy and are allowed to determine income-dependent rents themselves. In the process they can take into account allowances from the housing fund for low-income groups. These housing companies can buy out underwater mortgages with a contribution from the housing fund and then rent the property to the same people living in it for an income-dependent rent. But in the future, owning a house will have to mean accepting all the risks intrinsic to the market. Just like commercial banks, owners will no longer be rescued by the government.

The impact that the containment of the consumer economy and the unleashing of the participation-economy will have on the micro-society of a household is enormous. People who used to be financially dependent will now have their own basic wage, which will have

a large impact on emancipation. Citizens will develop completely new accommodation forms and ways of living together, based on the working rights, learning rights and healthcare rights they receive. The composition of households will change. Housing companies will innovate the housing market with new 'housing products' in which living together will play a central role. At present, single-person households are still the dominant form, but in the participation-economy, new accommodation forms will arise such as the family-care house (a kind of nursing home, but different), educational houses (a student flat, but different) or multiple-generation houses. Housing companies will differentiate strongly to meet a new diversity of housing requirements. The progressive tax scheme also applies to this sector, making sure that there are only small-scale businesses that focus on human relationships, that no tax money is wasted and that there are no counterproductive fusions and so on.

1.4.5 Participation and democracy

Ideological participation, for instance in the form of joining a political party or a city council, is being met with more and more distrust in our present-day market-oriented, individualistic society. Politicians are readily regarded to just be lining their own pockets. Most people rather support one-issue parties and NGOs, but also in those cases participation often does not extend beyond an annual financial contribution. This will change once the participation-economy is introduced. Everybody will want to actively take part in the shaping of their own street, neighbourhood or district. Improved control and participation will bring the social debate back into politics. It is important that the government facilitates and organises this participation. At present it is still in fashion to upscale governance, but within the participation-economy, the government will have to move closer to citizens. Districts, neighbourhood organisations, neighbourhood management, regions, they're all welcome. But not only do administrative units have to become smaller, they also have to become more powerful and more independent. Direct elections of directors and representatives at a local scale is inevitable.

1.4.6 The new relationship between Market and Government

It should be clear by now that the double strategy that I presented above is more than just an economic reform. It encompasses a reform of society, with fundamentally different relationships between the government and the market. The minimalistic role that the government plays in neoliberalism is transformed into a relationship between two equal partners. The government guarantees and regulates the basis, the foundation of society. The free market that is being built upon this foundation is indeed free, but there are a few conditions. The rules of 'containment' add some 'government' to the market sectors of the consumer economy. The introduction of new participation-markets means some 'market' to the traditional governmental sectors. Effectively, the market and the government are

moving closer towards each other. Upscaling is turned into downscaling, egoism turns into cooperation, and individualism is turned into community spirit.

The participation-economy will become a vessel for new economic growth. By taxing capital instead of labour, education, healthcare, culture, housing, neighbourhood management and participation, wellbeing and sports will become the beating heart of the new participation economy. At the same time, the differences between rich and poor will be reduced by adopting a new income policy that can be realised indirectly through distribution of working rights and directly through income-dependent rents and healthcare allowances.

In the long run, if the participation economy becomes a success, if companies have become socially responsible and sustainable, the rich no longer become richer, and businesses stop growing larger, then the tax part of the 'lever' I was talking about earlier will become smaller and the deductible part of it will grow larger and eventually a large financial gap might arise for the government. On the other hand, if the participation-economy is successful, government expenses will decrease and income from other taxes will increase dramatically on account of the hundreds of thousands of new healthcare, education, culture and housing companies that will arise, offering millions of new jobs. Nevertheless it is advisable to connect government expenses to other, more structural sources of income, based on levies on social infrastructures owned by the government. Examples are (higher) revenues from letting buildings for education, healthcare and cultural activities, a levy on financial transactions arranged by the state bank and charging for use of the energy grid, road pricing for road traffic, water traffic and air traffic. A micro-levy on data traffic on the internet, renting out of ether frequencies etc. etc. These levies are less sensitive to changes in the economic climate than the profile tax and stabilise government finances. Moreover, infrastructure is not a suitable sector for the free market. It's a waste of social resources to build two roads that both run from A to B.

1.5 From idea to reality

A substantive debate on the 'system change' proposed above will be inextricably linked to it feasibility within the current politico-administrative national, European and global context. It is both impossible and undesirable to introduce this system in the Netherlands only. The Netherlands could play a leading role but the implementation will have to take place at least on a European scale. The current EU has a common monetary unit and focuses on the internal market and economy, but Europe is socially and economically immature. This is one of the reasons for the European crisis. The transition from a consumer economy to a participation-economy offers Europe a chance to develop this essential social and political dimension and to take a big leap forward. The economic policy would

have to change drastically though. Containment of the consumer economy would have to become the main principle, in which the extent and exact form of the four containment-instruments can change per state. The profile tax can be used to let the various tax regimes from the different EU member states grow towards each other and to eliminate tax havens and tax avoidance.

Southern member states are even more suitable for implementation of a participation-economy. It fits better into the culture of these countries, in which the (family) networks traditionally have a more central role in everyday life. Abolishment of payroll tax allows the black economy, which constitutes more than 20% of the total economy in Southern and Eastern Europe, to be integrated into the formal economy. Finally, the working rights will restore the strained relationships between citizens and their governments. But the big question is whether the consumer economy of Southern Europe will survive the transition. In the Northern member states of the EU, the situation is reversed. The participation-economy will be met with resistance in these strongly individualistic societies, but the consumer economy may be deemed strong enough to withstand the transition. It implies that an international solidarity or a European unity is necessary in order to make the transition work on a European scale. And last, but not least: all these changes require widespread public support. A top-down approach will fail. The biggest challenge for Europe is to bring together the European citizens and the European administration and policies. A good motivation is crucial but not sufficient. Politico-administrative innovations are also necessary. I have elaborated on this elsewhere.

Within a global context, containment of the European consumer economy will raise new issues. For instance, if the European meat industry is being subjected to higher taxes on account of its CO2 emissions, then import from other countries will increase because the foreign product becomes relatively cheap. Import duties may be necessary to save the European meat industry. Does this mean unfair competition? Will this constitute a market disruption that the World Trade Organisation will prohibit? Or could Europe possibly urge other countries to boost domestic demand and to redistribute incomes like Europe has done in the past. For instance, if wages in China increase, Chinese goods will become more expensive and European import duties can again be abolished. The proposed European transformation will thus also initiate major economic shifts in the rest of the world. However, we should not make the same mistake by branding the ideological system proposed here as a doctrine that should apply to the whole world (as we did with the Washington consensus). It is a tailor-made solution to a problem that is Western in the first place and European in particular. Other continents will require other solutions, within which consumption keeps on playing a major role. That does not take away the fact that we are living in one and the same world. From a European perspective, global sustainability and participation solidarity is very urgent, because we're running out of time.

1.5.1 Conclusion

All in all, it looks like the transformation from a consumer economy to a participation-economy is going to be a complicated process of reforms, not just from an economic perspective, but also from a social and political perspective. The objectives for the Netherlands can be summarised in two sentences: transfer 50 billion euros from rich to poor. Transfer 100 billion euros from consumer economy to participation-economy. But the exact way in which this transfer will have to take place and shape is currently still very hard to predict. That this transfer is going to take place seems inevitable to me. Given the ongoing globalisation, individualisation, ecologicalisation and the limitations of the earth, we do not have any alternatives in the long run. Each crisis is a chance. Europe is ready for change. The only thing we need are a few courageous politicians who want to take the lead in propagating and executing this plan. Let's work on participation!