

# **Discussion Paper**

## **Introducing Counterbalance Economics & Community Credits (CC)**

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# Counterbalance Economics Summary

## Key Concepts

**Current Economics Systems Have Failed** - The reason both enterprise capitalism (Neo-liberal economics) \* and social capitalism (Keynesian economics) \*\* have failed is because they're both working with a structurally flawed tool, money. Using the first model, money causes inequality, using the latter, it causes inflation (Heywood 2013, 145). Contra-deal credits (CC)\*\*\* act like a counterweight which re-balances and corrects the structural issues of money. The outcome is a more efficient and more humane form of capitalism, which can minimise or eliminate most market and government failures. \*\*\*\*

**50:50 Split of the profit** – The idea behind the 50:50 split is that this is seen as the fairest distribution of windfall (profit), as shown in the dictator game experiment 'carried out by Daniel Kahneman (a psychologist who shared the Nobel Prize in Economics in 2002), Jack Knetsch and Richard Thaler using students. In this experiment, students were split into pairs of allocator and recipient and the allocators were given only two possible divisions of \$20: either \$18 for themselves and \$2 for the recipient or an even division of \$10 for themselves and \$10 for the recipient. One important difference from the ultimatum game (an earlier version of this game), was that the recipient was not allowed to reject the division. Of the 161 allocators, 122 chose the even division of the \$20. Because there was no possibility of the \$18/\$2 split being rejected, the allocators must have chosen the even split because they valued acting fairly' (Hubbard et al. 2015, 154).

It is also postulated that at the 50:50 point, parties are the least unhappy and therefore there is the least amount of resistance to proceed with an endeavour, where one party is providing all the money and the other party is providing all the labour. This is important because if we are to implement a new model of payment (the CC), it will have to be accepted by the majority in order for it to be implemented effectively.

This is also why the Average Weekly Earnings (AWE) amount is used as the minimum benchmark.

**Employing 100% of those who want to have a job** – According to Richard Holden, Professor in Economics UNSW in 'Australia's 5% jobless rate isn't Full Employment', 'Economists used to say that it was 5%. That's because even if the job market was so tight that employers couldn't get workers, there would always be some unemployment. Some completely unsuitable people wouldn't get jobs and some people would be counted as unemployed even when they were moving from one job to another.

Attempts to stimulate the economy, or cut interest rates to get the unemployment rate below 5% was therefore seen as pointless, because it would merely stoke inflation. Which is why the 5% rate has been referred to as NAIRU – the 'non-accelerating inflation rate of unemployment.'

In order to stop the upward wage-thrust that would ensue after providing a job for everyone who wanted one, we would do the following:

- Set the minimum wage payable at \$85,000 p/a (the current AWE), payable in CC;
- Employees would be given the choice of being paid less in \$AUD or receiving the increase in CC;
- All employers with employees who currently earn less than \$85,000 p/a, would receive a 100% wage subsidy, which means **businesses would be more profitable.**

The business would be asked to **provide the equivalent of the wages saved as goods & services** to Community Enterprise Employees. Anyone being paid in CC is deemed to be a Community Enterprise employee. Businesses will be credited for the cost of the material used to create goods and services as outlined in the [discussion paper](#) (Malliaros & Hall 2019, 8).

There are currently around 56,000 charities providing services that should be provided by the government, or by the market (ACNC 2020). In other words, the NFP sector is there to pick up the slack created by market and government failures. All of these activities would become **Community Enterprises (CE)**\*\*\*\*\* and the unemployed would be employed in activities that support the community in this way.

**Contra-deal Credits (CC)** – Contra-deal Credits is a Digital Currency, similar to Bitcoin and will be issued by the Government as payment to all Community Enterprise employees.

**The structural differences between the Contra-Deal Credits and \$AUD is what creates the Counterbalance to the current economic system. This is also what allows zero unemployment (excluding frictional unemployment) to be implemented, regardless of what phase the business cycle is in.**

The Contra-Deal Credits (CC) uses the Timebanking model and takes it to another level. There are three key advantages of using Timebanking as the basis of the CC and they are:

1. Timebanking is already acknowledged as an alternative currency by the ATO;
2. Time is the way we currently measure how much an employee is owed for their labour;
3. The new currency can be started almost immediately, as it is already in existence in its most basic form.

**The key differences are:**

1. Each minute will instead equate to one \$AUD;
2. This money will be pegged to the AWE which means that each minute is currently worth around .72c ( $\$1633 / 38 / 60 = .72c$  (to be reviewed annually);  
To keep the roll-out and use of the CC as simple as possible, it is recommended that items sold for \$AUD or CC, be sold at the same price;
3. Once CC money is spent, it is spent and cannot be used to buy any more goods/services;
4. An individual can save CC and accumulate them, but cannot borrow against them;
5. Because CC money is a **complementary currency**, individuals cannot use it to buy assets that generate either CC or \$AUD. Only the Co-Operative that houses all the Community Enterprises

can do that. Therefore, any assets created or bought using CC belong to the business structure housing the Community Enterprises. The CE employee who buys something in CC is essentially paying rent to the **Australian Co-operative** for the good or service being used. Once the good or service has been consumed, or the member has finished using the item, it is returned to a Community Enterprise warehouse to be lent out again (further details are provided in the section titled “cooperative” in the [Discussion Paper](#) (Malliaros & Hall 2019, 15).

6. The government would mandate the CC as legal tender and it would have to be accepted by businesses;
7. Every Australian will own 1 share in the **Australian Co-operative** that owns all the Community Enterprise assets. This means that although they won't own the stuff they buy, they'll own the ever-increasing value of the assets owned by the Co-operative like utilities, telecommunications, hospitals, schools, farms, water, etc.

CC will allow them to buy a car, a toothbrush, or a meal at the local café, just as they do now. Once they've consumed the meal, used up the toothbrush, or are ready to update their car, they just give it back to the Co-operative and get a new one. Further, they will pay for it using a bank account that contains their CC and they'll be able to spend it using a Debit Card in the same way they now spend \$AUD.

CC are structured differently and therefore cannot inflate. They are created and they are consumed. Also, given that people will be guaranteed an income each week, 4 weeks paid leave each year, ten days' sick leave and superannuation for their retirement, there'll be no need to hoard the money they receive. The increased income coupled with the reduction of concern about the future, will help to increase the amount being spent on consumer goods which will further boost the economy.

**The CC and CE working in tandem would automate the use of fiscal policy by automatically injecting more or less credit into an economy via the jobs created and wages paid to the CE employees.**

All Policies are based around the Counterbalance Economics Model as outlined in the Discussion Paper ([Click Here](#))

**\*Enterprise or Neo-liberal capitalism** (like the US) is known as ‘pure capitalism’, as articulated by Milton Friedman and others is where the economy is managed by the market (Heywood 2013, 134).

**\*\*Social capitalism** – an attempt to ‘marry market competition with social cohesion’ and where the economy is managed to a greater or lesser degree through government regulation (Heywood 2013, 134).

\*\*\***Contra-deal** is defined as a Barter arrangement between two parties who exchange goods or services without any cash changing hands. **Contra-deal Credits (CC)** is a Digital Currency, similar to Bitcoin and will be issued by *the Government as payment to all Community Enterprise employees*.

\*\*\*\***Market and government failure** is a situation where the market fails to produce or provide enough of a good or service to fulfill demand. Government failure is where their intervention leads to more market failure or where government policy fails to rectify the market failure (Hubbard et al. 2015, 170).

\*\*\*\*\***Community Enterprise (CE)** - in the Counterbalance model, there are 2 types of business activities. For Profit activities & activities that benefit society where the motive isn't to maximising profit for stakeholders. These activities are called Community Enterprises. CE's are designed to fix community, environmental & market failures. Not for Profits would therefore become Community Enterprises, fully funded to ensure they're achieving Key Performance Indicators.

# Introducing a new type of currency which has the potential to correct current economic imbalances

## 1. Introduction

If two business people started a venture and one was supplying 100% of the labour and the other was supplying 100% of the capital, it is fairly certain that they would settle on a 50/50 split of the profits. It can be argued that whether there is one person supplying 100% of the labour or 50 people supplying 100% of the labour, the equation should stay similar. In other words, the labourers, would negotiate a 50% entitlement of the profits, or more.

Although the above example would seem reasonable, money and the way it functions doesn't allow the above equitable scenario to exist. The key issues with the current version of money is that it is inflationary and it is scarce. If we were to simply print enough money to pay our workers what they should be receiving, it would cause inflation, prices of goods would go up and no one would be better off. For this reason, this discussion paper analyses how the current version of money and the way it is structured is the key cause of inequality and poverty around the globe.

This paper will introduce a new type of money called the Counterbalance Representative Complementary Currency (CC) and review the pros and cons of introducing this new type of money to counterbalance the inequity that has developed.

The introduction of the CC will benefit the community in the following ways:

- Many individuals will receive a pay rise, including the unemployed and pensioners
- Many businesses will receive a labour cost subsidy which will increase their profitability
- Governments will benefit as follows
  - Eliminate most, if not all, welfare spending
  - Boast a Zero Unemployment rate
  - Achieve zero carbon emissions without hurting the economy
  - Reduce the burden of public housing shortages
  - And many more benefits as discussed in this paper

## 2. Labour

According to Scottish economist and philosopher, Adam Smith, who is regarded as the father of Economics, in his book *An inquiry into the nature and causes of the wealth of nations*. 'Labour was the first price, the original purchase-money that was paid for all things. It was not by gold or by silver, but by labour, that all the wealth of the world was originally purchased; and its value, to those who possess it, and who want to exchange it for some new productions, is precisely equal to the quantity of labour which it can enable them to purchase or command' (Smith 1776, p. 17).

In economics, demand and supply are of utmost interest because they help to determine the price and availability of all commodities. Therefore, when labour is looked at as a commodity, it too will follow the rules of demand and supply and the price would then become the wages paid. It then follows that if there are less jobs than required, the labour force demand will outstrip the supply and workers will be forced to accept less than the optimum level of return for their labour, given the optimal scenario discussed in the opening paragraph.

The question then becomes, if full employment existed, what is the optimum level of return for the labour that is invested? As we've shown, the optimum level of return should be around 50% of profits earned by any endeavour where labour is required.

Therefore, for the rest of this discussion paper, we will take the 50% of the profits benchmark as the given amount that any labourer should earn.

The simple equation is:

$(\text{Total Profit} \times 0.50) / \text{Total labourers} = \text{remuneration level for each labourer.}$

However, there are many industries which don't actually make a profit, but are there to improve the living standards for the human race as a whole. The authors are referring to Universities and scientific research departments. They spend trillions of dollars annually and sometimes they come up with advances and other times they just open the door for future research.

Indeed, the question will also be asked about how you would remunerate a doctor and a cleaner? Surely they would not be paid the same amount given the years of training required by one and the next to no training required by the latter?

In order to make our task easier and without regard to the profession, it would be prudent to look at this problem from the perspective of whether the individual is currently employed or unemployed. The reason for this is that if an individual is currently employed, then the existing market system takes care of the level of income they should earn fairly well, if they're earning their share of at least 50% of the profits earned by the endeavour.

We begin by examining the unemployed individual for two reasons. Firstly, as an unemployed person, their remuneration is generally the same regardless of their profession. Therefore, an increase to this level of income would be of benefit to them and their society as they would have more to spend. If we could also provide them with the ability to use their respective talents for the betterment of society while they're continuing to look for full time employment, then so much the better.

Ideally, all persons who are not currently employed in the free market system, should be employed full time providing services to the community for the betterment of their community. Assuming this is the case, then the only question left is how to calculate 50% of the profit, when there technically is no profit.

Also, for ease of identification, we will call those employed by the free market system, Free Market employees (FM employees) and those individuals employed by Community Enterprises as Community Enterprise employees (CE employees).

There currently exists a wages survey which provides us with the 50% amount that we're seeking. This is the Average Weekly Earnings figures that are provided by the Australian Bureau of Statistics survey which is designed to measure level of average earnings in Australia at a point in time.

According to ABS Labour Force report (ABS 2019) there were 715,700 unemployed for the month August.

Therefore, the first step to allow the labour force to regain their market equilibrium is for the government to employ all 715,700 in activities that enhance the wellbeing of society (Community Enterprises) and their pay should be equivalent to the Average Weekly Earnings (AWE), published by the ABS. The May 2019 figures put that figure at \$1,633 per week.

Doing this would have some major, positive outcomes including:

- It would remove the oversupply of labour which currently exists and which allows labour exploitation
- It would force employers to pay their employees what they're worth, or risk losing them

Another potential outcome would be that any labourer who is currently earning less than \$1,633 would opt to leave their employment so they could benefit from this new system. Although this is exactly what happens in the free market system, which is to say that a labourer has the right to leave one employer to join another who pays a higher wage, the issue lies with the number of labourers who could potentially leave their current employment.

Given that the AWE number represents what 50% of employed persons are earning, then it follows that it also represents what 50% of employed persons are not earning. This means that there's a potential that 50% of the current workforce would leave their current employment to become part of the new system of payment.

Given the disruption this would cause to industries across the country, it would be prudent to introduce a subsidy for employers who may be affected by this new system.

In some industries such as hospitality, cleaning etc. which would almost certainly be affected, we will examine how subsidising these businesses could work to ensure equitable and sustainable distribution of the wealth created.

Let us assume café A, employs one full time labourer at 38 hours per week. They are currently earning \$24 per hour when they hear about this new CE system of payment for the unemployed. They quickly figure out that they would be better off working for the CE system as a CE employee earning \$1,633, than their current income of \$912 per week.

In this situation, a CE employment officer would speak to the FM employee to confirm that the only reason they wanted to leave was the increase in income and they would be invited to continue with café A, but as a CE employee, with the higher income. If they accepted, that would conclude the first part of this transaction.

There is a requirement of two more stages for this to work.

1. The owner of café A, would have to be agreeable to joining the CE system
2. The café owner would have to agree to provide \$1,633 worth of café product to CE employees who are part of the CE system, as the CE system was providing the CE employee.

In order for point 2 (above) to work, the Community Enterprise would have to provide one third to one quarter of the raw materials required for the café owner to use in the production of the product that has been agreed to. In Hospitality, the mark-up ratio is between 3 to 4 times the cost of goods in order to cover all the inputs and be left with a profit. In other words, the system would need to provide this business between \$408 and \$544 worth of product on a weekly basis depending on the type of food outlet. The simple calculation is:

$(\$1,633 \times \text{number of employees}) / \text{the mark-up ratio}$

This of course would provide employment for a number of CE employees, to produce the produce required by café A.

As we follow the supply chain back to the primary producer, it becomes clearer how this system will benefit the whole economy. The wholesaler who sells products to café A, will also need to become part of the CE system to keep their employees, which means they too would need to provide a certain number of goods to cafes like café A. Then we would come to the manufacturers of the goods sold by the wholesaler. There again, they would come on board to keep their workforce and there again, owe the system a certain amount of production. Finally, we would get to the farmers who are providing the raw materials. In this instance, a farmer would once again enjoy the benefits of the labour that was provided and they too would supply a certain amount of produce to cover the cost of the labour, thus completing the supply chain.

The above example forms the template for how all affected businesses would be subsidised.

In the situation where the individuals at some point in the production chain are being paid more than \$1,633 per week, it would make sense that they would probably elect to stay in the FM system and not become part of the CE system. This would have the effect of breaking the supply chain. In this instance, a Community Enterprise should be developed using CE employees to provide the goods and services that are required.

Assuming 100% placement of the currently unemployed into roles in the CE system, this would inject \$1.17 billion weekly into the economy. A further approximately \$5 billion would be

injected through the effect of subsidising wages, but most importantly, we would be releasing the real wealth of the nation, our labour force.

This could theoretically be taken a step further to offer employment to all who have retired, if they so wished. The maximum amount a single pensioner receives in Australia is currently \$850 per week. There will be other factors that will come into play when employing currently retired pensioners, however, it goes without saying that the jobs they would be asked to do would be within the scope of their individual abilities and still of benefit to their community.

It follows then that as in the first example, a portion of currently retired would elect to return to the workforce as they would receive nearly double the income that they do now. According to the (Department of Families, Housing, Community Services and Indigenous Affairs 2008), there are just under 2 million senior Australians receiving a pension. This group could potentially add another \$3.18 billion and 74 million hours per week to the economy. This would also improve their mental health as many would feel like they were becoming productive members of society once again.

There are two other areas that need to be discussed here because they are so inextricably linked with the quantity and the quality of the labour force as to make them inseparable and therefore should be afforded the same benefits as outlined above. These are motherhood and education.

It is self-evident that until we develop robots that can replace the labour force completely, there will be a need to replace people who have retired, changed location, passed on or for any other reason are unable to provide their labour. In other words, from a purely economic perspective, motherhood is one of the most important inputs with regards to the workforce, without which the workforce would eventually disappear.

The second area that needs to be included is that of education and more specifically, students. It is of little benefit to have a factory full of machinery that the workforce doesn't know how to operate. Just as it's of little benefit to have a factory full of machinery and only one worker to operate them. Both situations are not ideal and highlight the need for mothers and an education system that effectively upskills the workforce.

For this reason, it is recommended that when the upgrade to the economy occurs, mothers and students be afforded a full-time equivalent wage as they are definitely engaged in an activity which is vital for the betterment of society.

Some exceptions do exist, for instance:

1. Where the student is from overseas and is not planning to settle in the country and use their education for the betterment of that society – in this instance they should be charged at the market rate

2. Where a student is failing – It would be recommended that they be assisted to succeed, moved to a different course for which they are better suited, or invited to join the work force
3. The situation where the father wishes to take a more active role in the rearing of the child. In this instance, the mother and the father would agree on the percentage of time they would each work and as long as the combined hours of both parents don't fall below 38 hours per week, then they would be deemed to have fulfilled their obligation

The study options that would be available as part of the CE system would only include areas where there is a community need or market failure. Also, whether the study period was for one month, one year or 10 years, the student would have to provide their labour to the CE system for the equivalent time spent studying for the study debt to be repaid. If the student became part of the FM system prior to completing their agreed time, they would then become liable to pay back the cost of their education to the CE system, much as the current HELP student loan system works today.

Overall, the above system would usher in a new level of prosperity for the community and for the economy. The key barrier to implementing the system described is the scarcity and the inflationary effects built into the current money supply. Given the benefits to society of implementing the CE system described, means that we need to either develop a new type of money or at the very least develop a complementary type of money that allows the above to occur.

### 3. Money

Prior to the development of money, humans exchanged goods and services through the process of barter. In this system, one would provide another with 10 chickens in exchange for a cow, or whatever the agreed exchange was.

As time went on, people started to use gold, silver and copper with specific weights as their money. This type of money still had problems due to the reduction of weight that would occur through normal wear and tear which meant that after a year of use, the gold coin weighed less than it did in the beginning.

This led to the use of banks where people would leave their store of precious metal and receive a promissory note that they could exchange with others. This eventually led to the use of the promissory notes as money which is called “representative money”.

Finally, in 1971, the value of money was uncoupled from representing any type of precious metal and was issued as fiat money (*Encyclopaedia Britannica* 2019), which essentially means that money was once again, a promissory note backed by nothing more than the promise of the government to pay.

Money, in all its forms, has some key characteristics which controls the way that goods and services are bought and sold. Once a unit of currency is created, it cannot be extinguished, except by decree from the issuing body (*Reserve Bank of Australia* 2019). Every time new money is created, it follows that there will be a decrease in the value of all other money that came before it, unless an equivalent quantity of additional value is brought into being in the market at the same time.

As discussed previously, the main barrier to implementing the system described, is the scarcity and the inflationary effect of the current money supply. Therefore, any new or complementary money would have to be available in limitless supply, but it couldn't be inflationary for this to work. The new money would also have to capture the value of the labour it represented.

Timebanking is an alternate exchange system which is community focused and based on a system of reciprocity among members. All work is of equal value, no matter what type (*The NSW Office of Communities* December 2013).

The Counterbalance Representative Complementary Currency (CC) uses the Timebanking model and takes it to another level. There are three key advantages of using Timebanking as the basis of the CC and they are:

1. Timebanking is already acknowledged as an alternative currency by the ATO
2. Time is the way we currently measure how much an employee is owed for their labour
3. The new currency can be started almost immediately as it is already in existence in its most basic form

The key differences are:

1. Each minute will instead equate to one \$AUD
2. This money will be pegged to the AWE which means that each minute is currently worth around .72c ( $\$1633 / 38 / 60 = .72c$  (to be reviewed annually))
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6. Because CC money is a complementary currency, individuals cannot use it to buy assets that generate either CC or \$AUD. Only the business structure that houses all the Community Enterprises can do that. Therefore, any assets created or bought using CC belong to the business structure housing the Community Enterprises. The CE employee who buys something in CC is essentially paying rent to the business structure providing the CE employment for the good or service being used. Once the good or service has been consumed or the member has finished using the item, it is returned to a Community Enterprise warehouse to be lent out again (further details are provided in the section titled “cooperative” in this discussion paper).

The main reason that existing enterprises will join this system is that they risk losing their employees if they don't. They will receive the benefit of almost free labour, the economy will benefit by the extra production that is being created and the workforce will benefit by being able to negotiate a better terms for their employment.

#### **4. Advantages of adopting the CC for Governments**

One of the biggest winners in this endeavour will be any government choosing to adopt this system.

Trying to balance the never-ending increase to the welfare and public services budget, with the need to keep taxes low can't be an easy task for any government. Once the CC is fully implemented, governments will be able to:

- Eliminate most, if not all, welfare spending
- Boast a Zero Unemployment rate
- Use the labour to achieve zero carbon emissions
- Eliminate any public housing shortage
- Reduce taxes
- Reduce Regulation and allow the free market to regulate more equitably

**Eliminate most if not all welfare spending**

According to a recent government report (Parliament of Australia 2016), the government will spend around \$191.8 billion this year in social welfare in Australia. This is up from \$158.6 billion in 2015/16 and is set to continue to increase.

The key areas of support include:

- Income support payments such as pensions and allowances like Newstart
- Family payment such as Family Tax Benefit
- Paid parental leave pay
- Childcare fee assistance payments
- Funding for aged care services
- Funding for disability services
- Payments and services for veterans and their dependants

All the above payments could be replaced with CC.

### **Zero Unemployment rate**

All unemployed persons would be utilised in a variety of community-based enterprises. All unemployed would be allowed to participate in study to enhance their skill level, where needed.

There is a lot of debate going on with regards to whether AI & robotics advances are going to take or create jobs. However, one thing that both sides agree on is the necessity to upskill our workforce.

The implementation of the CC and the commencement of Community Enterprises will be key to ensuring that any countries adopting the CE Enterprise and CC system, will keep up with the rest of the world with regards to technological innovation as together they will ensure that the workforce is adequately trained or retrained as the need arises.

### **Use the labour and the extra savings to achieve zero carbon emissions**

The environment and the reduction of carbon emissions has become a hot political topic, not to mention a matter of life and death for the planet (United Nations Framework Convention on Climate 2019).

Implementing the CC and commencement of Community Enterprises will help existing FM Enterprises become carbon-neutral by immediately removing the barriers to eliminating carbon emissions. In other words, becoming carbon neutral is so critical to the survival of our planet that nothing short of just getting the job done will suffice. For this reason, a CE enterprise will be developed using CE employees and resources that will work with FM businesses to reduce their carbon emissions to zero in the shortest possible time period. In the instance, where carbon emissions cannot be brought to zero, then a decision will need to be made by the government of whether the benefits of keeping this business going outweighs the benefits of

closing it. In this instance an equitable exit strategy or redeployment of assets should be developed for and with the businesses affected.

The deployment of the above model is the surest and most effective plan proposed to date to allow all countries to become carbon neutral quickly enough to avoid the catastrophic climate changes heading our way.

### **Eliminate the public housing shortage**

Given the seriousness of the issue, housing will be given the priority it deserves and will be one of the first Community Enterprises that will be commenced. Its goal will be to buy housing, where appropriate, or build enough accommodation to house those who need it.

According to the AIHW report 2019, there were 140,600 applicants on the waiting list for public housing. The average time it took to provide them with housing was between 1 to 2 years depending on whether they were high need individuals or not.

The introduction of the CC will dramatically change the public housing landscape:

Stage 1. Owners of rental properties that are occupied by CC recipients, will be asked to accept CC as rental payment. Some will accept most probably won't as the banks won't accept CC currency, as it loses its value once it has been spent

Stage 2. Rental property owners who do not accept CC as payment will be offered the market price for their property. If they accept, then the property will become the property of the business structure which provides the CE labour and the current tenants will continue to live there, as long as they continue to contribute to CE activities

Stage 3. For situations where rental owners do not accept CC as payment and they do not accept a package for their rental property, then the tenant/s CC payment will be reduced by the rental amount which will be paid to the house owner in \$AUD until the CE system built the rental stock required and the tenants are rehoused

The above strategy, together with the increase in income being received by CE employees, will increase the supply of housing stock and reduce the demand for low cost accommodation which will remove the shortage and allow a balanced amount of housing stock to be maintained.

### **Reduce taxes**

We've already looked at the welfare savings that will be had by implementing the CC. A key strategy for any government that wishes to improve the economy of the country is to reduce the burden of tax on businesses and individuals wherever possible.

Some of the funds that are saved will initially be used to set up Community Enterprises for the CE employees. A further sum will be used to subsidise existing enterprises for the raw materials

needed to pay back the labour being used. A further amount will be used to upgrade the infrastructure, so that it becomes carbon-neutral as quickly as possible.

Once the foundation has been laid and everyone is meaningfully employed, the community is carbon-neutral, the community is repairing the environment and all the other pressing matters have been taken care of, there will be an opportunity to reduce the tax burden, as this will further stimulate growth in the economy.

### **Reduce Regulation and allow the free market to regulate more equitably**

According to a recent Australian government report (Department of Employment, Skills, Small and Family Business 2019), 'Between September 2013 and December 2016, decisions were taken that could reduce the burden of Australian government regulation by around \$5.8 billion a year, in net terms when implemented'. The Australian government clearly understands the burden that excess regulations put on the economy. It is to be applauded for devoting the resources to set up this department and it would be prudent to instruct this department to look at the burden on the economy that occurs at every level of government where arbitrary administrative rules are created. This is an area of opportunity moving forward.

Ultimately, a government that aims to allow the market to reach its full potential must look at:

1. Putting a freeze on all new regulations
2. Roll back as much of existing regulation to allow the markets to self-regulate
3. Ensure that the labour-force equilibrium isn't violated as discussed above
4. Ensure market contestability is maintained

From time to time, certain companies will become less contestable due to the principles of a natural monopoly, high entry cost etc.

In these instances, and in every instance where the competitive market equilibrium (Hubbard et al. 2015, p. 68) is threatened or has been diminished, a Community Enterprise that directly competes with the FM business in question should be created, to ensure that we never again allow businesses to become too big to fail. Using this strategy will ensure that even the biggest businesses remain competitive as well as ensuring that consumers' rights will always be protected by the market mechanism and the tax payer won't end up having to pay the cost of bail-outs.

These measures will ensure that the market continues to go from strength to strength and that the democratic process is protected.

## **5. The Co-Operative (Co-op)**

In the previous sections we have looked at how existing businesses will be affected and how they'll be subsidised. In this section, we will look at how new Community Enterprises should be

established to cater for supply chain breaks and for market failures, both of which lead to an undersupply of a goods or services.

Until recently, the Federal, State and Territory governments in Australia owned many enterprises; mainly utilities such as electricity, water and gas suppliers and communications enterprises such as Australia Post and Telstra. At one time, governments also owned airlines (such as Qantas), banks (including the Commonwealth Bank), insurance agencies and shipping enterprises. Following a worldwide trend, most of these enterprises in Australia were sold to the private sector. World governments in general have been moving away from ownership and control of the economy and allowing a greater role for markets under competition. This is referred to as microeconomic reform. (Hubbard et al. 2015, p. 166)

Government-ownership of enterprises is a contentious issue, because technically the more enterprises a government owns, the more it starts to look like a communist or socialist state and not a democracy. The previous statement isn't meant to imply support or non-support for communism or socialism, but rather a statement of fact. Given that Australia is currently a democracy with a mixed market economy, it makes sense that the Australian government has privatised public assets.

Therefore, if the government should not own the enterprises that are created to cater for market failures as part of introducing the CC, then the only other company structure that currently exists that can accommodate these Community Enterprises is a co-operative.

According to a Victorian government report (Business Victoria 2019), a co-operative is a 'legal entity that differs from a company in that it requires at least five shareholders (or could accommodate every Australian as a shareholder), each of whom hold equal voting rights. In Australia, Co-operatives apply the concepts of sharing, democracy and delegation in order to benefit all members. Generally, all members are expected to participate and share the responsibility of running the organisation'.

All other types of structures, except for charities, are created to benefit a finite group of individuals. Using such structures to house the CE assets would lead us back to where we are and not form a counterbalance to the existing market economy.

Using a charitable body as the structure would also be inappropriate, because in this structure there is no expectation or requirement for every member to contribute.

Ultimately, the co-operative structure embodies all the characteristics required and is unique in that it harnesses the key variables that are required to counterbalance the current economic system which are of course labour, asset creation and ownership for the good of all members.

### **Starting a New Community Enterprise**

Part of the implementation of the CC will involve conducting a survey of available goods and services along with the infrastructure available to provide for those goods and services. This

survey will be used to identify areas of market failure which then allows the CE administrators to develop whatever is required for the production of the goods and services that are in short supply.

This process will be followed to provide everything from a shortage of food accessibility to public housing. Another advantage of this model is that the workforce can be retrained and redeployed based on community requirements.

Using the Co-operative model to capture the wealth that is created within the group will allow it to become self-sustained within a very short time from its rollout.

It should be mentioned that until governments agree to implement the CC system, a cooperative should be set up to advocate for the adoption. In this instance it is recommended that each member contribute a minimum of \$5 per week or more if they are able to assist the management of the cooperative to lobby for change.

### **Membership Levels**

Fulltime Member – defined as an individual who works 38 hours per week as part of a Community Enterprise

Part time Member – Individual who works less than 38 hours, who may or may not have a free market part time job, which means they have the potential to earn both CC and \$AUD

Inactive Member – Individual who is currently not working any hours on any Community Enterprise

Members have the freedom of trading their Community Enterprise work for a free market job at any time and they are also welcomed to become an active member again at any time.

Key responsibilities of members are to attend their chosen occupation and provide the labour they have agreed to provide. They will in turn receive AWE based CC that they can spend at any establishment that accepts CC.

The majority of the administration will be done by Fulltime CE employees with the assistance of FM employees, where appropriate.

## **6. Democracy**

### **Corruption Perceptions Index 2018**

‘The index that ranks 180 countries and territories by their perceived levels of public sector corruption according to experts and businesspeople, uses a scale of 0 to 100, where 0 is highly corrupt and 100 is very clean. More than two-thirds of countries score below 50 on this year’s CPI [2018], with an average score of just 43.

It reveals that a continued failure of most countries to significantly control corruption is contributing to a **crisis in democracy** around the world. While there are exceptions, the data shows that despite some progress, most countries are failing to make serious inroads against corruption'. (Transparency International 2019)

For a democracy to be effective, it needs to be free of corruption. Which means that to the degree that corruption is allowed to flourish, Democracy suffers. Although this may seem obvious, let's look at what corruption actually is and if the current representative government system is helping or hindering Democracy in its endeavour.

Every human being is hard-wired to enhance and protect themselves, their families and those closest to them were possible against threats from the environment and other people outside of their circle. This is part of what makes us human. Yet, we ask people who take an oath of office or who work in the public sector, to shed their humanity and rather think of the whole before themselves and their closest group. Although there are many examples of this occurring, ultimately expecting humans to act contrary to their basic instincts all the time is both unrealistic and fraught with risk. Indeed, the basic tenets of economics are founded on the principles that people are rational looking to enhance their wellbeing and that they respond to incentives in a free market most of the time. The authors suggest that all instances of corruption known and unknown stem from this one basic principle.

The second thing we need to look at is what constitutes a democracy. In its purest form, a democracy requires the input of every citizen in that democracy. This is called Direct Democracy and Voting is the system used to determine citizen preferences on different subjects. In order to implement a true Direct Democracy, every citizen of that democracy would have to vote on every policy. However, it is obvious that not every citizen can be an expert on every area and therefore, we have elected representatives to vote on our behalf who are hopefully more knowledgeable than we are. Unfortunately, that takes us back to point one. In other words, there is no human that is 100% clean or incorruptible (in the broadest sense) and so by giving a person or group all the power to make decisions on our behalf we allow corruption to enter our Democracy.

In order to create a better democracy which stays true to the direct democratic principles and avoids the pitfalls inherent in representative government, it is suggested that we replace the current representative system with a committee of experts that come from every key policy area. Further, by using the most advanced tool that we have developed to date, AI, we will be able to vet the myriad of possibilities for all issues, digest and process the information required and find the best solutions to all issues on the planet.

These answers should then be vetted by the expert committee and finally put to a vote by the citizens. Therefore, rather than needing to be an expert in every area, citizens would only need to choose from the top two or three solutions put forward by the expert committee. As long as

transparency was maintained throughout the process, this coupled with Community Enterprise and the CC will greatly reduce the corruption currently occurring as it tackles the root causes.

It is suggested that the management of the Cooperative be set up in the manner outlined above to test the efficacy of the model. This will allow us to develop the model and ultimately make this our preferred model of Government.

## 7. Conclusions

There is no doubt that Capitalism has helped create a world with amazing technology. We are able to alter our very genes, we've created machines that appear to think like humans and are preparing to colonise another planet.

At the same time, we are in the midst of the Sixth Mass Extinction. According to scientists, humans have around 11 years to reduce carbon emissions by 45% to avoid catastrophic changes to the earth and we are allowing nearly half the population on the planet to live in poverty (The World Bank 2018).

Although this paper has been written using an Australian perspective, it can be implemented in any country. It is the opinion of the authors that implementing this model will bring about one of the most prosperous periods ever experienced on the planet, as the true wealth of all nations-- its labour-- is unshackled from the current form of money.

Given the magnitude of the effect the implementation of this model will have, not only for individuals involved but also to the economy's that adopt it, the authors are writing two books which will expand on the concepts outlined in this paper, in order to facilitate its implementation.

The first book will be titled "The First 3 Years"; it will be written as a road-map to guide governments in its implementation during their first 3-year term.

The second book will be titled "Continuing the Journey in the Second Term" and likewise act as a roadmap to help guide governments to lead their country into becoming one of the most prosperous and powerful countries in the world.

Both books will be written in collaboration with economists and other individuals who specialise in the various areas we have discussed. Both books will be provided to every government across the globe in two stages.

Stage 1. The first 3 years will be released to all governments and they will be challenged to implement the CC and Community Enterprise models as quickly as possible.

Stage 2. The second book will be released only when at least one country has completed the full implementation of the concepts outlined in the first book (Any government that wishes to get a head start can do so by implementing the concepts as they are outlined in this paper).

It is hoped that the above will create a race of sorts, as the more quickly this model is implemented, the sooner communities will see the benefits outlined in this paper that promise to bring balance and prosperity to our global community.

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