The scandal of inequality and poverty has returned amongst the richest nations. In a world that is each day richer than the previous day, there are more poor each day than the day before. In the United States, between 1973 and 1993, the average salary of non-qualified employees has decreased from 11.85 to 8.64 dollars per hour. At the same time, the salaries of qualified people has flared up and the supplementary wealth produced in the United States during these years has been concentrated for a third on 1/100 of the population. More recently, the American Center on Budget and Policy Priorities published a report indicating that the average revenues after taxes, of the richest 20% of Americans, have increased by 43% since 1977, whereas those of the poorest 20% of Americans have decreased by 9%. In France, in spite of our social policies, according to a recent official report, 3.3 million households, representing 6 000 000 people, live with less than 3 500 FF (roughly 500 euros) per month and the number of these people has increased by more than 40% in 25 years. The deep cause of this inequality phenomenon is neither the development of international trade nor the so-called trend of globalisation which should not be transformed into scapegoats; the cause is simply the technical progress. The very nature of the contemporary technical progress in fact acts as a tool of real discrimination of competence amongst all the individuals, by permanently choosing the stronger, by mercilessly rejecting the weaker. A generalised process of increasing professionalisation rejects those who can not adapt to the system. The market has penetrated all the levels of the work organisation. Each production unit becomes as an independent center of production so that technical progress acts as an implacable relegation of the weakest. Inequality seems to be an unavoidable by-product of the production of wealth. Social inequality is therefore not an occasional accident in the history of capitalism or a marginal misadventure in our developed economy. Inequality is at the centre of the capitalist economy and the modern market system, since it is a direct result of the technological trend which creates the wealth. This structural aspect of inequality is fundamental and is a basic challenge to our society. Indeed, since the fall of the Berlin Wall, the principle of democracy has generally been accepted by all nations and market economy is the subject of a very wide consensus. And we want to keep both market economy and democracy. As a matter of fact, this is not a surprise, because the freedom to consume and produce requires the freedom of the citizen. But the basic principle of democracy is equality amongst citizens and the unavoidable by-product of market economy seems to be increasing inequalities. We are therefore facing a fundamental contradiction. The risk for our developed societies is probably no longer revolutions as we had in the last century; the risk is more probably a loss of citizenship, which can be measured by a diminishing interest in votes for political elections. When people are poor and have no hope from the system, they just stop voting. And consequently, the political system becomes the exclusive property of rich people including possibly soft or hard mafia. This is no longer democracy. This is why reducing inequalities is not just one regulation among others. It is a necessary step to save democracy. Therefore, if the way of reducing inequality is not found, there is a risk of losing democracy and perhaps also market economy in addition at the same time. The difficulty is then to find the means of reducing inequality without breaking the efficient driving forces of development, which characterise the market economy. Is it possible to find means of reducing inequalities that would not be a handicap for the efficiency of capitalism and market economy? That is one of the most important questions of modern times. And this shows the great importance of this congress. Inequality has not only one dimension. The inequality of access to knowledge, to education, to health, to culture is not always measured in economic terms and the important notion of public service is an appropriate answer which we should never forget. But we must admit that in this market economy, where gradually everything depends on money and the market, income inequalities become more and more intolerable, especially for low incomes. In France, during the post World War II period of full employment, the SMIC (minimum inter-professional wage) was an inferior limit for the distribution of wealth. But if the minimum wage (SMIC) has symbolically remained very important as a term of reference and as such must absolutely be defended, unemployment and exclusion, and part-time work have created a new class of working poor which is developing. With Michel ROCARD, we created the RMI (minimum integration revenue), given to those who have nothing. But there is nothing for these millions of wage earners who are the heads of a family and who have only for instance a part-time job. However their incomes are around 3 000 FF to 3.500FF per month (roughly 500 euro). And now we are contemplating a renewed hope of full employment again. But considering the rules and process of the technological change in action in our society, the new full employment to come will include a large group of wage earners, who will only be employed on a part-time basis. They will represent a large group of working poor. Full employment perhaps yes, but with working poor. A solution of this problem has long been proposed by many authors as the universal allowance called sometimes citizenship allowance. The proposed monthly allowances range from 200 euro per month to 600 euro per month that would be given to each citizen without exception, disregarding personal economic conditions. The authors of
perhaps destroy the concept of minimum wage. The critic is fair but the answer is very clear: First, the minimum development of the class of working poor and that it will create a temptation for employees to cut down ways and the major critic of this proposal comes from those who think that this subsidy to low revenues will induce a Congress is a first step to a European co-ordinated regulation on low revenues at last in the entire Euro zone. But on low revenues). This is a major problem for all social democrats of the world and I hope that this Berlin reengineering of the whole income tax system; it will therefore be a very substantial reform. In a market economy order to avoid new thresholds or negative unwished effects. Most probably this will lead to a complete

Finance. It is fairly complex because it must first take into account a great variety of family sizes and conditions, implementation of this principle into the French social and fiscal system is now under study in the Ministry of reference points. The minimum revenue, the minimum wage and now the revenue compensating allowance. It This system has of course some similarities with the American Earned Income Tax Credit (or the new British Working Families - Tax Credit) but it is adapted to the French social systems which will have 3 important

possible aids or allocations received elsewhere would be deducted from this credit and the balance would be covered by a real payment whose total amount would define the ACR. The annual revenue, the minimum wage and now the revenue compensating allowance. It is a major problem for all social democrats of the world and I hope that this Berlin Congress is a first step to a European co-ordinated regulation on low revenues at last in the entire Euro zone. But the major critic of this proposal comes from those who think that this subsidy to low revenues will induce a development of the class of working poor and that it will create a temptation for employees to cut down ways and perhaps destroy the concept of minimum wage. The critic is fair but the answer is very clear: First, the minimum...
wage concept is part of the proposed system as well as the minimum revenue concept. In order to define the compensation revenues proposed, the legislators must first define the minimum revenue level and then the minimum wage level and only then define the compensation allocation as proposed. The three concepts go together and are established as the reference points of the revenue regulation policy. Therefore there is no danger of forgetting the concept of minimum wage. Second, as for the accusation of creating more working poor, the answer can be as follows. The concept of Revenue Compensation Allowance is built in such a way that a working poor has always a financial interest to work more if he can find such a job. Of course this is provided he wants to earn more. And this is self-evident. Indeed, let us not forget that the allocation is given to the head of a family who works on a part-time job and for instance earns 500 Euro per month (as global revenue for a family). The alteration of the labour market equilibrium is in truth of secondary importance if not negligible in practise. After the failure of the systems of planned economies and the acceptance that the Kenesian concepts are no longer adapted to the situation of a completely open world, a fairly general wave of deregulation has struck our economies. The priority is now to redefine the operating rules and the limits of market economy and capitalism, that is to say to invent new forms of regulation, in a way to reengineer the rules of the game. And in addition to the somewhat technical regulations which are necessary for a greater efficiency of market economy and capitalism, there are social regulations that are essential in particular to reduce inequality, and basically income inequalities. Then, and only then, will we be able to say yes to the market economy and no to the market society placing our hopes on what I propose to call the post social democracy of the 21st century. Ensuring that the society is not too inegalitarian is the only way to keep the democracy alive which is also the only way to control the increasing potential violence of the world.

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