How to win a sustainable purchasing power? Make a stone six shots: barter social and eco-taxes for an eco-taxation on polluting capital

Leo Dayan[1] & Bernard Dupont[2]

Translation from French language : Jacques Hallard

The purchasing power of wages is the nominal salary - an amount of money paid for any work - reported by the consumer price index, i.e. the production price which apply to other taxes including VAT. This purchasing power is deteriorating because the nominal wages grows more slowly than prices. What can be done to encourage companies and businesses to increase the nominal salary without raising prices?

The laboratory APREIS[3] suggested that the employers' social charges on salaries could be suppressed. When these wage costs are lowering, producer prices may fall, international competitiveness get improved, and for a given unchanged VAT rates, consumer prices fall too. But, in such situation, the government revenues would collapse. How then be able to finance public spending, especially welfare?

First, take an overall strategic perspective and long-term view, binding together issues of purchasing power, employment, business competitiveness, the territorial attractiveness, social welfare, environmental protection, responsible accountability within enterprises and the role of the State. In short, in two words: think sustainable development.

For achieving this goal, it is necessary to enable consumers to increase their expenditure on sustainable products whose supply could grow thanks to an extent that the State may decide consensually and contractually: replace the payroll taxes by an eco-taxation based on polluting capital. The rate and the basis of tax assess of this eco-taxation should be determined so that the financing needs of social protection should be covered and that the taxes, which give undue environmental burden on consumers, will disappear. In overall, consumer prices will fall in a certain proportion although some of these, particularly those made from "polluting" property, will increase. The growth of purchasing power would then depend on consumers' choice between polluting goods and non-polluting ones. A growing demand for non-polluting properties would ultimately reduce their costs through economies of scale.

This shifting tax of contributions to eco-taxation would have six consequences:
1. The decline in the wage cost invites then to bet on human intelligence, allows the hiring and reduces the reasons for relocation. Prime gain: lower unemployment.
2. Producer prices of "sustainable" goods decline since the abolition of social charges is not offset by the eco-tax for companies that produce them. Second gain: nominal wage increase for staff of these companies and increase the purchasing power of all employees in terms of sustainable goods since the consumer prices of these goods fall.

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1 University of Paris 1 Pantheon Sorbonne. Scientific director of the world laboratory APREIS.

2 University of Lille 1. Scientific adviser for APREIS.

3 European and International Actors, Practices, Research for Sustainability **www.apreis.org**

3. For the well-known mechanisms of substitution, the use of polluting capital into the modes of production decline since the eco-taxation makes them more expensive.
This eco-taxation would encourage enterprises to produce "clean" goods and would guide the competitiveness and the competition towards technological innovations required by sustainability. Third gain: reducing the environmental impacts of economic activities without eco-tax or other expenditure for consumers.
4. The fiscal resources of the State remain unchanged. The eco-taxation creates a virtuous distortion among enterprises, but its amount compensates for the disappearance of the employer' social contribution and environmental taxes. Fourth gain: the State contributes to the implementation of sustainability without increasing the regulation, without distribution of ecological bonus neither by robbing the public and governmental coffers.
5. The environmental improvement is reflected by lower expenses related or linked to environmental diseases. Fifth gain: governments can count on future increasing leeway. The saving of public expenditure on health, will be added to those carried out on public spending towards the unemployed whose number is then decreasing.
6. The tax-shifting puts a halt to the race for costly innovations based on non-renewable row materials and polluting equipment. This is the sixth gain.
Clearly, the purchasing power and the power of a better quality of life will improve.
Firmly, in a sustainable way and without expecting other shots or gains to follow.

But things are to be developed. First the time required for the change of technological trajectories inside polluting activities and enterprises, requires transitional measures. The position of the cursor between polluting capital and non-polluting one, must be clarified. The modalities for implementing the tax reform must take into account the partial substitution of certain polluting goods. A quantitative simulation must be developed. Then, investment protection related to sustainability, requires a tax on imports of non-renewable or non-reusable materials or goods, not becoming real resources.

This taxation should not be taken for a protectionist measure because it obeys to the need for sustainability of all mankind. It could feed a world fund for financing projects dealing with the conversion of activities in countries whose growth depends only on the extraction of non-renewable or polluting materials or goods. This strategy introduces between actors a common ethic in the field of competition, incites for cooperation on a global scale and may be, in the first place, of interest for the countries of the European Community.

Finally, the usefulness of this new path would be assessed by the progressive declines of polluting technologies and trajectories. The solvency of social agencies and administrations will require other tax tools but in a new context characterized by the reduced costs of inefficient regulations, the misfortunes of unemployment and the environmental diseases.

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