Chapter Five
Anticipating the Questions

Now that you have taken the time to think about the ideas presented so far in this book, (you did stop reading didn't you?) you probably have quite a few unanswered questions. This chapter will try and answer as many of them as possible. The next will address some of the criticisms that you might have yourself or may hear from others.

Will I still get paid for working?

This will be left entirely up to your employer. Employers will not be required by law to pay any salaries, wages or benefits. Many employers may, however, decide that it is in their own best interest to offer their employees some incentives in order to attract and keep the best people working for them.

What will happen to all my savings and assets?

Any cash that you have on deposit with any financial institution in interest bearing savings or chequing accounts will remain your money. Once the new national income dividend begins to be distributed, however, these deposits will stop earning any interest. When you withdraw your money out of these accounts, either in cash or by cheque or debit card, it will only retain its value for one month. After that it will be worthless.

Any cash that you have deposited in any longer-term accounts or in any investment instruments (for example, bonds, T-bills, securities etc.) will continue to bear interest until either the redemption date of the instrument (if it is fixed) or its next normal anniversary date (if it is renewable or revolving). Once the new national income dividend begins to be distributed, and as of whichever date (either redemption or anniversary) is then next applicable, these deposits will also stop earning interest. All related principal and interest amounts will then be transferred by the financial institution into a short-term, non-interest bearing savings account as described above.

All of your savings will remain yours and you can continue to store them in a financial institution for as long as you wish, but they won't continue to earn interest for long, after the national income dividend is introduced. All of your assets will also remain yours. Nothing you own now will be expropriated.

If one-twelfth of the total money supply becomes worthless each month, won't this create problems?

Not at all. If consumers have more money than they can spend coming in each month it can hardly be called a problem. Having an adequate income guaranteed for life, and paying for "big-ticket" items like houses and cars in interest-free installments, there won't be any need for people to build up savings.

Businesses will save more from not having to pay out wages, salaries, benefits, taxes and interest than they would lose from an 8.3% devaluation of their cash each month. Even if consumers went on a buying spree at the end of the month to "get rid of" their dollars which were about to become obsolete, businesses could simply set a maximum on the percentage of their selling prices that could be paid using any *"last-month money"*. This maximum would be determined by each owner's particular cash-flow needs, but a maximum set at 50% would probably be reasonable and acceptable to most consumers. The maximum could also be used strategically, like a discount, to help attract new customers or to clear slow-moving stock. Instead of marking down ticket prices, store owners could simply allow customers to pay a higher proportion of the regular selling price in *last-month money* on certain items. Statistical data on how the monthly currency obsolesence might affect the various business sectors is contained in the Appendix.

How will the installment payments work?

For the consumer, installment payments will work exactly like a regular loan except that there will be no interest charged and the vendor himself will approve the buyer's credit, not a loan officer at a financial institution.

For businesses, installment payments may increase the size of their credit department but not necessarily its cost. With no salaries, wages or benefits to pay, businesses may actually increase their collection revenues with little additional cost. Most businesses selling "big ticket" items already offer consumer credit or commercial accounts to their customers. Many business owners are already familiar with credit rating agencies and any who are not, should be.

Most people value their credit rating and will try very hard to protect it. One of the major reasons that people begin to fall behind on their payments is because their hours of work are cut back or they lose their job altogether. The national income dividend will remedy this and should reduce the risk of default significantly. The dividend will certainly make it easier to attach a garnishee to a person's income since the basic income level of all Canadians will be well known.

How often will my income level be updated?

Statistics Canada, the federal government's main information processing and distribution agency, tracks the economy constantly. Stats Can, as it is often called, releases hundreds of reports each month and numerous annual catalogues. One of these, the National Balance Sheet Accounts (Catalogue No. 13-214), provides detailed statistical data on Canada's total assets and liabilities. Although many valuable assets are not measured in this publication, it is the most complete, reliable and constant source of information available (although the World Bank is currently developing a more comprehensive model of measuring the "true wealth" of a nation).

If Stats Can's figures were used as the base for calculating the national income dividend, then the value of the dividend could be updated annually. This would ensure that incomes kept pace with inflation and would provide an annual reminder to Canadians that their own incomes were directly linked to both the collective productivity of the nation and the country's total population. If our net asset base per capita had increased since the last update then all citizens, simultaneously, would get a "raise", if it had decreased, we would all take a "cut in pay".

At first, this may not seem fair to some people. Our culture still perpetuates the myth that anyone with initiative and persistence can create a fortune for himself by working hard and working "smart". That such a rugged, independent individual must exploit the skill and talent of many other people on his way to the top is rarely acknowledged. Nor is any credit given to society for providing him with a publicly-funded education and healthcare system, an inherited science and technology base, a subsidized infrastructure of transportation and communication links, public utilities and serviced land, many political and legal supports and numerous tax and financial advantages. From his birth to his success, such an entrepreneur benefits enormously from the accumulated contributions of hundreds, possibly thousands, of other people, most of whom he has never even met, yet the myth of the self-made man continues to be glorified. In reality, however, there is no such thing as true independence or self-reliance. We are all co-dependent upon someone for everything we are and everything we do.

Under the new monetary system, motivated competent people will still be able to increase their income levels well above the national average by earning public or private sector performance bonuses. The obscene gap that currently separates Canada's top and bottom income earners by multiples of over a-hundred-to-one, however, will disappear, but so too will all poverty.

Won't all this new purchasing power create a tremendous shortage of goods and services?

Not really. Some things you may have to wait for, but wouldn't a temporary shortage of goods be far better than a permanent shortage of income and jobs? There would certainly be a noticeable shortage of poverty, violence and crime.

Imagine you wanted to buy a jetski, for example, and that when you went to your local marina to get one, you were told that there was a two year waiting list for them.

Being an avid watersport lover, you decided that this wait was ridiculous. Knowing something already about jetskis, you volunteered to work at the factory of the company which produces the model that you want. Now if a hundred or so other people who were also tired of being on a waiting list showed up at the factory, how long do you think that it would take for you to get your watercraft? Probably only a couple of weeks, if one of the company's "perks" was that all employees get first crack at any of the products coming off the assembly line. Imagine also, how much fun you would have working at that company, surrounded by others who loved the jetski lifestyle just as much as you.

This is the true essence of democracy. A person votes for the way that he thinks the world should be with his purchases, with his labour and with his enthusiasm. If enough other people share that enthusiasm, the product that excites him thrives and the company that produces it grows. If too few others support it, both the product and the company behind it disappear. This "pure" form of democracy can only exist, however, if every citizen has a sufficient and uninterruptable source of income to enable them to exercise their preferrences without fear or intimidation. This is the foundation that *economic democracy* alone can provide.

How will this system affect international trade, exchange *rates and the cost of our imports?*

At first, almost certainly, there will be a run against the Canadian dollar. Investors in other countries won't have enough information to understand "what the hell is going on in Canada". In order to avoid the devastating effects that a sharp fall in the international value of the Canadian dollar would have on (only) *our debt obligations that are denominated in foreign currencies*, the federal government would have to instruct the Bank of Canada to take the following action.

Prior to the declaration of Canada's intention to adopt the new monetary system, the Bank of Canada would announce that anyone holding financial claims against the government of Canada, or any other entity within Canada, (be it a government, business, organization or individual. etc.) had until a given date, say July 1, 1997, to redeem their claims or else after the said date they would become null and void.

At the same time, the Bank of Canada would announce that all claims would be settled on the basis of the Canadian dollar exchange rate that had been in effect at a certain time before the announcement was made. For example, if the Bank's announcement was made at 1:00 pm EST, then it would state that all claims would be settled based upon the US$ trading value that the Canadian dollar had held at 12:00 pm EST on that same day (or on some previous day, if information leaks were likely to be a problem). While this action may not prevent a speculative run against the Cdn$, it would certainly eliminate the costly effects that such a run would have on all of our existing foreign-denominated debt.

When the international value of the Canadian dollar goes down, the cost of imported goods and services in Canada rises. Since Canada imports a great deal from abroad, the price of many items would increase, *but any price increases would be only temporary.* Here's why:

Canada's current monetary policies are so restrictive that Canadian governments and businesses must rely heavily on foreign borrowing. This gives investors in foreign capital markets an opportunity to use our financial dependency against us. For example, suppose you are an American money lender and you believe that, over the long term, the value of the Canadian dollar relative to the value of the US dollar will fall. To keep the numbers simple, let's also assume that the US and Cdn dollar are currently trading at par, that is $1 US = $1 Cdn. You learn of an opportunity to loan the government of Canada 100 million US$ and arrange to provide the money at 10% interest. Now if your predictions are right, and during the term of the loan the Cdn$ value does drop relative to US$ to say 95¢ US, then the government of Canada would have to pay back 105 million Cdn$ just to pay off the principal amount of the loan (100 million US$). When the 10% interest is added in, the Canadian government would have to pay you back a total of 115.5 million Cdn$ (100 million US$ plus 10 million US$ in interest = 110 million US$ divided by exchange rate of .95 = 115.5 million Cdn$). This would be an effective rate of return of 15.5% and you would now be able to purchase 15.5 million dollars worth of Canadians goods and services and still have your original 100 million Cdn$ buying power.

Now suppose that you are not just any money lender, but that you are an American parent company with Canadian subsidiaries. Imagine also that those subsidiaries supply you with the raw materials that you need to produce finished goods, some of which you then sell back to those subsidiaries. By loaning the government of Canada 100 million US$, you not only keep your relations friendly with it, but you get 15.5 million Cdn$ worth of resources free, actually better than free because you can deduct the book value of the raw materials from your declared American corporate profits. Also, the 100 million US$ could originally be drawn out of Canada, at the lower tax-rate of your parent company, by invoicing your Canadian subsidiaries for "management services", thereby enabling them to export their profits and claim them as an operating expense in Canada.

By manipulating the markets in this way, large transnational corporations can artifically reduce the value of our exports relative to the cost of our imports. The true or inherent value of our resources is often compromised.

Once we are no longer dependent on foreign lenders to augment our money supply, however, we will be able to negotiate our foreign trade of goods and services without sacrificing the true value of our resources. If, in the international community, one truckload of pine logs is equivalent in value to 10 computers, then when we sell a truckload of logs we will earn the purchasing power to buy 10 computers, no matter what price the Canadian dollar happens to be trading at. This is why any price increases in the cost of foreign goods and services would only be temporary. The world needs Canadian resources. Once the speculative distortion mechanisms of the financial markets are disabled, the relative international trading value of the Canadian dollar would not only recover, but would likely improve.

What effects will this system have on competition, small business and entrepreneurs?

Small business and entrepreneurs will finally be able to compete against the larger transnational corporations on a more "level playing field". Currently the bigger companies get all the breaks. They can access volume discounts on their raw materials, borrowed capital, leases and even their utilities. They can afford to hire the best lawyers and accountants to help them avoid paying taxes and can access markets, suppliers and customers anywhere in the world. By eliminating salaries, taxes and interest costs, the new monetary system will remove three of the biggest barriers that small businesses currently face. Also, since consumers will no longer be so desperately challenged by a shortage of cash, the benefits of shopping locally will become much more affordable. By taking advantage of local suppliers, businesses will save on transportation costs and consumers will understand that it is in their own best interest to support them in order to preserve our oil and gas reserves (which are a part of the asset base that the national income dividend is based on).

How will businesses ever plan and organize staffing or co-ordinate production?

Businesses would plan and organize their staffing requirements and co-ordinate their production in exactly the same way as they do today …around the loyalty and commitment of their staff and their customers. While the financial incentives for going to work may be less direct, they would still exist under the new system. If everyone decided to stay home whenever they felt like it, the nation's productivity, and hence it's asset base, would decline and the national income dividend would decrease in value. It is more likely that people would feel like staying home less often since they have chosen where they will work largely because they are personally interested in and enjoy the work that they do. The incidence of sick days would probably go down and staff morale, reliability and productivity would most likely rise.

Employees could be required to make a commitment upon their acceptance into a company that they would stay for a set period of time. The same type of flexibility for personal illness or emergencies that currently exists in the workplace could be outlined in the company's policy manual and given to each new staff member upon their arrival. The rights and obligations of neither party would have to change much.

Under the new system, customers would likely be more co-operative and flexible about delivery dates and other trade details as they too would be under less financial pressure. Friendly, honest, professional service would be more critical than price or date of delivery alone in building customer respect and loyalty.

How will the new system affect seniors, students, women, visible minorities and the disabled?

Finally, all Canadians would be treated as equal partners. Every citizen would have equal income rights regardless of their personal status. All education, medical care and special services would be provided, *free of user fees*, by the federal government. The cost of providing these services would be fully financed from the money retained by the government each year, when the value of the current net assets of the nation is determined. There would never again be a deficit or the need for any type of taxation.

Won't all this extra spending power increase pollution and accelerate resource depletion?

On the contrary, pollution and resource consumption would likely decrease. Because a secure and adequate income would be provided for all, fewer people would have to work outside the home. In families with children, one parent could choose to work at home or both parents could arrange to work away from home part-time, on complementary shifts. Consequently, the consumption of many goods and services (and the resources used to provide them) would decrease, such as child care services and away from home work-related items such as transportation and restaurant meals. As well, many people could choose to do for themselves some of the things that, now, they just don't have the time or energy to do. Once the necessity of having to be "out there earning an income" disappears, some people may choose to become more self-sufficient at growing food, baking, home improvements, designing and producing their own clothes, or any number of other possibilities.

As society focused more on the local or regional production of high-quality durable products, the tremendous waste of resources associated with marketing, packaging and transporting of most products would decrease. As well, consumers' willingness to accept cheaply-made or disposable items would drop as more and more they understood that such wasted resources, and the unsustainable environmental costs associated with their production and disposal, were not in their own best economic, social or ethical interests. Public pressure might even force corporations to abandon any marketing strategies which are obviously planned around the obsolescence of their product lines.

What will happen to the "Public Sector"?

In some areas, the public sector would shrink or disappear altogether, in others it would expand. The specialized income-support bureaucracies, at all levels of government, would disappear, as would all taxation departments. Only a single, much smaller office would be required to administer the national income dividend. Government employees in ministries made redundant by the new system could be retrained and then reassigned to other departments. Some offices would need more staff to replace workers who previously did not enjoy working for the government but who stayed on because no other income-sustaining choices were available to them. Other ministries might need more staff to expand the scope or effectiveness of their operations, such as Environment, Education, Tourism & Recreation, Industry & Trade and Culture.

The difference between the public and private sectors would probably be much less distinct as economic democracy would transfer many of the responsibilities which used to be controlled exclusively by the government, directly to the people. Recognizing that all citizens now have the power to regulate society themselves with their purchases and their labour contributions, the *reason-to-be* of both the government and the private sector would become *to please the public* and improve the quality of life for everyone by maximizing the efficient use of society's resources.

What effect will the new system have on federal-provincial relations and on Canadian unity?

Eliminating the need for taxation entirely would remove one of the most contentious issues straining federal-provincial relations ever since Confederation. The Constitution gave the federal government unlimited powers to tax as it saw fit and restricted the taxation rights of the provinces to imposing direct taxes only. Prior to 1867, customs and excise taxes (both indirect taxes) were the main source of tax revenue for the provincial governments. Property taxes (a direct tax) also generated a significant amount of revenue. Income taxes had been introduced in Ontario but they were extremely unpopular and difficult to collect. Upon Confederation, the provinces gave up the right to collect indirect taxes themselves and agreed to receive grants and subsidies from the federal government instead. Disputes over the appropriate size of these transfer payments have been a major source of conflict ever since.

Under the new monetary system, the federal government would finance the entire cost of every level of government in Canada. The provinces would continue to design and administer their own programs and would maintain full autonomy over all of the areas that were previously under their control. The federal government would continue to develop and control all national and international policies and to set national standards. Full federal funding of all government operations would ease federal-provincial relations and provide a strong incentive for all of the provinces to remain a part of Canada.

Also, the new system would eliminate the suffering and discontent which fuels much of the public support for independence. Few would want to separate from a country which guarantees every citizen a stable, secure economic future, protects individual and cultural freedoms, and provides an unlimited opportunity for human development and growth.