



## **Towards a Greater Consideration of the Human Life and Redevance to Planet in (micro) Economics**

**Rémi Guillet**

Ph. D. in Mechanics and Energetics Sciences and WVP-cycle Inventor

(R. Guillet is now retired)

### **Abstract**

After what has been Western development since the industrial era and especially since the extension of global exchanges, more and more reasons demand a radical change in our vision of what must be now considered as a good economy [\*]

A recommendable economy must be able to produce balanced employment and consumption capacities, able to contribute efficiently to a macro economical challenge as it is required at State level. And doing that, respecting earth patrimony and environment because we are aware now that humanity and its survival conditions are threatened.

Twenty years ago, we conducted a study on the conditions for strengthening links between workers and shareholders in each company, conditions which were founded on fair remunerations for each kind of company partners.

More recently, we have suggested a way to fairly distribute the added value along a same chain, between the first link and the last one as it can be illustrate by milk producer and supermarkets or other big stores.

These measures are shortly presented in this article which also shows a way to fairly pay our planet for what we consume from its patrimony and for the environment degradation

produced: a manner to be aware that other ways are possible to manage our economy, to be more engaged and responsible of what will be our future conditions of life.

**Keywords** - growth, balanced, development, new model, future, human life, planet, environment

## **I. INTRODUCTION**

Sciences and technologies have induced an outstanding development of conditions of life for many people, particularly since the industrial era and even much more after the worldwide exchanges development. But today many dangers are revealed.

Over the world, between countries and between people, the injustice is crying. The planet itself cries its pain and shows us it can't insure the long term future of what is our actual development. The economical challenge of growth, firstly required by our model of consumption based on credit, is in fact unsustainable in a limited space and even threatens already and seriously the life in all its forms.

Twenty years ago, we conducted a study on the conditions for strengthening links between workers and shareholders in the company [1]. More recently, we have suggested a way to fairly distribute the added value along chains with a special focus on food chains.

Now it is obvious that we must accept a relevant change in our economical challenge with a new assessment of results, taking account seriously of what must be the ultimate goal of what we do...

## **II. A NEW MODEL TO MANAGE THE ENTERPRISE**

Shareholders and wage-earners are the two major partners of the enterprise. They are interested to belong to a successful and durable structure. The first category of partners hoping a maximum of profits or dividends, the second category a maximum of wages or salaries .Thus, the sharing of the produced added value is the base of an everlasting (structural) conflict between labour and capital [2].

Nowadays the gap between wages and capital incomes is such that the time is come to wonder whether, in enterprise, and in the interest of both categories of partners, a new distribution of the added value has to be considered.

The purpose of the presented model is to lead shareholders to a positive look on the wages and to lead workers to a positive look on the profits. In other words, the purpose is that shareholders and wage-earners switch from distrust relationship to trust relationship, from structural conflict to structural cooperation.

With this new model, the partners accept to negotiate the ratio between the remuneration of one category relatively to the other one...

The model is said "ideal" when, whatever the dividends ( $D$ ) and the wage masses ( $S$ ) are, the negotiated ratio is respected. In other words, whatever are the (*ante*) engaged wages, and the (*post*) results, the final remuneration distribution respect the *ante* negotiated ratio between the remuneration of workers and these one of capital owners [3].

From the social point of view, this above view of remunerations introduces a flexibility of charges *ante*... while appears a flexible part in the workers remuneration and stable part in the shareholders remuneration. The flexibility of charges is also a real opportunity for changing the context of the long term employment in enterprise.

...

In its simplest presentation, the new model considers only two kinds of partners: shareholders and wage-earners...

Traditionally, the added value ( $VA$  produced) is the sum of wages mass  $S^*$  and dividends mass  $D^*$ , the *ante* fixe charge  $F = S^*$  while the post benefit  $B = D^*$ , and we can write that  $VA = S^* + D^* = F + B$  (the formula explaining the recurrent conflict between capital owners and workers along the past centuries!).

Now the new model which induces for both partners a new and positive view of  $S$  and  $D$  is able to change radically the relationship between them !

With the proposed new model, new wages ( $S$ ) and new dividends ( $D$ ) appear.  $S$  and  $D$  characterize respectively the "specific" or "own" workers income and the "specific" or "own" shareholders income.

The total shareholders remuneration is now the sum of the (new) dividends mass  $D$  and of a bonus linked on the (new) wage mass  $S$ . The pegging coefficient of this bonus being  $\alpha$  and:

$$Ra = D + \alpha . S \quad (a)$$

Symmetrically, the wage-earners' total remuneration  $R_s$  is built from the (new) wage mass  $S$ , to which a participation to the results bonus, linked to the (new) dividends mass  $D$  is added. The pegging coefficient being  $\beta$  and:

$$R_s = S + \beta \cdot D \quad (b)$$

Using matrix presentation, we can write to take the place of (a) and (b) equations,

$$\begin{bmatrix} Ra \\ Rs \end{bmatrix} = \begin{bmatrix} 1 & \alpha \\ \beta & 1 \end{bmatrix} \begin{bmatrix} D \\ S \end{bmatrix}$$

The “ideal” model is got when the value of the negotiated ratio  $Ra/Rs = k_m$  whatever are the  $D$  and  $S$  values.

And we have also shown that the model is ideal when  $\beta \times \alpha = 1$  (3) or.

$$\begin{bmatrix} Ra \\ Rs \end{bmatrix} = \begin{bmatrix} 1 & k_m \\ 1/k_m & 1 \end{bmatrix} \begin{bmatrix} D \\ S \end{bmatrix}$$

When compared to the traditional payment model, the “new model” induces new calculations, “new dividends mass  $D$ ” (since it is no longer representing the total of benefits  $B$  of the enterprise), a “new wages mass  $S$ ” (because it is no more representing the total of the *ante* charges  $F$  of the enterprise).

With the new model,

$$F = (1 + \alpha) \cdot S$$

$$B = (1 + \beta) \cdot D$$

$$\text{And } VA = F+B = (1 + \alpha) \cdot S + (1 + \beta) \cdot D$$

Using the ideal model, it can also be shown that, whatever is the indicator retained for growth ( $VA/F$ ,  $Ra/F...$ ), the observed growth has the same value ! And shareholders, workers, have the same analysis of what is the growth!

By changing the traditional model of remuneration for the new one, thanks to the choice of  $\alpha$  (or  $\beta$ ) value, possibilities are offered to “adjust” the “new” charges for enterprise [ $F = (1+\alpha) \cdot S$ ] if the existing added value  $VA$  is announcing risks of bankruptcy.

### **Advantages of the new model**

- Negotiation smoothly installed in enterprise [4]
- Other sharing of risks and benefits between insiders and outsiders [5]

- Unique analysis of productivity of work and growth [6]
- Other jobs management and employment capacity [7]
- Better contribution to a well balanced macro economy, reduction of wastes, patrimony savings and environment protection [8]
- Flexibility of enterprise charges as a help facing bankruptcy perspectives [9]

### III. THE IDEAL MODEL WHEN “n” KINDS OF PARTNERS...

After two kinds of partners, we can easily identify other (categories of) partners and a “n” dimensions" ideal [T] matrix appears to get the global incomes “[R]” got from the matrix “[P]”) which representing each own partner income, can be written as follow [10]:

$$\begin{bmatrix} R_1 \\ R_2 \\ R_3 \\ \dots \\ R_n \end{bmatrix} = \begin{bmatrix} 1 & a_1^2 & a_1^3 & \dots & a_1^n \\ a_2^1 & 1 & a_2^2 & \dots & a_2^n \\ a_3^1 & a_3^2 & 1 & \dots & a_3^n \\ \dots & \dots & \dots & 1 & \dots \\ a_n^1 & a_n^2 & a_n^3 & \dots & 1 \end{bmatrix} \cdot \begin{bmatrix} P_1 \\ P_2 \\ P_3 \\ \dots \\ P_n \end{bmatrix}$$

While the added value  $VA$  (added value), is,

$$VA = F+B = R_1 + \dots + R_n.$$

If each negotiated value of the ratio  $R_i / R_j$  is called  $k_{m,ij}$  then [T] matrix is always said ideal when all the  $R_i / R_j$  ratio calculated from [T] . [P] are not depending of the [P] values and is equal to  $k_{m,ij}$ .

To help us to built the ideal matrix [T], we note that by definition:

$$k_{m,1/2} \cdot \dots \cdot k_{m,(n-1)/n} \cdot k_{m,n/1} = 1 \text{ (then the negotiation concerns only “n-1” values of } k_m)$$

For any “i” and “j”,  $k_{m,j/i} = 1 / k_{m,i/j}$

And as for 2 partners, it can be shown (1) that [T] is ideal when  $a_i^j = k_{m,i/j}$

$$\text{Thus } a_i^j \cdot a_j^i = 1 \text{ and } a_1^2 \cdot a_2^3 \cdot \dots \cdot a_{n-1}^n \cdot a_n^1 = 1$$

And mathematically, whatever  $w$  is,

$$k_{m,ij} = k_{m,i/w} \cdot k_{m,w/j}$$

Amongst the “*n*” partners, we can find the “future” consideration (through investment), we can find the State remuneration, the Planet remuneration...

**Example of 4 partners (with the planet as the fourth one!)**

In the context of this topic, we imagine the third partner is the State with its own remuneration (taxes and other state incomes) called  $R_x$  while the fourth would be the planet with its own remuneration to pay all it brings or must accept for the economy running (payment to a specific international funds) called  $R_y$ .

For example, supposing that the negotiated values between each couple of partners are :

$$k_{m,a/s} = 0.25 ; k_{m,s/x} = 5 ; k_{m,x/y} = 2 \text{ and } k_{m,y/a} = 0.4$$

Then the “ideal”  $4 \times 4$  [T] matrix will be :

$$\begin{bmatrix} Ra \\ Rs \\ Rx \\ Ry \end{bmatrix} = \begin{bmatrix} 1 & 0.25 & 1.25 & 2.5 \\ 4 & 1 & 5 & 10 \\ 0.8 & 0.2 & 1 & 2 \\ 0.4 & 0.1 & 0.5 & 1 \end{bmatrix} \cdot \begin{bmatrix} D \\ S \\ X \\ Y \end{bmatrix}$$

$$\text{And consequently, } Ra = D + 0.25.S + 1.25.X + 2.5.Y$$

$$Rs = 4.D + S + 5.X + 10.Y$$

$$Rx = 0.8.D + 0.2.S + X + 2.Y$$

$$Ry = 0.4.D + 0.1.S + 0.5.X + Y$$

While the added value  $VA = Ra + Rs + Rx + Ry$

And following the 2 partners case analysis, we can separate the charges and the results as we did with *F* and *B* values

**IV. THE CASE OF (FOOD) CHAINS**

Beside iniquity in enterprise, iniquity is particularly flagrant when two enterprises are led to negotiate their cooperation conditions in an unbalance context as it appears in the case of milk producers and super market negotiation (a well known cases of unfair negotiation in France!).

To illustrate our proposal we keep the example of milk producers and supermarkets negotiations [11].

Thus, calling  $P_c$  the price for the final consumer of milk as proposed by supermarket,  $P_f$  the minimum sales price of the farmer-producer,  $C$  the cost of his production,  $B(1)$  his minimum profit warranted, then  $P_f = C + B(1)$ .

Now putting  $\lambda$  the value reported to the value added downstream [ $\lambda = B(n-1) / (P_c - P_f)$ ], the warranted minimum profit  $B(1)$  for the farmer-producer will be such as  $B(1) / (C + B(1)) = \lambda$  and  $B(1) / C = \lambda / (1 - \lambda)$ . And,

$\lambda$	0	0.10	0.25	0.50	0.75	1
$B(1)/C$	0	0.11	0.33	1	3	$\infty$

We observe that, according to the above suggestion, the value of  $B(1)$  increases with the  $C$  and  $\lambda$  values, leaving the milk producer free of his strategies (via the “ $C$ ” cost), potentially able to encourage the qualitative strategy against quantitative options.

But we can note that if  $\lambda$  is null (downstream benefits=0), then there is no guaranty for  $B(1)$ , all links of the chain share the same potential benefits value (but null!).

At the opposite, when  $\lambda = 1$  then all the added value downstream is pure benefit and  $B(1)$  has no more warranted limit. We can also say that, in theory and as a paradox, the milk producer is alone responsible of the consumer price and thus responsible of the commercial success of his product!

More generally, when the conditions of a fair negotiation are not satisfied between two enterprises, we suggest that the case of milk producer described above can inspire a “guideline”, for all other kinds of negotiations.

**V. THE DANGERS OF A RACE BASED ON MORE AND MORE LOWER PRICES**

Guided by the famous A. Smith theory trusting the role of the "invisible hand" to fairly distribute wealth produced by economy, the modern occidental economy has forgotten that our planet was a finite medium, thus unable to maintain long time the challenge of “always more consumption” that, without doubt new technologies will be always able to provide us [12].

Having invented the consumption credit formula to make sustainable the model of production born with the second world war -and after to reply to the need of (re)construction- the time is

now come to change our economical challenge, to avoid longer excessive wasting, excessive pollution and patrimony losses.

Nowadays, financial drifts, virtual economy (or economy “soda”), a too bad sharing of produced “wealth”, the pain of planet mainly linked with the climate change (overheating due to the greenhouse effect), are great dangers for the human life, world peace and for the future in general . Thus we must change deeply and with urgency our traditional economical challenge!

## **VI. CONCLUSION**

We have presented in this text two paths towards a greater equity between humans working in a same enterprise or when enterprises can be led to negotiate before working together.

The application of the model here proposed to govern enterprise offers also the opportunity to consider the planet as a real partner for any enterprise beside workers and the invested funds.

In the case of enterprises in négociation we have suggested a border line specially when their specific status make the negotiations initially unfair or to show that other economical challenge can be positively considered after the “low price race” time.

Thus and after being aware of the danger induced by strategies of growth without limits (strategy of always more!), in a limited planet (since long time we know the earth is not flat but round!), in an international context of exchanges where competition is rougher and rougher, we hope that this contribution can help to make our future less dangerous!

## **REFERENCES**

- [1] R. Guillet “ Conditions du resserrement des liens entre actionnaires et salaries dans les sociétés anonymes” DEA Université Paris XIII, 2001
- [2] R. Guillet “ Pour plus de solidarité entre le capital et le travail ” Ed. L’Harmattan 2004 ; 160p.
- [3] R. Guillet “Pour plus de solidarité entre le capital et le travail ” Ed. L’Harmattan 2004 ; pp. 133-136



- [4] R. Guillet “Pour plus de solidarité entre le capital et le travail” Ed. L’Harmattan 2004; pp.61-106
- [5] R. Guillet “ Pour plus de solidarité entre le capital et le travail ”Ed. L’Harmattan 2004; pp.111-112
- [6] R. Guillet “Pour plus de solidarité entre le capital et le travail” Ed. L’Harmattan 2004; pp.89-109
- [7] R. Guillet “ Pour plus de solidarité entre le capital et le travail ”Ed. L’Harmattan 2004 ; pp.103-106
- [8] R. Guillet “ Pour plus de solidarité entre le capital et le travail ” Ed. L’Harmattan 2004; pp. 109-110
- [9] R. Guillet “ Propositions pour une économie équitable” Ed. L’Harmattan 2012; pp.61-65
- [10] R. Guillet “To reinforce solidarity in and with enterprise” / International Conference on Social Science Management and Economics (SSME 2015)
- [11] See L'Harmattan ed. Rémi Guillet’ author page or, by using "Rémi Guillet biographie”, the title "Suggestion for equity and solidarity in sectors" by Remi Guillet (2012) which is the english translation of the french title “Suggestion pour plus d’équité et de solidarité dans les filières”.
- [12] See L'Harmattan ed. Rémi Guillet’ author page or, by using "Rémi Guillet biographie”, the title “Broken prices, low cost ... Danger!” by Remi Guillet (2009) which is the english translation of the french title “Prix cassés, low cost... Danger !”.