

Projekt **JOVIALISMUS**

Explanation and substantiation of the taxes of the Dilthey-Model

Kiev, May 2007

Jörg Drescher

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Introduction

It was 1991, when I was still a pupil at the high school specializing in nutritional science within the complex of different vocational secondary schools serving the city and region of Biberach, that I found myself faced, in an examination, with the following problem:

How would a space station on some other planet have to be designed in order for a human being to be able to live there? What can we say are a human being's basic needs?

The exam was an exam in "nutritional science" and the right answer had, of course, to be one that would be right for any and every human being. The person sent to the space station could be from Africa, America, Asia, Australia, Europe, anywhere. But the very last thing that such a person would need up there in space – regardless of what particular part of the earth he or she might hail from – would be a ("conditional" *or* "unconditional") "basic income".

It is in adopting this pre-supposition that I want, here, to offer an interpretation of the Dilthey Model¹. The following interpretative remarks are intended above all to be remarks valid without regard to any particular time or particular place. That is to say, I contend that what I say below holds true for all historical periods and for all regions of the earth.

I say "of the earth", after having just stated that, in outer space, nothing would be more superfluous than a "basic income". The first question must necessarily, then, be: "why does a human being need a basic income here but not there?" The answer to this question is a relatively simple one: here on earth, we have, over the course of the centuries, introduced, so as to make it easier to transfer commodities from one set of hands into another, the means of exchange called "money", so that we are now dependent on this latter.

Among the questions raised by the discussion about a "basic income" is the question: "What *is* money, really?". Moreover, many models for such a "basic income" include the proposal that "Value-Added Tax" be adapted as the sole and exclusive basis and tool of redistribution. Such a proposal, however, automatically gives rise to the questions: what is 'value'? How does it arise or emerge? And what part or type of it are we justified in describing as 'value added'?

Matthias Dilthey attributes to these models for a „value-added“-funded „basic income“ a certain emancipatory character: the person consuming more supports, here, the person obliged to consume less.

In the following essay, I attempt to give an account of the foundations of the Dilthey Model. I will then go on to interpret this model in the light of the insights so revealed. Some of my readers will find this to be all simply a recapping of what they already know; for others, however, the following may contain ideas and perspectives new to them.

Kiev, 20th. May 2007

Jörg Drescher

¹ http://www.psgd.info/templates/1/download/dilthey_modell.pdf



A Consideration of the Problem from the Viewpoint of the Science of Nutrition

It may seem strange at first that anyone would even think of considering the issue of a “basic income“ from the point of view of the science of nutrition.

Perhaps this approach appears to make more sense when one recognizes that nutrition is the foundation which sustains the life of every living creature. Nutrition exerts an essential governing influence on every sort of human well-being: be it corporeal, mental, psychological, or social.

It was the German statistician Ernst Engel (* 1821; † 1896) who perceived, and supported with empirical proofs, a certain law-like regularity which has passed into economic text-books under the name of “Engel’s Law”.² This „Law“ dictates that:

The proportion of the total income of a household which said household spends on food will tend to fall as the household’s income rises.

This is hardly surprising in view of the fact that the quantity of food and drink which a human being has to absorb in order to satisfy all his nutritional needs is a fixed one. It follows from this that the proportion of his total income which a human being spends on food and drink will also be a fixed one.

From the point of view of nutritional science, a human being has need of a fixed quantity of basic energy if he is to lead any sort of life at all. This said, however, it is also the case that human beings have been constantly intent on reducing this quantity of basic energy needed, by recourse to the use of tools – a tendency which led ultimately to the “Industrial Revolution”. What this familiar phrase designates in essence is an advanced stage in the process of Man’s learning to displace what were originally his personal energy needs onto certain ancillary devices (primitive mechanical machines, such as spinning looms; semi-automatic machines, such as wind-mills; finally, fully automatic machines, such as computer-guided production units) Throughout all this process, however, there has occurred no essential decrease in the basic energy requirements of the individual human being, even if the proportion of energy which he devoted to the total work process became less.

Just as one can establish certain conditions (water, “fertile soil“, light, proper temperature) fundamentally necessary to the survival of a plant, so can such basic conditions for survival be defined for a human being. First among these is the satisfaction of a human being’s basic energy needs through nutritive food and drink.

Such satisfaction of basic energy requirements does not, of course, suffice in itself to protect a human being from cold or from other negative environmental influences. This is why human beings wear clothes. It is also part of man’s experience that, at certain seasons of the year, food is not to be grown, so that he must set aside stores of nourishment. Shelter, in the form of housing of some sort, permits this storing of nourishment, as well as the storing of clothing and all sorts of other protection from environmental influences, thus helping further to lower the basic energy needs of human beings.

It is related of Frederick II. (*1194 - †1250) that he once attempted, by means of an experiment conducted on new-born children, to discover the “natural and original language of Man.” He isolated several unweaned infants from the rest of the world and instructed their wet-nurses to continue to feed and bathe them but to refrain from any verbal communication

² Engel, Ernst; *Die Productions- und Consumtionsverhältnisse des Königreichs Sachsen, Zeitschrift des statistischen Bureaus des Königlich Sächsischen Ministerium des Inneren*, Nos. 8 and 9 (1857).



with them and even from any stroking or caressing. It is reported that the children, lacking all human attention or affection, soon died.³ This indicates that we should also count among those requirements fundamentally necessary for the sustenance of an individual human life a certain participation in a socio-cultural environment.

Since it is, strictly speaking, possible to argue that this requirement, as well as the other basic requirements we have outlined are, by and large, fulfilled even in, say, a concentration-camp environment, but plainly do not, under such circumstances, amount to “conditions worthy of human beings”, those thinking and writing about basic human needs have often chosen to try to establish their definitions of what is necessary for a genuinely human existence at some much higher and more morally ambitious level (including, for example, within the ambit of the “humanly indispensable” the qualities of freedom, dignity, equality, freedom of speech etc.) These more ambitious “basic requirements“ are not, indeed, strictly necessary for the physical survival of human beings; they testify, however, to a certain humane attitude toward fellow members of the human race and have been adopted for this reason as foundational elements of, for example, charters of basic human rights.

As can clearly be seen from what we have said, the main question here is not one concerning money but rather one concerning energy. The astronauts with whom we began our discussion would have no use for any sum of money, be it one or a million dollars, however many consumer goods might in addition be placed at their disposal. What they would need would be water, oxygen, and nourishing food, as well as the protective clothing and the “housing” appropriate for the environment here in question.

Thus nutritional foundation is one which applies to the case of every human being, wherever or whenever she or he might happen to live. Indeed, one could even extend this rule’s application to non-human living beings, although I shall not attempt to do so here.

Rather, what I want to do is to derive from the theses which we have already established a certain foundation for all economic systems in general – a foundation which likewise should be understood to apply everywhere and at all times:

- A) All human beings consume energy, which is absorbed in the form of nourishment, and without which they could not live. There also exist other basic needs (clothing, housing) which, when they are fulfilled, serve to maintain the basic need for nourishment at a minimal level.
- B) There exist certain human beings who are not in a position to fulfil unassisted the basic set of needs outlined in (A). As a rule (one applicable in all eras and periods) these comprise: children, disabled people, sick people, old people, in short, all those in need of some sort of care. When we consider the special case of the world as we know it today, however, this class also signally comprises: all those people who have, or who receive, no money, or very little money, with which to finance the fulfilment of the basic needs outlined in (A). Also belonging to this group are those people who, although engaged in work, receive for this work no “remuneration“.
- C) There exist other human beings who *are* in a position to fulfil unassisted this basic set of needs. As a rule, these comprise everyone except those needing some sort of care; considering, once again, the special case of society as presently constituted: this class comprises people who have disposal over means of production (machines, land, labour power, raw materials, disposable money etc.)

³ Umberto Eco, *The Search For the Perfect Language*, 1994



It was only possible for an ancient Egyptian pharaoh to construct the pyramids because he had labour power at his disposal belonging to human beings who needed to fulfil the basic needs described. In exchange for their work, they received nourishment. The cultural system, however, which made the pharaoh a pharaoh also made him the commander of armed forces, through which he was able to coerce the possessors of this labour power to expend it in a measure and intensity that surpassed the limits of the humanly tolerable.

This example is intended merely to show that these foundations for economic theory derived from the science of nutrition have been valid throughout all human history.

The essential issue in human history has not always been money; rather, it has been the things indispensably necessary for life. From this, we can derive the proposition that money represents a unit of measurement for just these indispensable foundations of human existence. Money is a medium serving to facilitate the exchange of those commodities and services which fulfil one or another sort of human need, need thus being functionally equivalent, in this context, to value.

“Need“ can also be a condition expressed in terms of an individual’s more or less limited disposal over the medium of exchange itself. This is most particularly the case in societies characterized by a highly developed division of labour.

The theses which we have proposed up to this point provide the foundation for the idea of a “basic income“ in general and for the Dilthey Model in particular.

A Consideration of the Problem from the Viewpoint of the Theory of Human Behaviour

In general, we give to the energy expended and actions performed with a view to the fulfilment of our needs in these respects the name: “work” or “labour”. On the assumption that work can be considered as a type of human behaviour, we may define it as a reaction to a stimulus, which reaction is intended to bring a human individual into a condition such that his/her needs are therein satisfied and fulfilled.⁴ The stimulus setting this reaction in motion is one which presupposes the obtaining, initially, of some condition which the individual in question experiences as unsatisfying.

It can be the case that certain given biological conditions oblige a human being to behave in a certain way, in order to mitigate some unsatisfying situation or to remove it entirely (hunger -> search for food; need for protection -> search for shelter and forms of defence; sense of cold -> clothing etc.). The new situation is experienced as a more satisfying one.

As the human process of digestion leads to the emergence, again and again, after eating, of a new feeling of unsatisfied-ness (hunger), we shall designate, in what follows, all behaviour aimed at mitigating this feeling as *primary work*. The stimulus prompting such *primary work* is one of purely biological origin and serves the purpose of maintaining life in the basic sense of physical survival.

To designate the mitigation or removal, by behaviour falling into the category „labour“ of all other sorts of unsatisfying states and conditions, we shall adopt, below, the term *secondary work*. The stimulus prompting such *secondary work* has no direct biological origin, that is to

⁴ These remarks take as their basis the arguments developed in : “*Basale Soziologie: Theoretische Modelle*“ (fourth, revised edition, by Horst Reimann, Bernard Giesen, Dieter Hoetze and Michael Schmid; published in 1991 by the Westdeutscher Verlag; Opladen)



say, is not strictly necessary to physical survival, and does not primarily serve the purpose of this latter.

Modern division of labour, characterized by the exchange of goods and services' being conducted almost entirely via the medium of exchange: money, has made it possible that *secondary work* can in large part take the place of *primary work*. An example: a farmer who grows potatoes performs *primary work*. A barber performs no work that can be said to be necessary for human survival, but rather merely improves the appearance of the farmer – the work he performs is *secondary work*. The farmer finds a kind of satisfaction in having his hair cut, for which satisfaction he is prepared to reward the barber with potatoes. It was in order to facilitate exchanges of goods and services of this sort that the medium of money was introduced.

The barber, however, does not necessarily cut the farmer's hair because he finds some satisfaction in what he does but rather with the intention of mitigating or removing his recurring condition of biological unsatisfied-ness (hunger).

What we should learn from this example is that *primary work* is always important but *secondary work* not necessarily strictly necessary for human survival. Even work which is by its nature originally *primary work* can, on these terms, become *secondary work*, as, for example, when the farmer performs an extra amount of labour in order to fulfil some need other than that of nourishment (e.g. buying shoes at a shoemaker's)

The type of behaviour called "work" or "labour" (regardless of whether it is of the primary or secondary sort) is one essentially connected, as we have seen from our excursus into the theory of human behaviour, with the mitigation or removal of some state of unsatisfied-ness. Thus, it can be, for a mathematician, a state of unsatisfied-ness that a mathematical problem he is concerned with remains unsolved, so that he is prompted to look for a solution. An artist can experience as satisfying the covering of a white canvas with colour. A musician can experience as satisfying the filling of silence with sounds, etc.

Short Excursus on the Theme: Value-Creation (and Value-Addition)

As we have already explained, money is a unit of measurement for value. This unit of measurement, indeed, is not one reducible to the expression of any single objective foundation, that which it actually measures being determined differently from case to case. Since, however, in the great majority of cases, the validity of the specific logic of measurement applying is accepted by all affected parties, the unit of measurement is one that can be relied upon as a practical reality.

We may say that there are three related ways for a thing to come into being as a thing of "value" (or to have "value added" to it in production):

1. Value-creation (or value-addition) whereby "value" emerges as a subjective quality (price offered, and the readiness of the potential buyer to pay or not to pay a particular price)

"Subjective" value-creation (or value-addition) is a matter of what I am prepared to give or pay in order that a certain thing of value (or added value) come into being, or of the payment or recompense I demand when selling a specific thing of value (or added value).

2. Value-creation (or value-addition) whereby "value" emerges as an objective quality (the formation and determination of price)



“Objective” value-creation (or value-addition) is the sum of all that was required in order that a specific thing of value (or added value) could come into being. The value of a thing understood in these objective terms can sometimes diverge from the value of the same thing considered as a subjective quality.

3. “Absolute” value-creation (or value-addition) (the price actually paid)

“Absolute” value-creation (or value-addition) is an event which occurs in the actual act of trade. Ideally, subjective value-creation and objective value-creation coincide in this act.

Since it has been my claim from the start that the propositions raised in the present essay should be propositions holding true for all times and places equally, I shall not enter into the question of subjective value-creation. Indeed, if we are to remain consistent, we will need, in order to demonstrate that ideal case which is the case of “absolute value-creation“ (where subjective value-creation and objective value-creation coincide) to have recourse to a unit of measurement which is independent of any such individual judgement or evaluation as may tend to be made under the influence of any particular place or time. As we have shown in the two foregoing sections of this essay, it is energy, rather than money, which appears most appropriate to such a purpose.

We may take as our basis in elucidating this the general definition of value-creation/value-addition which runs⁵:

Value-creation (or value-addition) is the basic and original aim of all productive activity, inasmuch as productive activity, by its nature, takes goods which are, in a certain form, already to hand and transforms these into goods possessing a greater use-value.

The first part of this sentence we may concede holds true regardless of any specific time or place. As regards its second part, we may take it to be implicit in the use of the verb “transform” that to make, out of a good already at hand, a good possessing greater use-value is an action which requires a certain expenditure of energy. This permits us to restate the thesis just stated in the following form:

Value-creation (or value-addition) is a transformation, achieved by means of the expenditure of energy, of goods which are already to hand into goods possessing a greater use-value.

The measure determining the degree of value-creation or value-addition would hereby be the quantity of energy deployed. And “value” would be equal to the sum of all the energy expended in the whole process of bringing into being the object of value in its final form. It is a matter of no essential importance here whether the energy in question is energy used up directly by a human being, or whether it is deployed only through the medium of some machine.

Given that we have already drawn, in our consideration above of the problem from the viewpoint of the theory of human behaviour, a distinction between work as “primary work“ and work as “secondary work“, we may likewise classify “value“ into two distinct types or groups: namely, value consisting in the fulfilling of one’s basic energy requirements (the purpose aimed at in *primary work*), and value which is not concerned with fulfilling these basic energy needs. We may take this latter type of value as a definition, for the practical purposes of the present discussion, of the concept of “added value”. To sum up:

“Added value” is that value which emerges, through an act of value-creation performed by means of an expenditure of energy upon goods already at hand, once that part of the energy expended by a human being which is not directed to production per se has been set aside.

⁵ Haller, Axel: *Wertschöpfungsrechnung*. Schäffer-Poeschel, Stuttgart 1997 ISBN 3-7910-1150-2



How This Applies to the Dilthey Model

The social sales tax proposed in the Dilthey Model has its foundation in considerations regarding value-creation and value-addition like those we have just outlined. This tax attempts to do justice to the demands raised by Charles Fourier in his *La Fausse Industrie* (1836). Here, Fourier offers arguments for the thesis that the fact that all “civilized“ people tend to infringe, *qua* “civilized“ people, against that fundamental natural law or right which once governed human existence – and which dictated hunting, fishing, gathering fruit, and grazing cattle on common ground to be our natural mode of existence – is in itself an indication that “civilization” owes a livelihood to every person not in a position to satisfy his or her own needs.⁶

In saying that Dilthey attempts to do justice to this demand raised by Fourier, I mean that the social sales tax which he proposes is one which gathers together the “added value” (in the sense outlined in the previous section) of all goods produced and uses this “added value” as a basis for the funding of a Basic Income. The argument of Fourier’s is here taken up whereby, direct access to natural resources no longer being the right of everyone, another, and unconditional, sort of right should thereby accrue to each individual as a sort of compensation for the loss of this original natural right.

Dilthey proceeds on the assumption that, with every step in the process of production and of the process of value-creation that is one and the same with it, as well as in the act of “absolute value-creation“ represented by every act of trade, there emerges “added value“, and that said “added value” is in reality an essentially “social value”. This is the legitimation for the character of an “all-phase gross Value-Added-Tax” such as applied in Germany prior to 1968.⁷

All the same, the Dilthey Model also involves the proposal of a form of VAT which corresponds to the VAT we know today, with its element of the deduction of “input tax”. What is at issue here is a national-economic taxation of “end-value”.

In speaking of “end-value” I am referring to the characteristic quality of this tax which consists in its being borne, in the last analysis, by the last of the parties to buy the value in question (for practical reasons, it is paid by the company concerned) I further qualify it as “national-economic” inasmuch as it is levied only domestically and goes to fund the expenditures of the national state. This “end-value“ is added to the total value of a commodity (that is, to its value inclusive of “added value“/“social value“).

The social tax on profits proposed by the Dilthey Model is founded in the consideration, derivable from the science of nutrition, that each human being’s “turnover” in terms of energy cannot exceed a certain limit each day. By this is meant that there is a fixed maximum limit to how much value a human being can create by, in Dilthey’s phrase, “the work of his/her own hands”.⁸

About the last of the taxes proposed by the Dilthey Model – the social tax on yield from capital investment – I shall say nothing more here, since this form of taxation and the reasons for its legitimacy are exhaustively described elsewhere by Dilthey himself.⁹

⁶ Charles Fourier, *La Fausse industrie* (1836), Paris: Anthropos, 1967, pps. 491-492

⁷ http://www.tu-cottbus.de/ZfRV/Skript_FinanzUndSteuerrecht_SS2006.pdf p. 54ff

⁸ vgl. http://de.wikipedia.org/wiki/Brennwert#Physiologischer_Brennwert

⁹ http://www.psgd.info/templates/1/download/dilthey_modell.pdf Anhang 3



The Dilthey Model and Self-Regulation

In the latter half of the 20th Century, the winner of the Nobel Prize for Chemistry, Harold C. Urey (* 29th April 1893 in Walkerton, Indiana; † 5th January 1981 in La Jolla, California), proposed an explanation for how that layer of oxygen arose which serves as protection for the whole earth. This classic example of a “feedback effect” has entered scientific history under the name of the “Urey Effect”.¹⁰

This “Effect” describes the connection between UV radiation and photolysis: water is divided, under the effect of this energy-rich UV radiation, into oxygen and hydrogen. One of the two substances thus arising, however – namely, oxygen – acts in turn as an effective filter for just this UV radiation, so that the more oxygen there is present in the atmosphere, the less photolysis occurs. It was thanks to this process of effect and counter-effect alone that the equilibrium indispensable to the emergence of life on earth was established – since this very same UV radiation has a tendency also to destroy organic molecules.

The Dilthey Model also features, in the form of its specific manner of calculating the amount of the UBI it proposes, a type of self-regulation by means of “feedback effect” closely analogous to Urey’s.

In the section of this essay considering this problem from the point of view of the science of nutrition I outlined the economic foundations relevant here. The actual amount of UBI paid out is the most important single factor determining the effects of a given UBI:

- In the case where the amount of the UBI is too low (to cover that consumption of its recipient which extends beyond the minimum absolutely necessary for his/her existence) this very low income will tend to exert a pressure on the individual to take up some remunerative activity.
- In the case where the UBI lies just at the level required for the recipient of it to get by, we have to do with an “ideal case” scenario, and the pressure to take up remunerative work extends only so far as the person in question is willing to impose such an obligation on him/herself, and accept it.
- In the case where the amount of the UBI lies well above what is necessary to get by, then the UBI does indeed come to constitute an institution seducing its recipients into inactivity.

Dilthey links, in “dynamic” fashion, the amount of the UBI to the per capita income of the state in question, thus regulating supply (the results of the work done) by means of demand (the amount of the UBI conceived of as “consumption possibilities”)

Communism also attempted, by means of its characteristic “planned economy”¹¹ to bring supply and demand into harmony with one another. The free-market economy, however, is

¹⁰ Hoimar von Ditfurth: *Im Anfang war der Wasserstoff*, dtv, ISBN: 3-455-08854-6; see the chapter on the “Evolution of the Atmosphere”

¹¹ The term „planned economy“ refers to an economic system which, after analysing both existing needs and requirements and those expected to arise within the economic unit in question within the planning period in question, proceeds to make available, in a manner planned out beforehand, the economic goods required for the satisfaction of these needs and requirements. In this respect, the planned economy may be said to represent the opposite pole and opponent of economic systems which have their basis rather in a random production and distribution of commodities, or in the production and distribution of these latter via market mechanisms alone.



always oriented to economic growth, attempting, in principle, constantly to increase the amount of goods on offer and to generate a demand for these. The main reason for this is that the diversified distribution of ownership in the means of production demands such growth.

The “dynamic” design of the Dilthey Model of the UBI serves to carry the “Urey Effect” described above over into the sphere of the economy.

Finally, I would like to explain the function of the social sales tax and the version of VAT proposed by the Dilthey Model in the light of some examples. I will also address here the question of how such taxes would work between states.

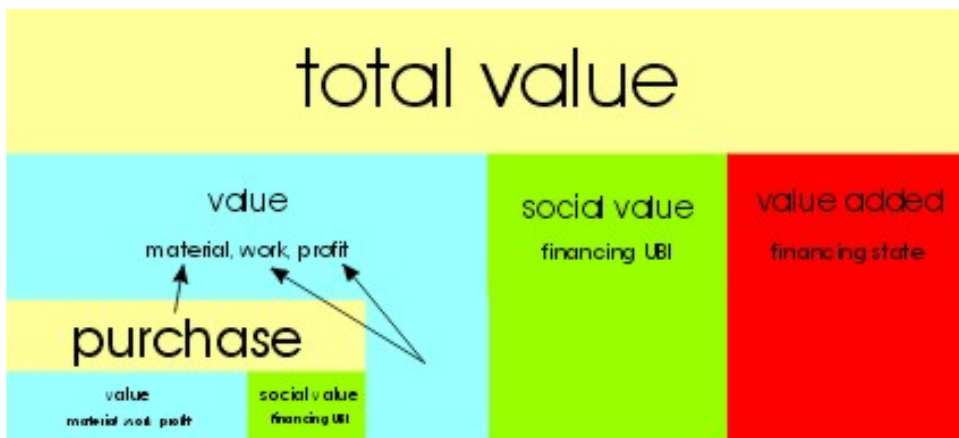


Social Sales Tax and Value-Added Tax in the Dilthey Model

In order to illustrate the manner in which these two taxes function, I will take as an example a farmer who grows potatoes. Where these products are sold to an end-customer, the manner in which taxes are divided up and employed can be expressed diagrammatically as follows:

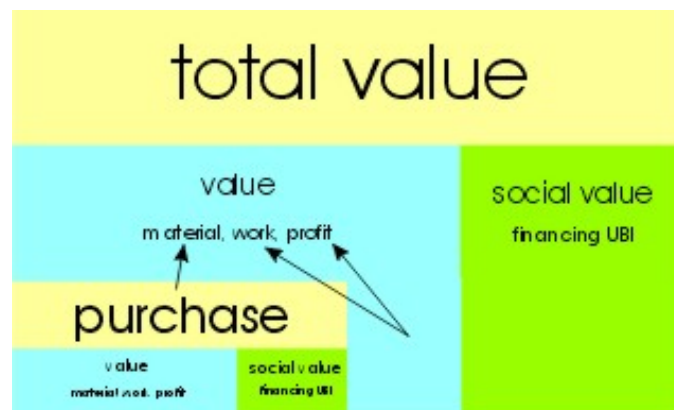


In the case of these potatoes' being sold to a factory, which goes on to make crisps out of them, the diagram expressing the dividing-up and employment of the taxes is rather as follows:



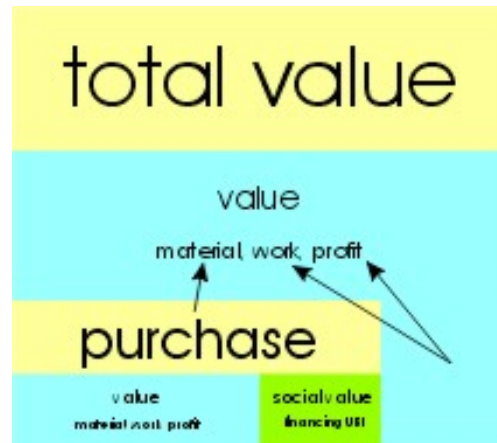
Inter-Statal Function of the Dilthey Model

In the case where the potato chips are exported into a country which has adopted another system in order to finance its UBI, or which has no UBI at all, the diagram expressing the dividing-up and employment of the taxes is as follows:



This means that the importing country is paying for the social standards enjoyed in the exporting country.

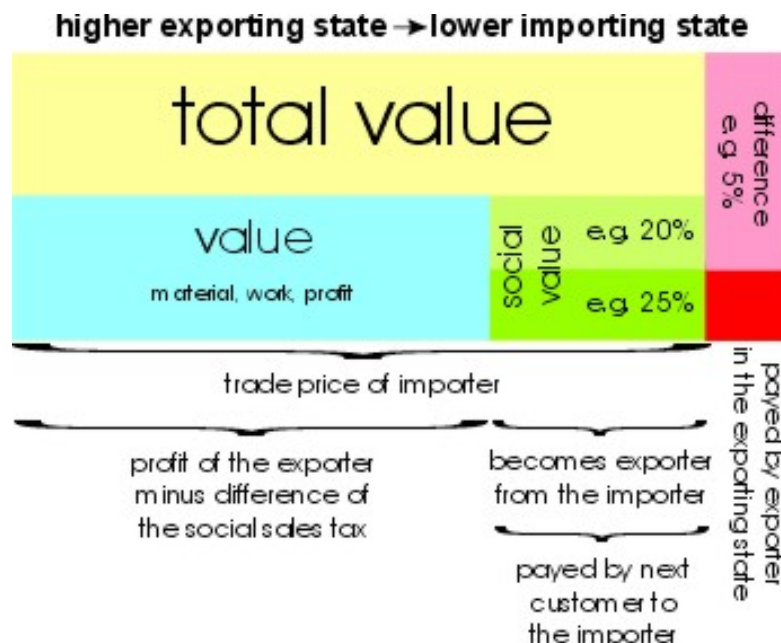
In the case where the potato chips are exported into a country which has also adopted the Dilthey Model as an economic system, the diagram expressing the dividing-up and employment of the taxes is as follows (assuming equal social sales tax):



Here the social sales tax of the importing country is set off against the social sales tax of the exporting country.

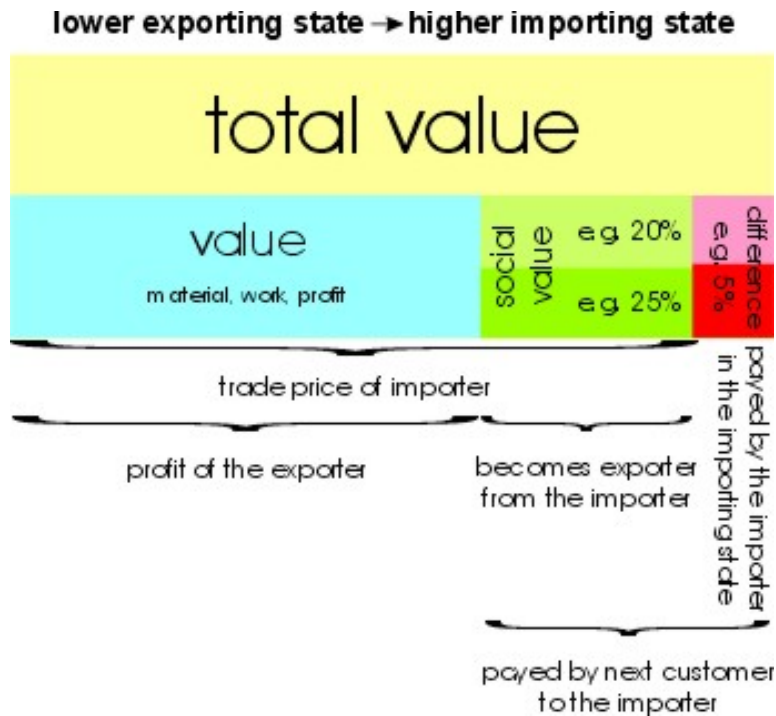
In respect of the “normal“ manner of handling VAT, nothing is changed.

Assuming that Germany has, for example, a social sales tax of 25 %, while the Ukraine has, for example, a social sales tax of 20 %, the following diagrams show how things would look in respect of exports from Germany to the Ukraine and from the Ukraine to Germany.



A company from Germany exports something into the Ukraine. The German exporter receives, for example, 20% of the Ukrainian social sales tax which the Ukrainian importer pays. The Ukrainian importer receives back from the next buyer the social sales tax which he has paid. The difference (in this example, 50%) is paid by the German importer in Germany.





A firm from the Ukraine exports something to Germany. The Ukrainian exporter receives, for example, 20% of the German social sales tax from the German importer. The difference (in the example, 5%) is paid by the German importer in Germany. The next buyer pays the whole social sales tax.

Closing Remark Concerning the Inter-Statal Function.

It is impossible to predict in advance whether the Dilthey Model would tend to put a brake on foreign trade or, if such were the case, how serious a brake. Generally, however, the more reasonable expectation would seem to be that, were the Dilthey Model applied, exports in respect of high-quality and labour-intensive products (the services of engineers, individually manufactured products, small-series products, automation or large-scale installations) would even increase. Already today, examples drawn from countries with high VAT levels show that importers are not discouraged by this tax. A large proportion of re-imports depends today on the price differences between taxes.

The labour costs of any land adopting the Dilthey Model will, in any case, become lower, since there are eliminated, on this model, all the hitherto-applying ancillary wage-costs. To this extent, a competitive advantage is definitely gained here.

Another effect to be expected is that “cut-price products“ will become more expensive, both as import and as export goods. This is very much to be desired, since it is the whole aim of the Dilthey Model to reduce the practice of “wage-dumping“ and to promote social justice. This social standard can establish itself via the measures proposed and extend itself to other countries.

