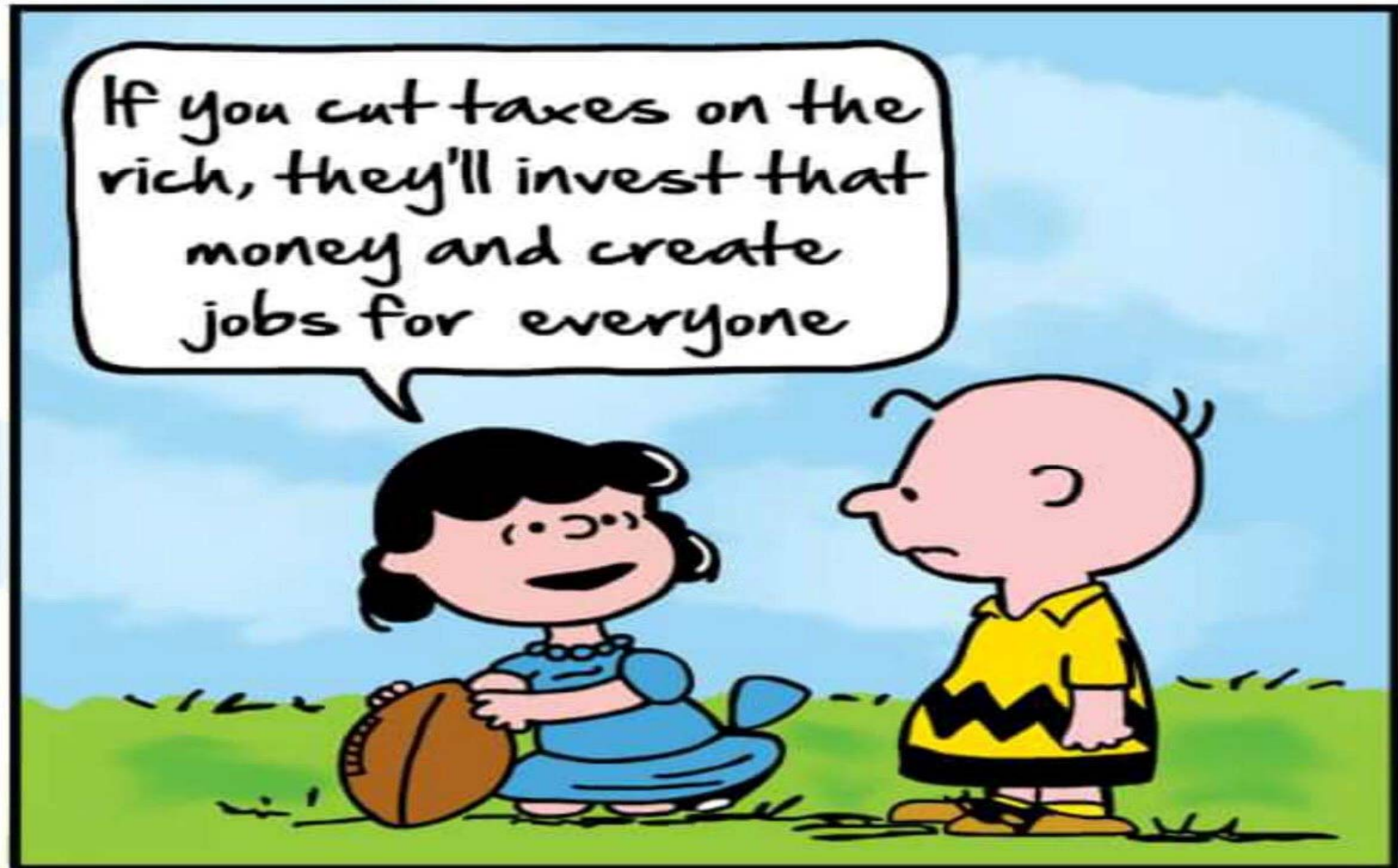


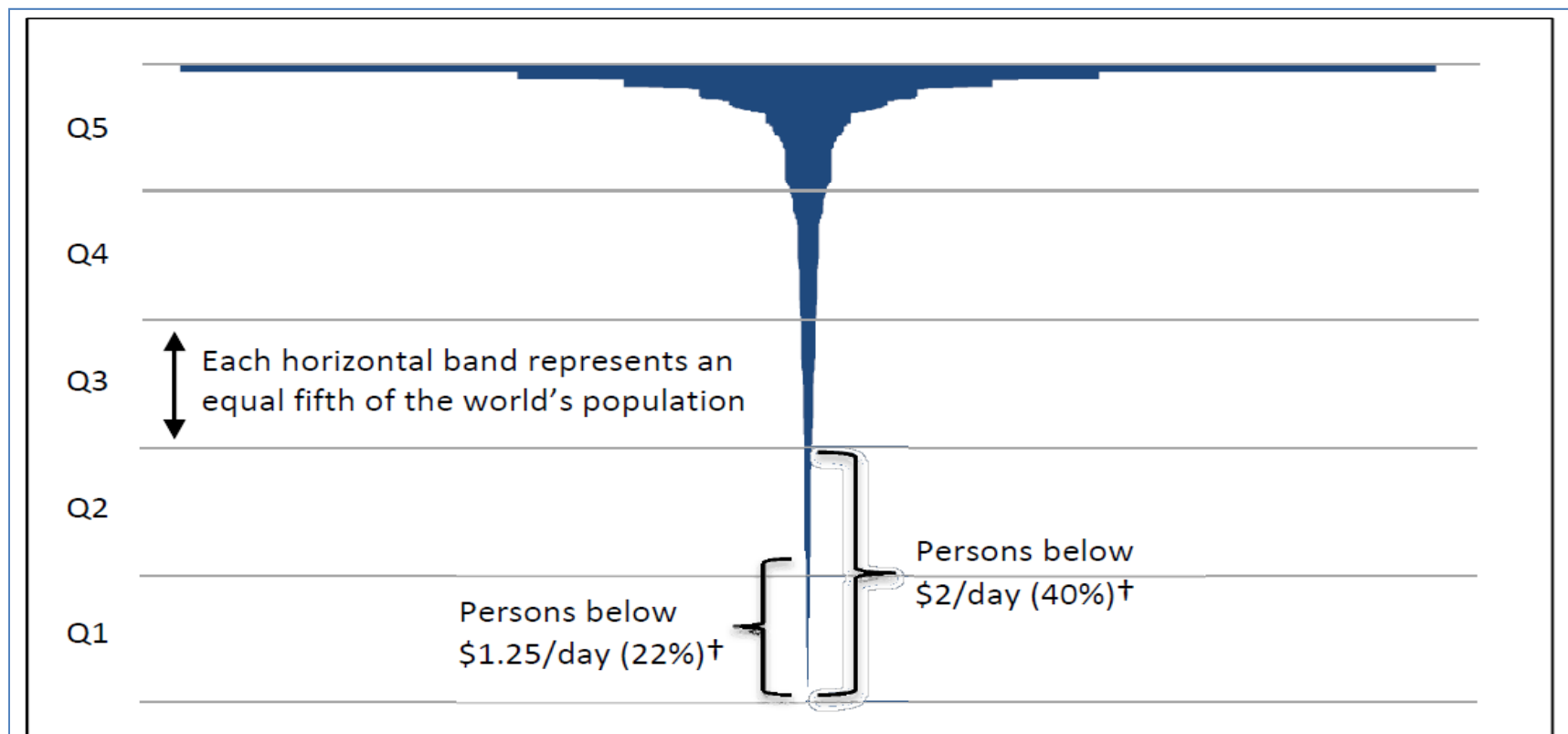
Poverty, Justice, Tax



To See: Poverty

- What do we mean with „Poverty“?
- How does poverty relate to inequality?
- How does poverty relate to wealth?

Poverty-Wealth Divide: Champagne Glass – little use to understand poverty



Source: Adapted from UNDP (2005) using World Bank (2011), UNU-WIDER (2008) and Eurostat (2011)

* According to the global accounting model

† Based on Chen and Ravallion (2008)

Poverty according to A. Sen:

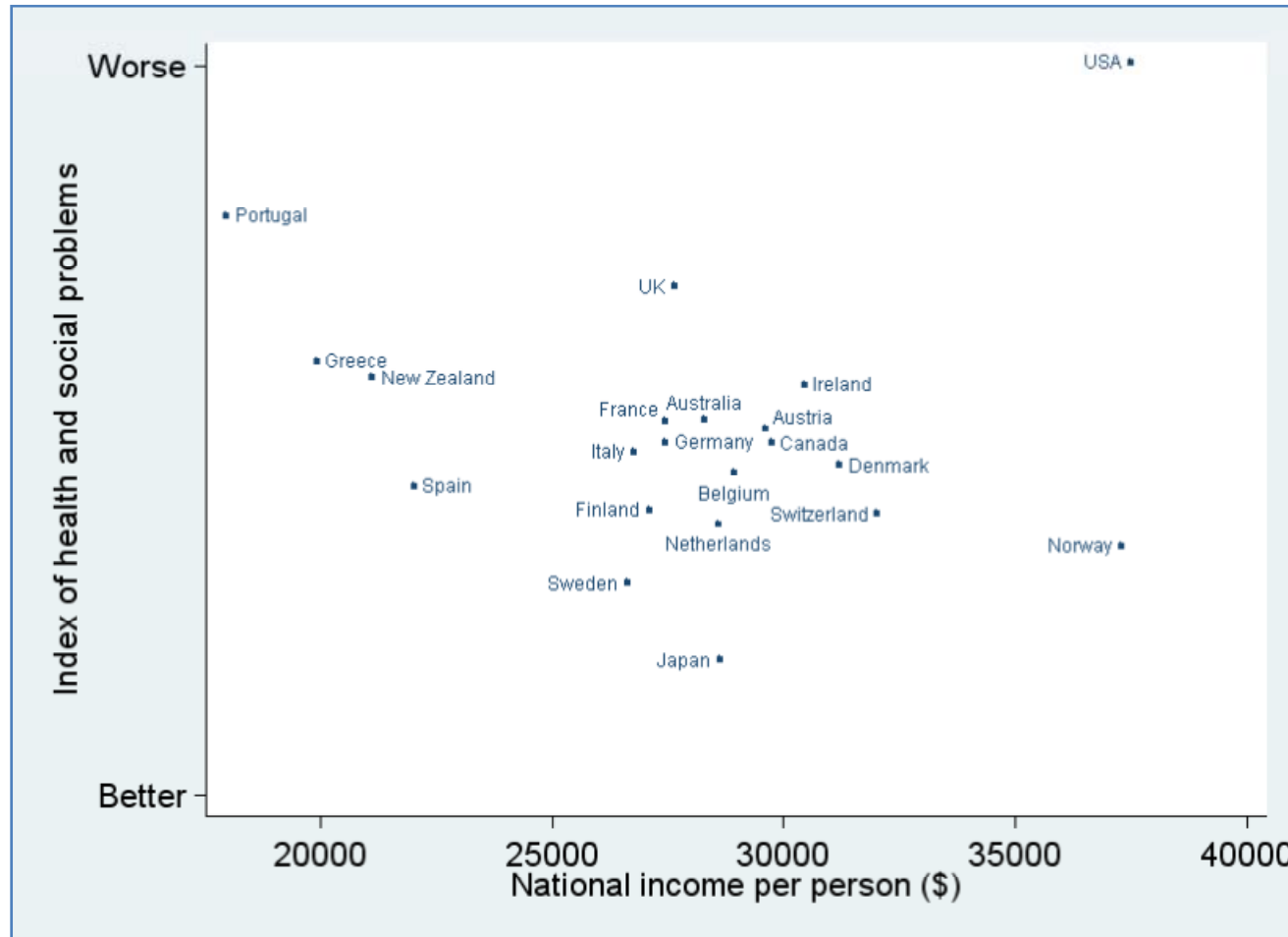
Poverty is deprivation of basic capabilities. People may lack capabilities due to many reasons such as lack of knowledge, lack of financial resources, social exclusion, and government policies. None of these can be satisfactorily measured in economic terms alone. It is a matter of realizing these capabilities that will enable people to escape from poverty (or from their state of 'un-freedom')

Occurrence of „incapacitating“ indicators

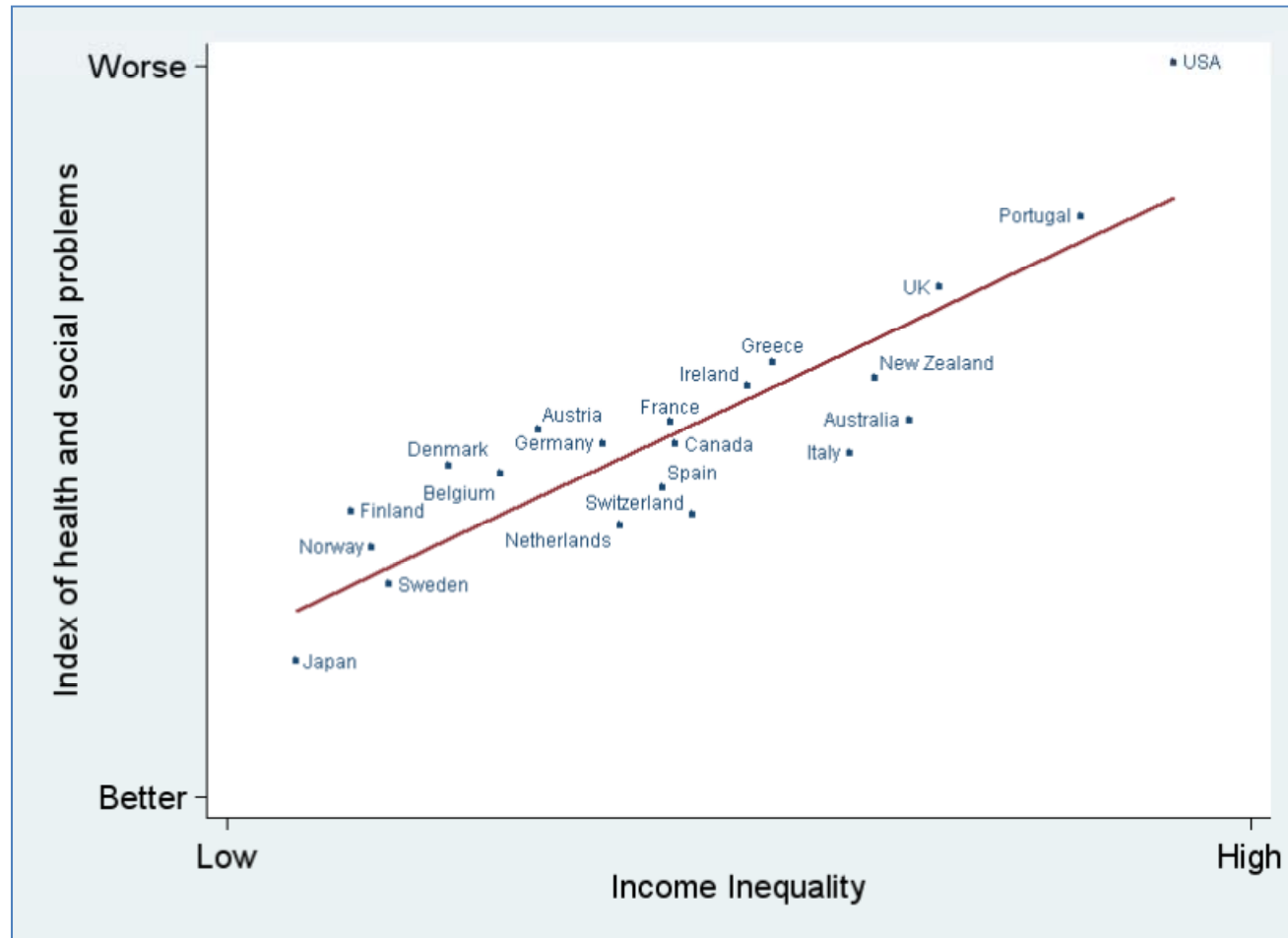
- Life expectancy
- Math & Literacy Skills
- Infant mortality
- Homicides
- Imprisonment
- Teenage births
- Obesity
- Mental illness – incl. drug & alcohol addiction
- Social mobility

Wilkinson/Pikett (2009)The Spirit Level

Are health and social problems related to the wealth of a nation? No, if you look at the National Income per Person.



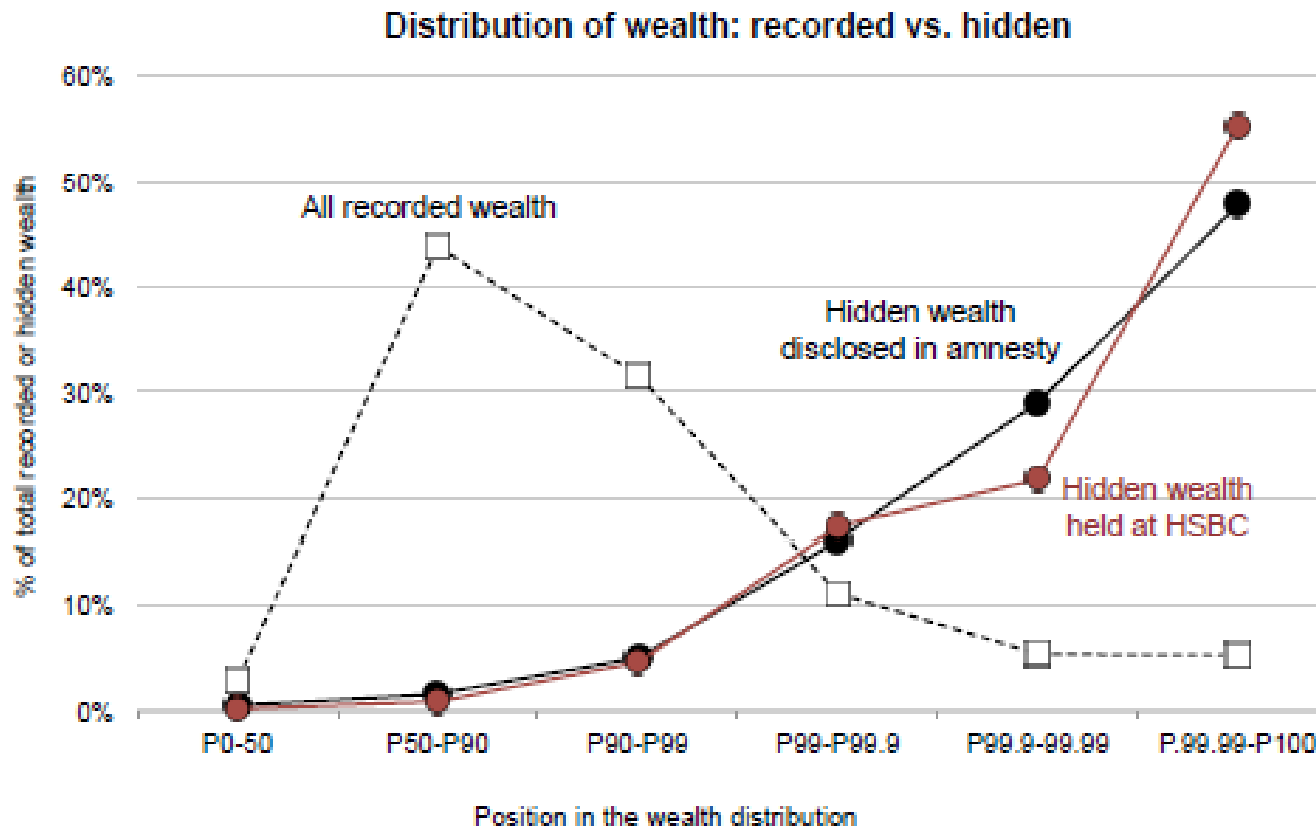
Yes, if you order countries according to their growing income inequality



Theses

- Inequality and poverty are not the same, but there is a link.
- A growing number of people are left behind i.e. “The rising tide no longer lifts all boats”

No outsider knows really how wealthy the wealthy are:



How many millionaires in Bavaria?

Was	Wann	Wieviel	Quelle
People with more than 500.000 Euro income/year, all Bavaria	2013	2.512	Tax Administration
People with more than 1 Million Euro/year, all Bavaria	2010	3.132	Bayerisches Statistisches Landesamt
Ultra High Net Worth Individuals (> 30 Millionen Euro), only Munich	2013	1.113	Knight Frank Wealth Report
Ultra High Net Worth Individuals, only Munich	2013	1.805	Wealth-X/UBS Wealth Report

Zucmans research would mean for Germany that ca. 554.720.000.000 USD/ 16% GNP are deposited in Tax Haven (of estimated assets amounting to 4.006.556.970.543 € (Top 1%))

Income-Inequality: actual, estimated, ideal

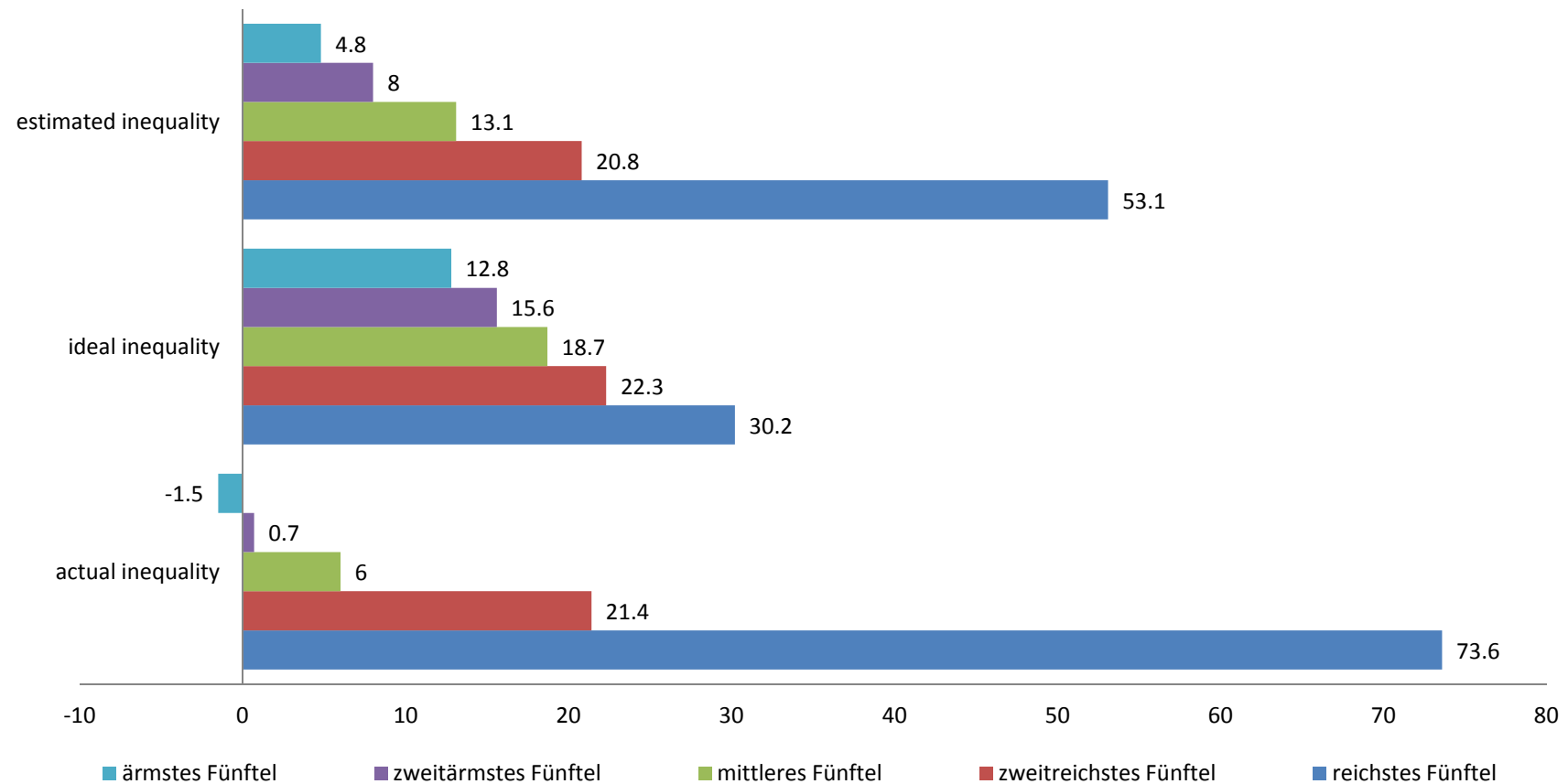
ACTUAL, ESTIMATED, AND IDEAL PAY RATIOS OF CEOs TO UNSKILLED WORKERS
According to respondents in 16 different countries.



SOURCE SORAPOP KIATPONGSAN AND MICHAEL I. NORTON, "HOW MUCH (MORE) SHOULD CEOs MAKE?"

HBR.ORG

Wealth Inequality (Germany): Estimated, ideal, actual



Herrmann, A. (2017) Empfundene Ungleichheit und Wahlverhalten

Where do the wealthy make their wealth?

TOP INDUSTRIES OF UHNW INDIVIDUALS, BY WEALTH SOURCE					
INHERITANCE		INHERITANCE/SELF-MADE		SELF-MADE	
NON-PROFIT & SOCIAL ORGANISATIONS	17.5%	FINANCE, BANKING & INVESTMENT	17.4%	FINANCE, BANKING & INVESTMENT	26.4%
FINANCE, BANKING & INVESTMENT	14.0%	INDUSTRIAL CONGLOMERATES	12.5%	REAL ESTATE	7.3%
INDUSTRIAL CONGLOMERATES	8.8%	REAL ESTATE	8.2%	TECHNOLOGY	6.6%
MANUFACTURING	6.2%	MANUFACTURING	7.2%	NON-PROFIT & SOCIAL ORGANISATIONS	4.6%
FOOD PRODUCTS	6.0%	FOOD PRODUCTS	6.6%	INDUSTRIAL CONGLOMERATES	4.5%

Wealth-X/UBS (2014) UNHWI Report

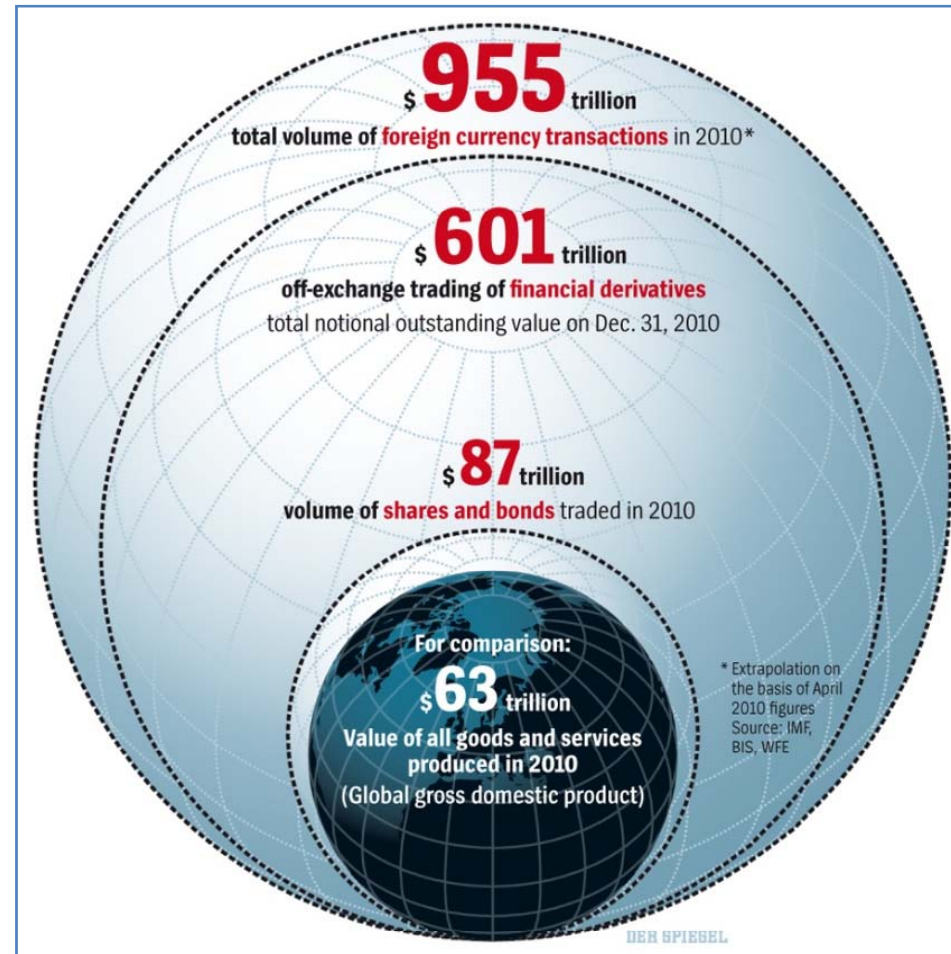
PRIMARY INDUSTRY 2016

	Number of billionaires	Billionaire wealth (\$bn)	Average wealth (\$bn)
Finance/Banking/Investment	488	1,430	2.9
Industrial conglomerates	343	1,066	3.1
Real estate	158	368	2.3
Manufacturing	119	339	2.8
Technology	115	600	5.2

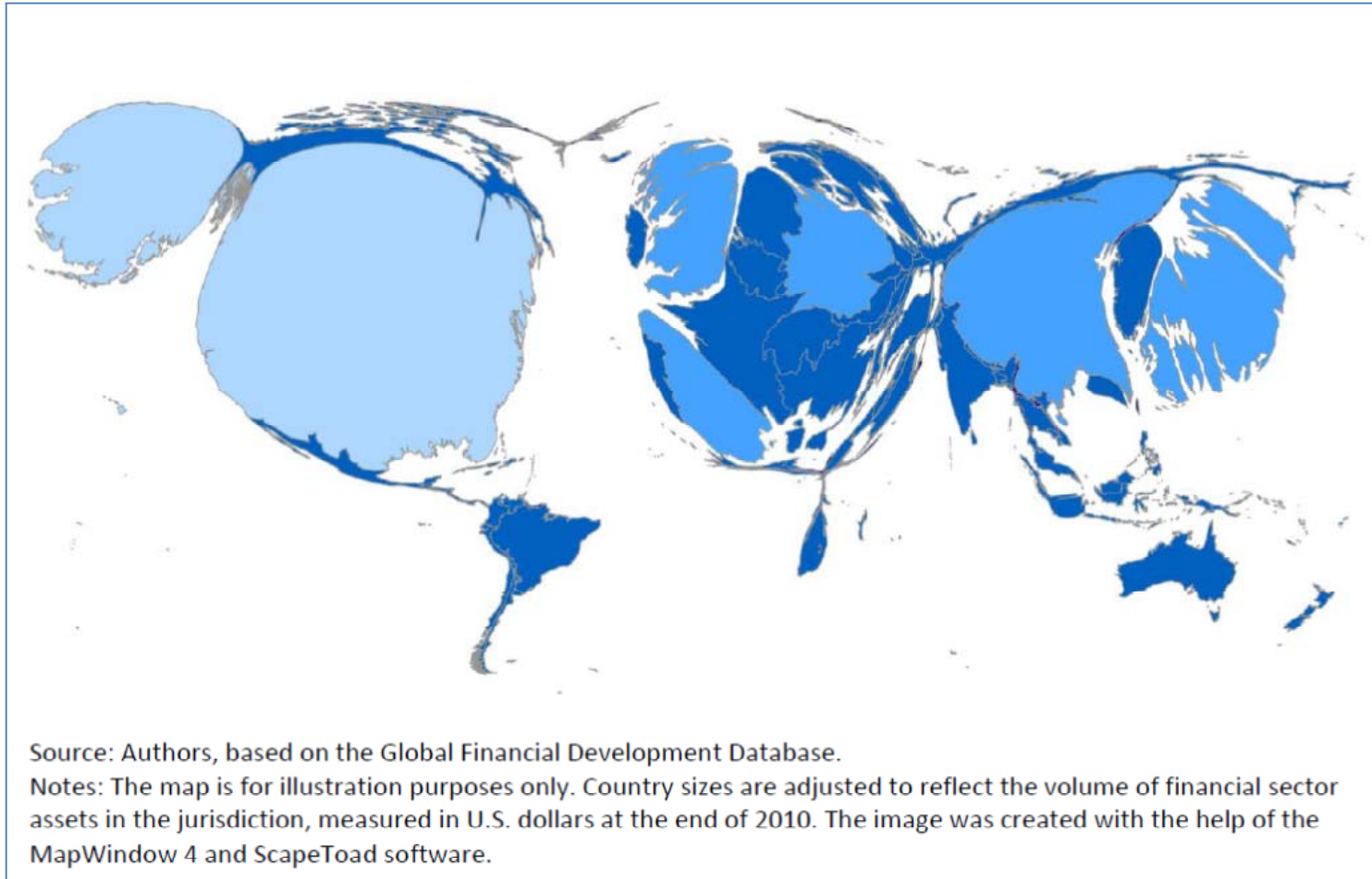
Source: Wealth-X

Wealth-X (2017) Billionaires Report

„Rent seeking“ in financial industry rather than real economy

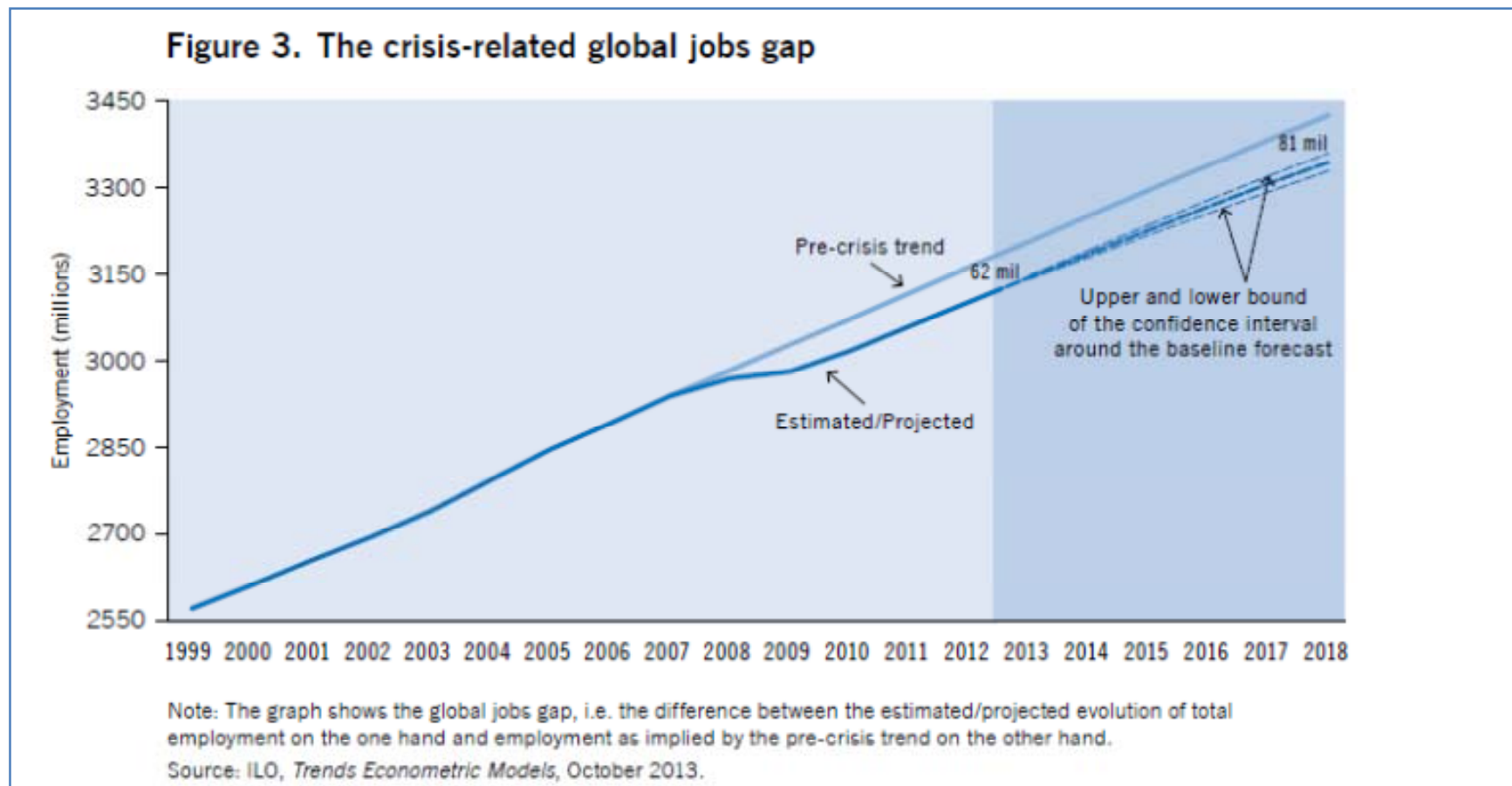


The uneven sizes and distribution of financial sector assets



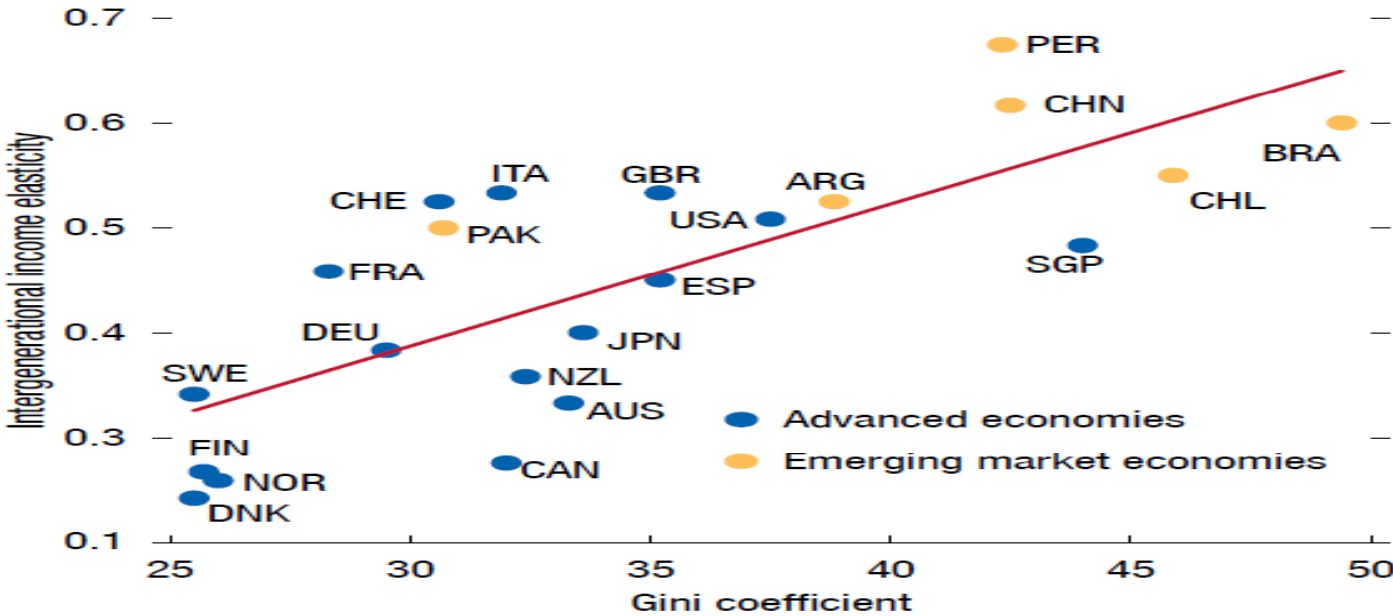
(Cihak, Demigüç-Kunt, Feyen, & Levin, 2012, p. 31)

Post 2007 job losses



The more income inequality increases, the more social mobility decreases

Annex Figure 1.2.5. Great Gatsby Curve: Income Inequality and Social Mobility



Sources: Corak 2016; and IMF staff calculations.
Note: Gini coefficients are as of 2015 or the most recent year available. Intergenerational income elasticity is defined as the percentage change in earnings of a child's generation associated with the percentage change in the parent's generation. Data labels in the figure use International Organization for Standardization (ISO) country codes.

Decreasing redistribution

- “The German tax-benefit system reduced inequality by 29% in 2008 – down from 33% in 2000. While this reduction is still higher than in most OECD countries, this was not enough to compensate for the growing gap between rich and poor.” (OECD 2011)
- In 2008, the German Gini is 0.52 for market income and 0.33 after transfers for Net Equivalence income. However: The Gini is growing to 0.36 in 2015 which indicates a decreasing effect of redistribution. (Bach, Beznoska, & Steiner, 2016, p. 92)
- „Evidence suggests that the role of fiscal redistribution in offsetting increases in market income inequality has weakened somewhat in recent decades.” (IMF, 2017)

Trends: The system is no longer just and fair

- Trend: The biggest wealth is increasingly owned not by the one with merit, but those who inherit.
- Trend: Strongest shoulders no longer carry the heaviest burden (Tax Concessions, Tax Havens!)
- Trend: Redistributive Effect and Social Mobility decrease

We waste Billions?

- 60-90 Billion Euro Tax avoidance, Tax evasion
TNCs, Germany
- 30-100 Billion Euro Money Laundering, Germany
- 1 Trillion Euro all Tax evasion, Tax avoidance,
Black Labour, all EU
- 152 Billion Euro VAT related fraud, all EU
- Ca. 200 Billion USD tax evasion by private, 100-
240 Billion USD by corporate wealth holder
worldwide.
- Zambia: 2,9 Billion USD IFF outflows on average
annually (national budget 2014: 2,7 Billion USD)
- Kenya: 1,1 Billion USD TNC tax breaks annually
(current national budget 25,1 Billion USD)

These: Die Steuerverwaltung kommt dem Zuwachs an Aufgaben und Arbeit nicht gewachsen, das geht auf Kosten der Einnahmen.

Einwohnerzahl	11,24 Millionen (1990)	12,92 Millionen (2014)
----------------------	-------------------------------	-------------------------------

Firmen nach Größe	2003	2013
Großbetriebe	6.906	37.067
Mittlere Betriebe	12.760	158.054
Kleine Betriebe	22.006	211.882

Steuerbeamte 2003: 15.143	Quelle: Bayerische Steuergewerkschaft
----------------------------------	--

Steuerbeamte 2014	Quelle
19.063 = 16.261,8 MAK ?	Bayerisches Landesamt für Steuern (zählt Oberbehörde mit!)
14.793 ? (Teilzeit berücksichtigt)	Bayerische Steuergewerkschaft
14.791 ?	Bayerischer Oberster Rechnungshof

Tabelle Betriebsprüfungsturnusse, in Jahren

	2009	2010	2011	2012	2013	Vorgabe
Großbetriebe	4,5	5,0	4,9	5,12	5,12	4
Mittlere Betriebe	15,1	16,1	9,9	22,19	22,19	8,4-10,5
Kleine Betriebe	22,9	37,1	40,8	40,26	47,4	14,4-20

Tabelle Durchschnittliches Mehrergebnis pro Prüfungsfall in Euro

	2009	2010	2011	2012	2013
Großbetriebe	329.162	321.563	298.576	589.582	277.344
Umsatzsteuer	38.743	29.716	41.347	29.137	34.190
Steuerfahndung	274.000	286.000	450.000	188.000	254.000

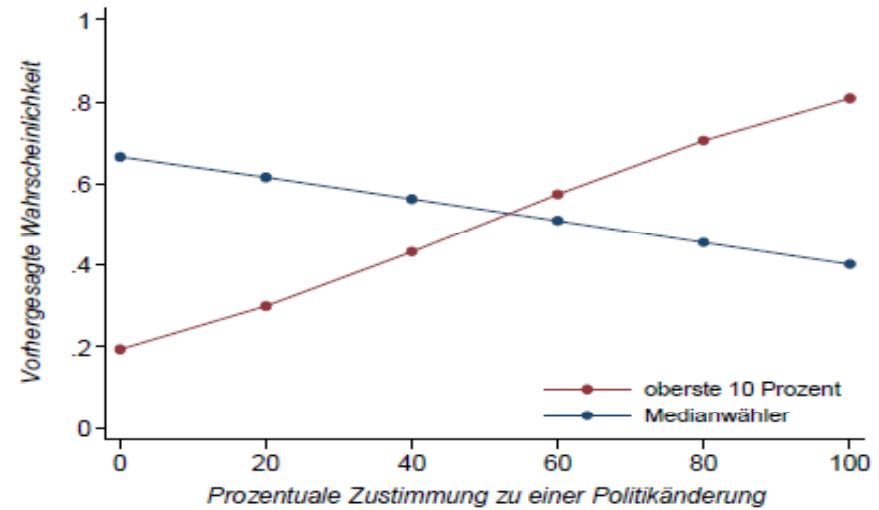
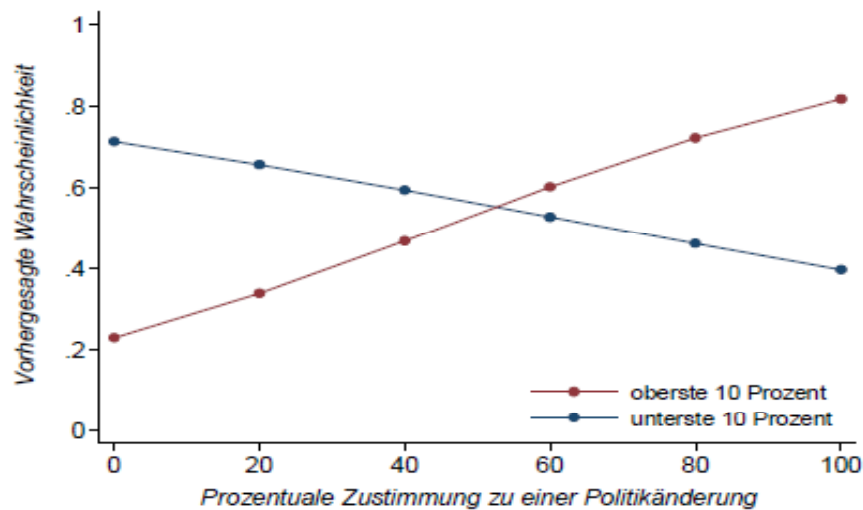
Tabelle Durchschnittliches Mehrergebnis in München bzw. außerhalb Münchens

	München Pro Fall	München Pro Prüfer/Jahr	Außerhalb Pro Fall	Außerhalb pro Prüfer/Jahr
Betriebsprüfung (KMUs!)	543.000		405.000	
Lohnsteuerprüfung	570.000		280.000	
Steuerfahndung	452.000	2,2 Millionen	161.000	830.000

Why are the wealthy important to understand the situation of the poor? The Top 1% and political power

“Better-off individuals” even more corporations, “tend to have more political influence, for example, through lobbying, access to media, and greater political engagement. (Research finds) that countries with historically more unequal income distributions often have political systems that are dominated by elites.”

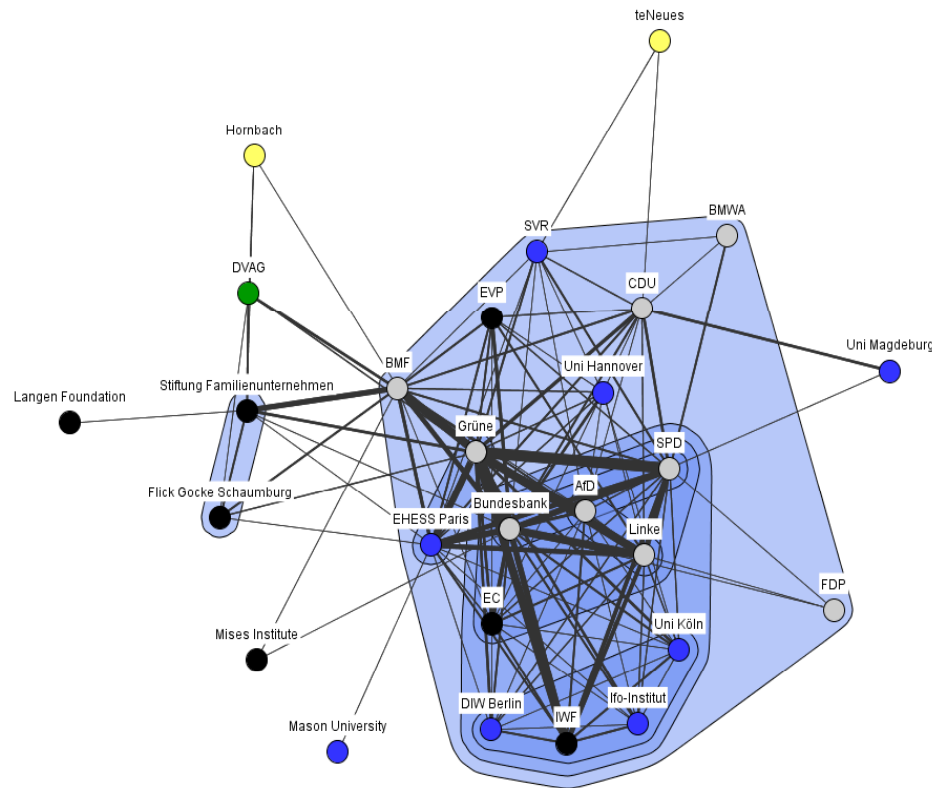
Who has control in Germany?



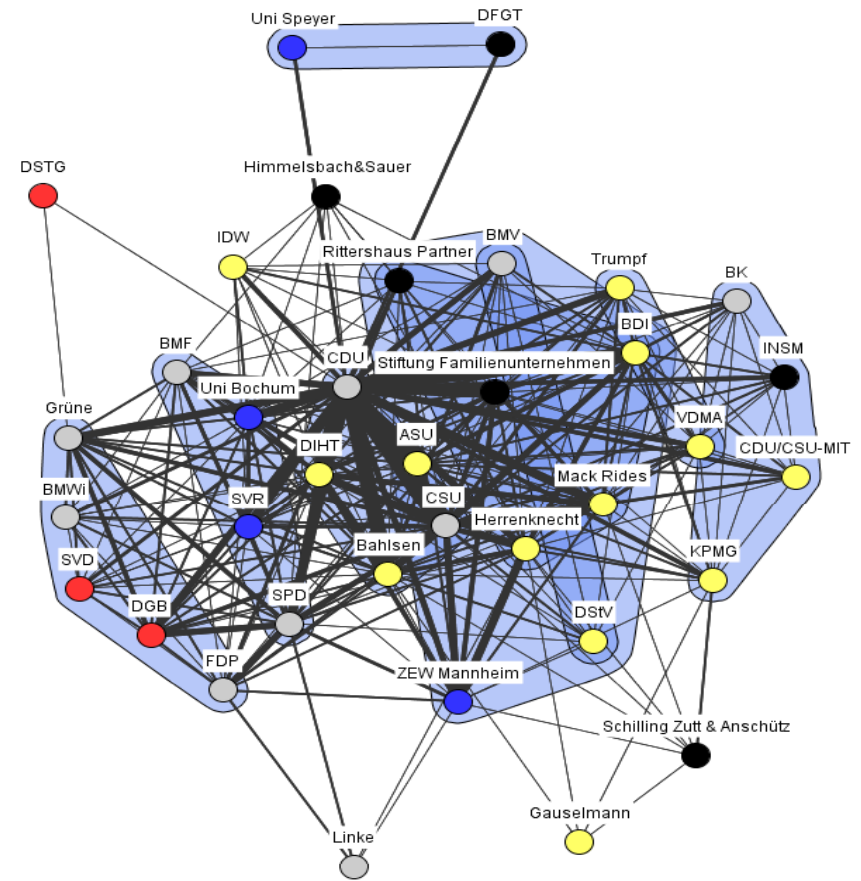
„...there is a clear bias in political decisions against the poor“ (Schäfer/Elsässer/Henser (2016)
Systematically distorted decisions? Responsivity of German Politics 1998-2015)

How to kill the Inheritance & Gift Tax?

Piketty/ and Constitutional Court Verdict



The situation towards the end of 2015



Theses: The system is no longer just and fair

- The biggest wealth is increasingly owned not by the one with merit, but those who inherit.
- Strongest shoulders no longer carry the heaviest burden (Tax Havens!)
- Redistributive Effect and Social Mobility decrease
- **AND: The rich dominate the rulemaking**

To sum it up

The increasing wealth gap is a problem

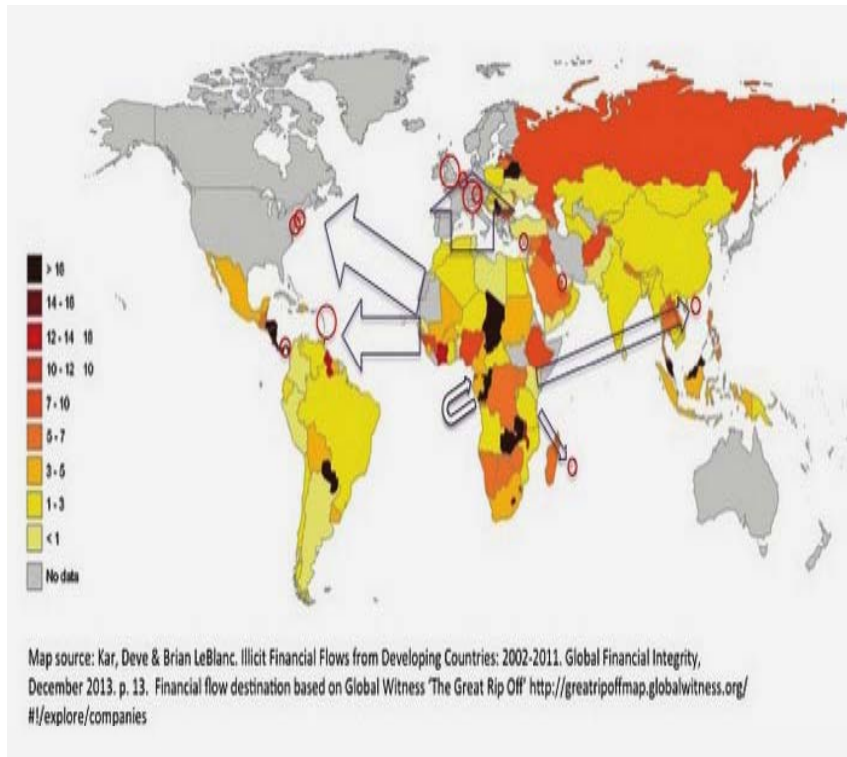
- Growing inequality implies that more are left behind
- The top 1% has increasing power to determine politics
- This deprives the state of resources (tax presents, lack of adequate controls...).
- It endangers democracy and democratic participation

More reasons for changing our system

- The present „system“ increases not only inequality, but also structural problems of the labour market and the crises of climate, environment and natural resources.
- In the global „network society“ with decreasing importance of borders the problems of one sooner or later affect the other, too.

„Follow the money!“

Illicit Financial Flows



„Migration Flows“



To Judge: Causes of Injustice

Responsibility or „Systemic force“

‘One can certainly speak of "selfishness" and of "shortsightedness," of "mistaken political calculations" and "imprudent economic decisions.” At the same time ‘It is not out of place to speak of "structures of sin," which, ... are rooted in personal sin, and thus always linked to the concrete acts of individuals who introduce these structures, consolidate them and make them difficult to remove. And thus they grow stronger, spread, and become the source of other sins, and so influence people's behavior.’

Milton Friedman in „Capitalism and Freedom“:

This book discusses some ... great issues. Its major theme is the role of competitive capitalism, the organization of the bulk of economic activity through private enterprise operating in a free market as a system ... Its minor theme is the role that government should play in a society dedicated to freedom and relying primarily on the market to organize economic activity. (Friedman, 1982, p. 12)

IMF warns of „tax competition“

“(T)ax competition is damaging the common good“ the „sum of losses“ due to preferential rates are „likely exceeds the gains. ... Tax competition can simply result in tax rates ending up too low.“ At the same time, „(T)he gains from closer cooperation might be considerable ... the fundamental issues should not be ducked.“

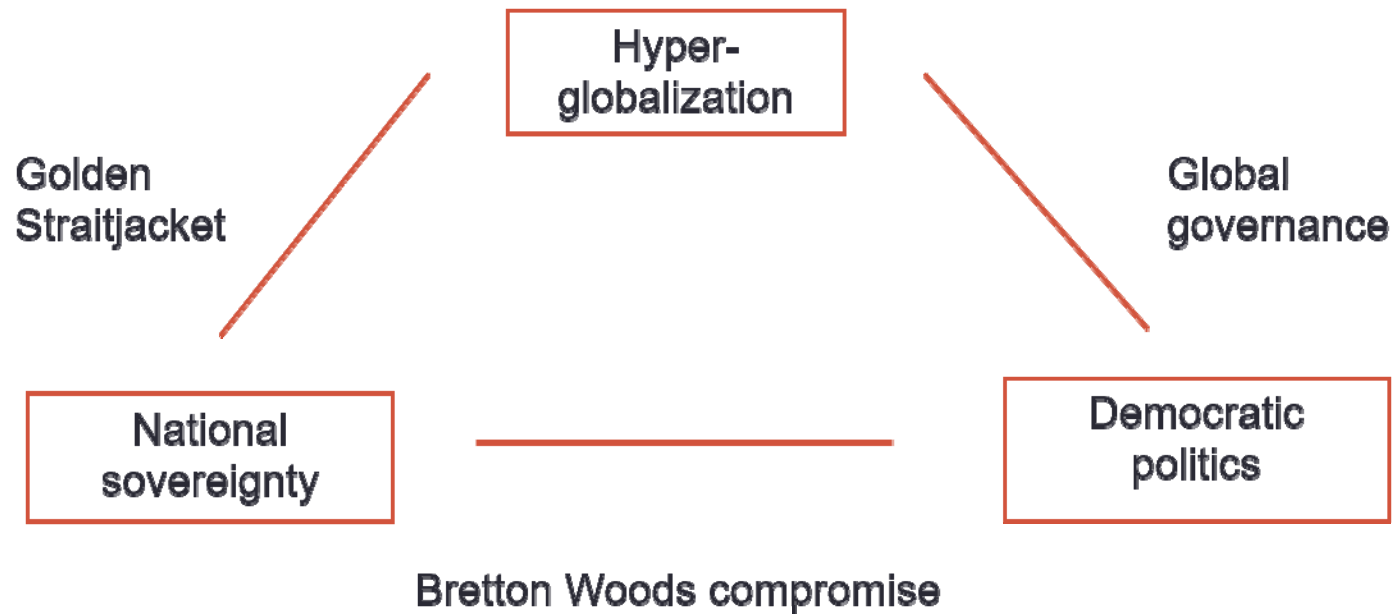
(International Monetary Fund, 2013a, p. 33)

„Konkurrenz der Staaten um unternehmerische Ansiedlung und Investitionen ist kein Wettbewerb... Diese Rechtfertigung gilt für den Sport, für politische Wahlen und für den wirtschaftlichen Markt, jedoch nicht für Staaten.... Brot ist käuflich, Recht nicht. ... (D)as Bild vom Steuerwettbewerb (verfehlt) die Wirklichkeit autonomer staatlicher Steuergesetzgebung... 'Wettbewerb' führte in die Selbstaufgabe. Sein Ziel wäre erreicht mit einem Nullaufkommen, dem Tod des Finanzstaates.“
(Kirchhof, 2011, p. III)

John Paul II critique of market „expansion“

Globalization ...has ... become a cultural phenomenon. *The market as an exchange mechanism has become the medium of a new culture.* ... We are seeing the emergence of patterns of ethical thinking which are by-products of globalization itself and which bear the stamp of utilitarianism. But ethical values cannot be dictated by technological innovations, engineering or efficiency; ... *Ethics cannot be the justification or legitimation of a system, but rather the safeguard of all that is human in any system.* Ethics demands that systems be attuned to the needs of man, and not that man be sacrificed for the sake of the system.

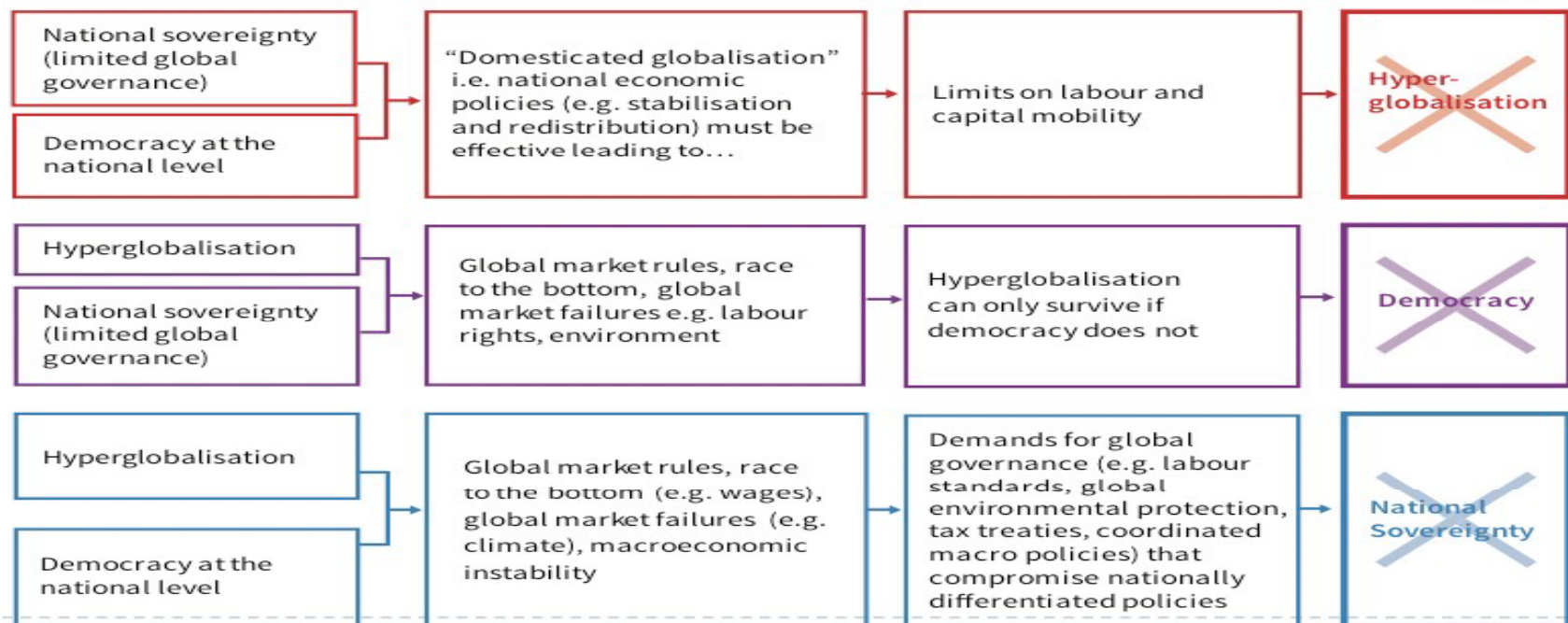
Rodriks Trilemma



Pick two, any two

Rodriks Trilemma

If we have then we get as a consequence



We need to stop and think:



What kind of world do we want?

Is the market able to be a motor of social-ecological reform?

Be careful when hearing:

- (More) inclusive growth!
- Social Entrepreneurship!
- Corporate Social Responsibility!
- Social Impact Investment!
- Green Economy!
- Increase of Philanthropy!

Always ask:

- What side-effects?
- Who remains in control and who benefits most?
- Is it „Greenwashing“ or „Philanthrocapitalism“?

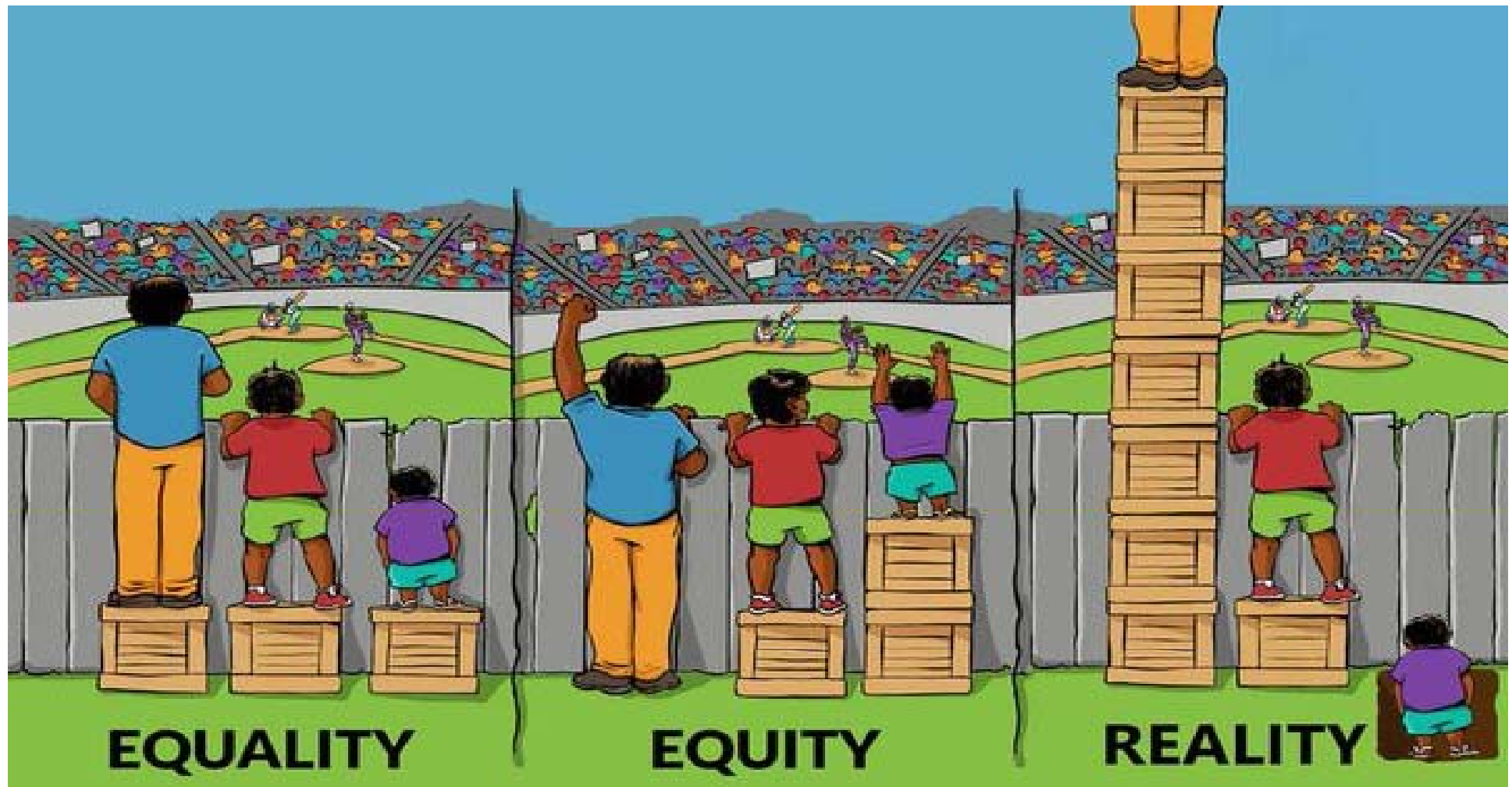
Ethical questions, for example:

- Do we want „growth“ for the few or „well-being“ for all?
- Where are the boundaries of market thinking, especially competition, when it comes to state action and public policies?
- When does wealth turn into an instrument of power and requires state action?
- National and Global Common Good: Contradiction or Complementary?
- What are the requirements of equity and justice, who is to pay for it, who is to provide what services?
-

What is equity and (social) justice?

- Difficult to answer in pluralistic, multicultural societies
- Concern is the justice of institutions of society enabling individuals to develop their potential and capabilities (!)
- It has legal, contributive, (re-)distributive, restorative, corrective, compensatory, participatory, retributive, international, intergenerational... dimensions.

Do not start with the „ideal just“ in view (Rawls), but with the intention to decrease injustice (Sen)!



Confusion of ends and means? A society organized along CST **Principles and Values:**

- Personalist Principle (incl. Human Dignity & Rights)
- Common Good
- Subsidiarity
- Solidarity,
- Universal Destination of Goods (incl. Option for the Poor)
- Participation
- Social Justice
- Sustainability

By using prudently the **Means**

- Market **and** regulation of market failures
- Competition **and** Cooperation
- Private Property (or Commons?)
- Development (instead of „Progress“)
- Qualitative instead of quantitative growth (if at all?),
- Capital as servant (no longer ruler)
- Capital **and** labour as partner (not opponents)
- Taxation
- ...

The many faces of taxation

- Curtailing the power of the wealthy
- Putting a price upon/curbing damaging behaviour
- „Encouraging“ beneficial behaviour such as donating or investing
- Revenue advances Capacity Building of all
- Mixed forms may be considered (fiscal subsidiarity)

Act

Practical consequences, from the (Global) Common Good Principle

- Feed the hungry, support refugee camps adequately
- Train and equip tax administration officials adequately nationally and globally
- Negotiate taxation rules for developed and developing countries on equal footing
- Establish a Common Good Economy and Society nationally and globally
 - CDU Ahlener Programm
 - Bavarian Constitution
 - Christian Felber

Consequences for a more just taxation

- Combat IFFs in all its forms (→ Offshore System!)
- Enforce existing legislation equally and justly
 - Equal transparency for all, close Tax Havens
 - Adequate verification where is only declaration
 - Adequate Personnel and Computer
 - International cooperation on equal footing, also between developed and developing countries
- Reintroduce the Principle of Ability to Pay.
- Consider potential of Pigovian Taxes
- ...

Where taxation comes in (1): Club of Rome (2016)

THIRTEEN PROPOSALS TO REDUCE UNEMPLOYMENT, INEQUALITY, AND CLIMATE CHANGE

1. Shorten the length of the work year to give everyone more leisure time.
2. Raise the retirement age to help the elderly provide for themselves for as long as they want.
3. Redefine “paid work” to cover those who care for others at home.
4. Increase unemployment benefits to maintain demand during the transition.
5. Increase the taxation of corporations and the rich to redistribute profits, especially from robotization.
6. Expand the use of green stimulus packages by printing money or raising taxes to help governments respond to climate change and the need for redistribution.
7. Tax fossil energy and return the proceeds in equal amounts to all citizens to make low-carbon energy more competitive.
8. Shift taxes from employment to emissions and resource use to reduce the ecological footprint, protect jobs, and cut raw materials use.
9. Increase death taxes to reduce inequality and philanthropy while boosting government income.
10. Encourage unionization to boost incomes and reduce exploitation.
11. Restrict trade where necessary to protect jobs, improve well-being, and help the environment.
12. Encourage smaller families to reduce the pressure of humanity on the planet.
13. Introduce a guaranteed livable income for those who need it most and give everyone peace of mind.

Where taxation comes in (2): IMF (2014 & 2017)

Taxation	Countries:	
	Advanced	developing
Implement progressive Personal Income Tax (PIT) rate structures	X	X
Relieve low-wage earners from tax or social contributions	X	
Expand coverage of the PIT		X
Reconsider income tax exemptions, based on a critical tax-expenditure review	X	X
Impose a reasonable PIT exemption threshold		X
Tax different types of capital income in a neutral manner	X	
Develop more effective taxation of multinationals	X	X
Automatically exchange information internationally	X	X
Utilize better the opportunities for recurrent property taxes	X	X
Examine scope for more effective taxes on inheritances and gifts	X	
Minimize VAT exemptions and special VAT rates	X	X
Set a sufficiently high VAT registration threshold	X	X
Use specific excises mainly for purposes other than redistribution	X	X

Where taxation comes in (3): IMK

Die Starken beteiligen	Die Mitte stärken	Die Armut vermindern
1 Unternehmensgewinne effektiver besteuern	9 Das Tarifsysteem stärken	13 Mindestlohn schneller steigern
2 Finanztransaktionen besteuern	10 Staatsausgaben verteilungsgerecht gestalten	14 Prekäre Beschäftigung eindämmen
3 Private Steuerhinterziehung verfolgen	11 Mehr Kindergeld statt Familien- oder Ehegattensplitting	15 Gesetzliche Rente stärken
4 Kapitalerträge wieder progressiv besteuern	12 Ein bedingungsloses Kapitaleinkommen	16 Langzeitarbeitslose nicht zurücklassen
5 Spitzensteuersatz wieder anheben		
6 Reaktivierung der Vermögensteuer		
7 Erbschaft- und Schenkungsteuer ohne Privilegien		
8 Reform der Grundsteuer hin zu einer Bodenwertsteuer		

Horn, G. u.a. (2017) Was tun gegen die Ungleichheit?

Consolidated version of the TEU, Art.3

The Union shall establish an internal market. It shall work for the sustainable development of Europe, based on balanced economic growth and price stability, a **highly competitive** social market economy, aiming at full employment and social progress, and a high level of protection and improvement of the quality of the environment. It shall promote scientific and technological advance.

Rodriks Trilemma revisited

