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Let them eat cake!

Billionaires shouldn't pay less tax in relative terms than the working class — this is a no-brainer, a political head-nodding issue par excellence

Infrastructure, public services and sustainable development - in view of the huge investment backlog, people like to point to the tight public purse. In reality, we are not as strapped as it seems, the money is just not optimally distributed.

Every year, Oxfam presents figures on how global wealth is becoming increasingly concentrated in the hands of a small group of super-rich people. In 2017, eight men alone owned as much as the poorer half of humanity. Since 2020, the five richest men in the world have doubled their wealth once again, while five billion people have become poorer in the same period. In its latest yearbook, the Netzwerk Steuergerechtigkeit (Tax Justice Network) calculated that the four richest families in Germany have more wealth than the poorer half of the population combined - and they have to pay comparatively little tax for it. Hardly any other country taxes labour as high and capital as low as Germany. Simultaneously, high net worth individuals and multinational corporations are still treated with kid gloves when it comes to taxation. In addition, there are many opportunities to avoid taxes and shift profits and assets to low-tax locations. It is therefore only logical that demands are now being made on social media for a payment card for billionaires to prevent them from moving their money abroad.

The rebirth of the relevance of tax justice

Because wealth-related tax initiatives within a national framework always harbour the risk of migration and relocation to other locations, Brazilian Finance Minister Fernando Haddad has put an internationally coordinated approach on the agenda as part of Brazil's G20 presidency. In doing so, he is taking up the proposal by French economist Gabriel Zucman, which envisages imposing a global minimum tax of two per cent on the richest of the rich. If all countries do this together, it will be

difficult to avoid taxation.

The initiative has received prominent support from finance and economy ministers from South Africa, Spain and the German Development Minister Svenja Schulze. In a joint article that appeared in several newspapers simultaneously, they call for a global tax on billionaires under the heading 'Tax the super-rich!'. Progressive politicians would do well to take the lead in the movement for more distributive justice. The social majorities for this have long been in place. Unsurprisingly, the project is not well received by neoliberals. They cling to the narrative that low taxes for the wealthy promote economic growth so that everyone benefits in the end. Empirical studies, though, show the opposite.

Tax policy is often seen as a losing political issue.

Tax policy is one of the key levers for counteracting inequality. That said, it has long been an established myth that tax issues do not win political favour. Nobody really wants to talk about money and the thought of doing your own tax return conjures up uneasy feelings. The issues are too complex to be broken down into catchy political slogans, and somehow everyone always thinks that it should be their own business - grandma's house sends its regards. Tax policy is often seen as a losing political issue.

Added to this is the widespread resignation that in the past, even progressive political players were either unwilling or unable to set a fundamentally new course on these issues. Despite blatantly growing social inequality, the dividing line between rich and poor, between labour and capital, is still less polarising than the fault lines constructed by conservatives for cultural struggles. Since Steffen Mau's *Triggerpunkte* (Trigger Point) at the latest, we know that the cargo bike is more outrageous than the luxury yacht or the private jet. The idea that financial wealth has something to do with personal achievement persists, despite the fact that 60 per cent of wealth is the result of unearned inheritances and gifts to a narrowly defined group of people. Meanwhile, the global concentration of wealth continues to grow.

Despite the overpowering lobbyists, independent voices are succeeding in making themselves heard in the international

However, something has changed in recent years. Since international research networks have been revealing tax avoidance and evasion on a grand scale by multinational corporations and wealthy individuals with reliable regularity in revelations such as the Panama or Paradise Papers and the Swiss Leaks, there is a growing

reform process with their positions on the taxation of multinational corporations.

perception that something is amiss. Distribution conflicts are being repoliticised. Tax justice has become the subject of social movements.

Global civil society networks, such as the Global Alliance for Tax Justice (GATJ) and the Tax Justice Network (TJN), as well as players in the international trade union movement, such as Public Services International (PSI), never tire of highlighting grievances and formulating alternative political options for action. Despite the overpowering lobbyists, independent voices are succeeding in making themselves heard in the international reform process with their positions on the taxation of multinational corporations, such as the ICRICT Commission, which is made up of high-ranking economists, and the BEPS Monitoring Group. An initial success was the agreement on a global minimum tax, which in future should prevent the use of tax concessions as an advantage in international competition between locations. At 15 per cent, it is clearly set too low, but is nevertheless a step in the right direction. Further steps must follow. These include a fairer international distribution of taxing rights, which start where value creation actually takes place, as well as a broad legitimisation of international tax rules through a tax convention at the United Nations.

Forgotten success

It is a battle between David and Goliath. Opposing them is a highly paid army of advisors who pull a new tax optimisation concept out of the drawer for every attempt to close loopholes in order to reduce the tax burden on their well-heeled clientele. The Covid-19 pandemic has exacerbated the trend of wealth inequality. Under the government of Alberto Fernandez, a one-off wealth tax was therefore introduced in Argentina, similar to the one levied in Germany at the end of the 1940s for reconstruction after the Second World War. In 2023, the SPD federal party conference also voted in favour of a crisis levy.

The global rise in the cost of energy and living costs as a result of the war in Ukraine has further exacerbated the situation. But not everyone is on the losing side. While people around the world struggled to survive, multinational corporations from various sectors profited from the crisis and raked in record profits, which UN Secretary-General António Guterres branded ‘immoral’. In the first quarter of 2022 alone, the profits of large energy companies are estimated to have totalled over USD100 bn. There were calls for an excess profits tax to make companies share in the costs of the crisis. Ultimately, the European Union introduced an energy crisis contribution in the form of an emergency regulation.

Christoph Trautvetter from the Tax Justice Network proposes that excess profits should also be taxed in the long term to counteract the growing concentration of market power.

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The tax campaign with the greatest civil society mobilisation potential to date has almost been forgotten today. Shortly before the turn of the millennium, the Spanish journalist Ignacio Ramonet launched an international mass movement with an editorial in *Le Monde diplomatique.* He proposed the establishment of a non-governmental organisation to implement the tax on speculative international currency transactions called for by US economist James Tobin back in the 1970s, which quickly became very popular.

The aim of taxing financial transactions is twofold: firstly, it generates revenue that enables public investment in sustainable development. Secondly, it can have a steering effect on the international financial markets and curb short-term speculation and currency fluctuations. What was initially dismissed as a utopian idea by left-wing critics of globalisation was given a political boost by the international financial crisis of 2007/2008. Banks that were bailed out with taxpayers' money should bear the future costs of the crisis themselves. In the UK, a broad alliance campaigned for a so-called Robin Hood Tax, which became known in Germany as the ‘tax against poverty’. In Germany, more than 55 000 people signed a petition in favour of its introduction within just a few weeks. The fact that it has not yet been adopted is mainly due to massive pressure from the financial lobby. 50 years after its invention, the Tobin tax is now known as the ‘dead man walking’. There is no political agreement in sight, but it will experience a new boom in the wake of the next financial crisis at the latest.

The call for greater taxation of high net worth individuals is once again supported by a broad social consensus. In Germany, wealth tax was abolished in 1997. In a representative survey in 2022, a clear majority of 73 per cent were in favour of reintroducing it. A new study calculates that Germany could raise 73 bn Euros if it taxed wealth to the same extent as Switzerland. Since the international financial crisis, global wealth has become increasingly concentrated in the hands of a few super-rich people. In autumn 2023, a citizens' initiative was formed in the EU that aims to collect one million signatures in at least seven member states within a year for the introduction of a European wealth tax. The aim is to finance ecological and social change. In the US, the topic has even become part of

pop culture. Controversial but unforgettable is the appearance of Democratic MP Alexandria Ocasio-Cortez at the 2021 New York Met Gala, when 'Tax the rich' was written in red on the back of her white evening gown.

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The fact that billionaires should not pay less tax in relative terms than the working middle class is a no-brainer, a political head-nodding issue par excellence. Tax justice is a winning political issue that is supported by social majorities and offers broad mobilisation potential. This is illustrated by the campaigns mentioned above. The fact that it is nevertheless so difficult to bring about corresponding political changes shows how great the power and influence of the wealthy on political decision-making is. A research team has investigated the question of why it is so difficult to tax the rich and has traced how lobbyists are torpedoing the fight for a fairer tax system. The technical nature of tax policy issues means that progressive initiatives quickly fall behind when financially stronger opponents commission extensive expert reports to emphasise their positions. However, thanks to an increasingly strong international network of civil society, trade unions, academics and journalists, it has been possible over the years to build up a countervailing force that is working together on a new narrative of fair tax policy, developing concepts and providing arguments. Progressive politics must not capitulate in anticipatory obedience to the superiority of the other side. Instead, it must become the mouthpiece of the movement and confidently represent the demands for more tax justice in the political arena. The joint initiative in favour of an internationally coordinated billionaires' tax comes at exactly the right moment. The time is ripe.



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