



Rolf von Hohenhau, Elmar Brok and Prof. Dr. Dr. h. c. Werner Weidenfeld

## “We will win”

For three days, everything in Berlin evolved around lower taxes and good governance at the World Taxpayers Conference.

**Berlin** The three day World Taxpayers Conference started with an evening at the Design Offices Berlin by invitation of the German Taxpayers Association. The meeting of the World Taxpayers Association (WTA) was opened by its president, Staffan Wennberg, among others. In Berlin, he passed his office to Troy Lanigan, the president and chairman of the Canadian Taxpayers Federation. Lanigan, the new president of the WTA praised the dedication of Wennberg, whose merit it was that nowadays there are 60 organisations in 50 countries advocating the rights of the tax payers. Troy Lanigan outlined the goals of the conference: The exchange about simple tax systems, which would have the residents pay less, and the questions of what is transparent and good governance. A reduction of tax burdens, which in part are enormous, would lead to more economic growth. Troy Lanigan encouragingly called out to the delegates of the taxpayer organisations: “We will win.”

“Lower taxes and good governance - necessities in an unsafe world?!” was the headline of the WTA conference. High ranking representatives from politics, NGOs and science discussed current political and economic topics: The European refugee crisis,

challenges and influences of demographic change, the question of who controls government institutions and how, and the financial policy of the European Central Bank were just a few topics which were analysed intensively and closely in regards to content.

Matthew Tyrmand of American Transparency thus impressively demonstrated how difficult it is - in spite of the current Freedom of Information Act - to control governments and authorities in the individual US states, and which hurdles had to be overcome. Scientists like Prof. Richard Vedder from Ohio, USA, or Prof. Neville Normann from Melbourne, presented their theories: For example, how does tax competition between states in federal systems lead to more economic growth? Prof. Dr. Helge Braun, Minister of State at the Chancellor's Office, made the attempt to explain the complicated German tax system and the extensive German tax literature: This was mainly caused by the enthusiasm of the Germans for case-by-case regulation. Braun is hoping digitalisation will bring relief for the individual taxpayer when filling out his or her tax declaration. How a country can implement a tax reform with a concept that fits on three DIN A 4 pages was illustrated

by Prof. Dr. Martin Wenz, Chair of Business Taxation and International and Liechtenstein Tax Laws at the University of Liechtenstein, in his presentation. Prof. Pierre Garello, president of the Institute of Economic Studies - Europe (IES), demonstrated that the spending of regional and national administrations as well as for social security in France has continuously and with almost parallel increased pace since the year 2000. He demanded a turn-around in French fiscal policy and the reduction of tax burden in the same time that it had taken for it to rise.

Richard Rahn, former advisor to Ronald Reagan, now Senior Fellow at the Cato Institute and chairman of the Institute for Global Economic Growth, captivated the participants with his vibrant account from the time when the Cold War was ending. There had been a vacuum of power in the Soviet Union that was disintegrating at the time. The old rules no longer applied and there was hyperinflation. The US government back then was interested in mainly one question: What will happen with the nuclear weapons of the former Soviet power? How could one prevent the material in them from falling into the hands of terrorists? Rahn recounted the counter measures, his time in Moscow at the beginning of the 1990, and the unprecedented purchasing of Soviet nuclear weapons by the USA. They were subsequently destroyed in an orderly procedure and thus rendered harmless. Still today the effects can be felt in the current Ukraine conflict, Rahn explained. The taxpayer organisations featured a broad political and economic dialogue and discourse in Berlin-Tempelhof.



Rolf von Hohenhau



Prof. Richard Vedder



Prof. Dr. Helge Braun

# “Fewer taxes mean more income and a growing economy”

Low taxes and government acting responsibly spur the economic growth, and citizen will be more content. This is verified by examples from the USA and Australia. Professor Braun, Minister of State at the Berlin Chancellor's Office, explained the desire by Germans for individual case fairness in taxation.



Attentive listeners

**Berlin** Berlin Rolf von Hohenhau, President of the Taxpayers Association of Europe, reminded the audience about the time before WW II in his welcome speech. Back then, the first taxpayer organisation was founded in Sweden. Nowadays, the World Taxpayer Organisation has positively developed. Hohenhau repeatedly pointed out the connection between a low tax rate in a country and the resulting positive economic development. Hohenhau criticised the complicated tax systems in Europe.

Though there are good examples within Europe. Von Hohenhau named Slovakia. Its tax rate had been lowered to 19 percent and the country was witnessing a boom. Another example was Bulgaria with a “flat tax rate” of only 10 percent. Hohenhau's conclusions: If the tax system is simple the state takes in more money. Also, it costs the state less to collect fewer taxes according to a simple system. Complicated tax systems promote corruption. This would lead to an unfair distribution of burden to the disadvantage of those who pay taxes at all.

## Advertising the Transparent State

Prof. Dr. Helge Braun, Minister of State at the Chancellor's Office, Federal Government Coordinator for Bureaucracy Reduction and Better Regulation and Federal Government Coordinator for Relations between the Federation and the Länder, illustrated that Germany and Europe found themselves in a difficult political era. As examples he named the refugee crisis and international terrorism.

Nevertheless, the Germany government still abides by the coalition contract to not increase taxes for four years. Braun tried hard to explain why the German tax law is so complicated: The Germans enthuse about case-by-case regulations, which makes the tax law more complicated. This procedure has advantages and disadvantages, but it would be the only way to obtain individual case

fairness, which a compounded taxation would not offer. The individual case fairness would be part of the essence of Germany. For tax declarations, the German government was relying on digitalisation: They were supposed to become easier e.g. by way of pre-filled tax declaration form.

This way, information regarding retirement provisions and insurances could be automatically transferred in the future. The declaration still could not fit on the famous beer coaster, but it could be taken care of by the pressing of a button. The citizens have to be able to rely on the tax being calculated down to the penny. Also, electronic balance sheets and billing are supposed to be pushed. Braun spoke of the necessity of the transparent state.

Surveys proved that the residents of Germany valued and trusted the administration. In their view the administration acted neutrally, irrespective of the person concerned. In a federal state the federal government has no influence on all the bureaucratic processes and topics like digitalisation. Those are often in the hands of the federal states or local authorities.

Braun gave an account of how the chaos of registering the refugees came about. In 2006, only 40,000 refugees came to Germany. Those numbers remained stable for several years. Structures and procedures were thus not modernised. With the large influx of refugees in the last months, the authorities find themselves in a catch-up process in optimising the administration processes while dealing with the higher number of cases. Many residents wanted a more efficient state taking less money from them, said Braun and named examples on what funds were spent on: In Germany, education was considered a public responsibility. There are no tuition fees as is the case in many other countries. The infrastructure is excellent.

According to the current Transport Infrastructure Plan, 265 billion Euros are being invested: Two-thirds of it goes into maintenance. Braun



Prof. Neville Norman

### Neville Normans Ode an den Schatzmeister

I am the very model of a modern pragmatist treasurer  
 I tax the rich, I tax the poor  
 I even tax your literature  
 Tax mineral and animal and all that makes things pleasurable  
 I´m taxing here and I´m taxing there  
 always taxing almost anywhere  
 but if I had an ounce of sense  
 I´d learn from this Berlin tax conference  
 that acting formal virgin first  
 that helps most in the longer term  
 smile like a friend and do not bend  
 act now public spending will never end  
 all from a big victorious race to drive home my case  
 it´s quick, convincing and of course  
 ever so this and here is a chip to keep you absolutely captivated  
 with my Berlin tax approach in hand  
 I´ll soon be even appreciated.

Continued from page 2

calls this a gigantic amount. Nevertheless, it is not enough to optimally tie all regions into the traffic network.

#### Less Taxes – More Growth

Prof. Richard Vedder from the Ohio State University brought good tax policy into a simple formula: "Fewer taxes mean more income and a growing economy." In reverse, higher taxes mean less growth. This was demonstrated by a long-term study in several US states. The study compared the states with the ten highest tax rates and the ten lowest tax rates under the aspect of migration of the population. Vedder made the connection to the current refugee movements.

Those showed that people always strive for a better life. Another proof is the high number of East Germans who fled to West Germany during the Cold War. The study in the USA turned out that about 1.8 million people left the states with the highest tax rate. State with the lowest tax rate however had 1.6 million people migrating into them. Even if the question of taxes was not the only reason for the move in each individual case, Vedder concluded from the numbers: High taxes have a destructive effect. Lower taxes mean more income, which in turn makes people happier.

Moreover, Vedder criticised that special groups influence tax legislation to their advantage. The things that the US Federal Government has already said and done about transparency and cutting the red tape are not enough. The private sector wants to make people happy, is in constant competition and thus more successful. As an example, Vedder named the products of Apple and kissed his iPhone. How unsuccessful countries are handling things can be seen in the example of Greece.

Vedder is of the opinion that politicians need incentives to spend less money. Vedder called out to the delegates: "Give them the money to spend! But only with conditions! Don't let them steal!"

Governments cannot file for bankruptcy like private businesses. One has to come up with incentives, but also punishments if taxes and public spending rise. One has to observe the groups that influence public spending. They have to earn their own profit and the state must not finance them.

#### Message in Form of a Poem

"I'm taxing here and I'm taxing there - always taxing almost anywhere," Neville Norman, Professor of Economics at the University of Melbourne rhymed at the end of his presentation. Before that he spoke intensively about the "Political Lower Bound" (PLB), the mandatory spending - thus the minimum of tax revenue - needed by the state.

He compared this limit with the Berlin Wall, which defined the absolute minimum of government spending. This wall was a psychological hurdle, a "no-go-zone" for politicians, just like Checkpoint Charlie, which must not be undercut. In his studies from 2006-2016 about Australia, he compared the different PLBs and recognised a number of possibilities to save a lot of taxes.

The governmental action he summarised as follows: "They budget for more than they will later take in, which increases government spending. Only when income and spending are balanced the PLB can move into the right direction."

Even though the person in government who is acting responsibly would only have to move the PLB on the x-axis further left towards zero - thus lower spending. But the opposite is the case. The government spending is pushed up more and more. This happens due to entering into long-term liabilities and the ever repeating promises of new

welfare programs. This way the line of tax revenue and tax spending has been continuously moving upward since 1966. In a long-term analysis, Norman explained the interdependencies and named examples.

In 1974/75, the Australian people elected a leftist government, which had not been in power for 23 years. After the many years in the opposition the expectations were high and the acting politicians knew that they would only be in government for a short time.

They wanted to change a lot in a short time. Within one year the government spending had increased by 46.3 percent. The result was a disaster: Galloping inflation, the economy breaking down. Within a short time the government also bowed out, Norman reported.

#### Victoria as a Good Example

After a labour government the liberal Kennett government came into power in the Australian state of Victoria, Norman recounted. This government wanted to reduce government spending. In order to do so the most important expenditures, more than 500, were put to the test and compared to other figures. In comparison with two other large Australian states, they found out that government spending in Victoria was twice as high.

This analysis made a significant reduction of government spending possible in Victoria. Neville was involved in this process as advisor. On the day of his presentation, Norman celebrated his birthday and performed his ode to the treasurer for the roughly 250 participants of the World Taxpayers Conference, documented above.



# PPP-Projects Good or Bad - That is the Question

There was a controversial discussion about PPP-models: Norbert Barthle, Parliamentary State Secretary at the Federal Ministry of Economics, does not see a hidden public debt in PPP-projects. Klaus Lehne, Member of the European Court of Auditors explained that private investments are always more expensive than public ones.

## More PPP-Projects in the Renovation and Modernisation of the Infrastructure in Germany

Norbert Barthle, Member of the Federal Parliament, Parliamentary State Secretary, Federal Minister of Transport and Digital Infrastructure, first stated that a dynamic economy does not reach prosperity without mobility. Due to the budgetary consolidation of the past years the infrastructure in the country is underfinanced.

In light of prognoses estimating that freight transport will grow by 40 percent until 2030 and passenger transport by 13 percent, these are not desirable conditions. Five billion Euros in additional federal funds mean investment acceleration. Two-thirds of the funds will be invested into the maintenance and one-third into the new construction of roads. In order to generate additional funds for infrastructure measures, the truck toll limit will be reduced to 7.5 tons and will also be charged on federal roads.

Barthle declared himself in favour of PPP-projects. He announced eleven projects with a construction volume of 7.5 billion Euros. Those projects will receive another 7.5 billion Euros for the operation and maintenance.

PPP-projects shall be reissued for federal roads. The Federal Government is especially considering institutional partners, e.g. pension insurances. The Federation has made the experience that PPP-projects get finished faster and that the release for traffic can often take place before the planned date. Also, the quality of the delivered work is good. Barthle disagreed with the thesis that PPP-projects constitute hidden government debt and based himself on statements by the Federal Audit Office. PPP-projects do not privatise public infrastructure, but the roads remain property of the Federation. There have only been two exceptions

to that thus far. Two bridges are privately owned. With them, the operators are allowed to collect toll.

## PPP Only of Minor Significance in the EU

Klaus Lehne, Member of the European Court of Auditors (ECA) made it clear that PPP is not an easy topic und thus far has only minor significance in the European budget. The EU participates in PPP-projects in the form of grants.

Most recently, the EU has invested an amount of seven billion Euros. In the area of infrastructure it does not play a role for the EU in the awarding of grants if these projects are financed by public or private funds. In the past 16 years, most of the EU-supported PPP-projects with a percentage of 48.2 percent were realised in Greece. In this, Lehne sees the indication that the state chooses this form of financing if there has no other option of pushing projects ahead.

The courts of auditors view PPP-projects critically. The reason for this, said Lehne, is that the financing costs for private entities are higher than for the state. The state, so the finding of the German Court of Auditors, always gets better loan conditions. Therefore, the concern remains with the courts of auditors that debt limits are circumvented by means of PPP-projects.

Lehne noted that PPP-projects encounter more openness in Great Britain and the USA, and one thus receives different evaluations. This leads to an overall very inconsistent picture. The institutions of the EU and the European Court of Auditors are currently engaged in sorting out the facts regarding this issue.

The different member states of the EU thus reach different results, which in turn explain the national opinions.



## PPP Benefits the Economy

Moderator von Hohenhau noted that PPP-projects are completed earlier and that better tax write-offs are possible with them. This benefits the economy. Hohenhau reminded the audience that traffic jams alone cost a crafts business 3,500 Euro per year.

## Privatisation of Health Insurance and Retirement/Pension Funds

Dr. Kristian Niemietz, Head of Health and Welfare at the Institute of Economic Affairs (iea), concentrated intensively on the demographic change and its consequences for pension and retirement funds. People today retire later, but longer. Added to this are reduced birth rates. Today, three people pay into the retirement fund for one retiree. In the future it will only be two who do so. This, according to Niemietz, is not a prognosis, but a fact. Also, the social systems are designed for seniors. In Great Britain, people aged 60 years and older can use busses for free. Politicians have problems cutting such benefits. The older people become, the more the costs of health care insurances increase.

Niemietz spoke about the advantages of "Pre-fund Health Care and Public Spendings", in which he sees a possible solution to the problem. Here, the individual invests in his or her own future. Those systems are independent of political decisions. The people would notice themselves how long they will have to work. Thus, the individual would define him- or herself when he or she goes on retirement. Niemietz: "Protests against the retirement age don't make sense in this system." For such a system change the government would have to return to the people the funds they have paid so far. These funds could then be invested into a pri-



Dr. Paul Rübzig, Rolf von Hohenhau, Klaus-Heiner Lehne, Laurent Picheral and Dr. Kristian Niemitz

Continued from page 4

vate fund. Chile is leading a good example in this, according to Niemitz.

### PPP Has to Be Efficient

Dr. Paul Rübzig, Member of the European Parliament, Member of Committee on Budgets of European Parliament, President SME Global, brought into consideration before the impending Brexit - thus the Exit of Great Britain from the European Union - what it would cost the tax payer and citizen if there was no more Europe. If all 28 national states would go it alone, in the end the taxpayer would have to take the rap for it, the EU politician cautioned.

Rübzig can imagine PPP-projects also on the EU level, but in this case sees the necessity of public tenders. There must be more efficiency and trans-

parency in PPP projects within the EU. If the EU would spend about 4.1 billion Euros for NGOs the question must be permissible: Are they working efficiently? Are the funds used in a way that offers added value for the residents?

The EU participated in PPP projects like Fuel Cell, Clean Sky or Shift to rail and is currently creating a platform for small and mid-size enterprises with a package of 2.1 billion Euros. Rübzig sees advantages in no longer taxing production and service, but the use/consumption.

This is a radical system change calling for a tax flat rate. In this case the rich would have to pay more taxes, the poor less, which overall would be fairer, Rübzig clearly pointed out. Laurent Picheral, CEO Hotel Services Central and Eastern Europe Accor Hotels, as representative of the economy showed openness towards PPP models.

## Staffan Wennberg Passes the Torch

A few months ago I received an e-mail from one of our African member organisations, said Staffan Wennberg, the passing WTA President. The head there was worried after receiving anonymous threatening calls and attempts at intimidation. The reason for the threats: The organisation had campaigned against the misuse of taxes and foreign aid funds and demanded a public investigation. One of our Asian member organisations was taken over by the government and changed into a purely informative organisation. Its heads were in the process of developing a new network. The government was limiting the contacts between taxpayer groups and the local authorities.

A few years ago in the early 2000s, the WTA worked together with the Swedish Secretary General, Bjorn Tarras-Wahlberg, on introducing a flat tax in and around Russia. At that time there actually was only one country with a flat tax: Estonia. Positive: The introduction of a flat tax increased the tax revenue. By now, 27 nations have changed over to a flat tax (a linear tax rate)! Flat taxes work, are perceived as fair and simple, and render the necessity of special reductions unnecessary. Those who earn twice as much, pay twice as much in taxes. Quite simple. For low taxes mean more individual freedom and stimulate efficiency and economy in the public sector.



Staffan Wennberg

The World Taxpayers Association was founded in 1988 on the initiative of representatives of the taxpayer organisations in Germany, Sweden and the USA. The motif back then as well as today is to support each other in working for lower taxes and exchange experiences. Moreover, to spread the idea throughout the world that taxpayers can unite against unfair taxation and corruption.

By now the network of the WTA spans over 60 organisations in about 40 countries worldwide. The exchange of experiences takes place in concentrated form, especially at the World Taxpayers Conference, which this year took place in cooperation with the European Resource Bank (ERB), the Taxpayers Association of Europe (TAE) and the German Taxpayers Association (BdSt) in Berlin from March 17 through 20. We are delighted and happy to welcome groups from African and Central Asian countries like Nepal and Mongolia. It was fascinating to hear their stories and to learn how democracy and economic freedom are slowly spreading in more and more countries worldwide.

## Growing Worldwide

The 6th World Taxpayers Conference deserves good grades, not only earned by the international and national speakers, but also by the participants and organisers, says the new WTA President, Troy Lanigan. Never before was a World Taxpayers Conference so colourful: More than 200 participants from 40 countries and five continents, including Mongolia, Nepal and four African nations enabled a truly international exchange in Berlin. Today, over 60 member observer organisations from more than 50 countries are represented in the WTA.



Troy Lanigan

They stand up for flat and simple taxes, balanced budgets, tax competition and transparency, and for the rights of the taxpayers. Troy Lanigan, the new WTA chair, has an ambitious goal: The movement is to grow to 100 organisations worldwide. Existing organisations are to be interconnected, activists regionally trained and connected to established think tank infrastructure.





### Three intensive days in Berlin

250 participants met up in Berlin-Tempelhof for the World Taxpayers Conference. Besides the captivating lecture program there was enough time for visits in the German capital and impressive gala events.

# IMPRESSIONS









# “Freedom will triumph!”

Tax unsuitable as moral pointing finger, says Mark Littlewood. He warns of populism and sees chances in the internet.

**Berlin** Populism is on the rise in Europe and the USA, analyses Mark Littlewood. This leads to a retreat of traditional Liberalism. The calls for redistribution in order to solve acute problems are becoming noticeably louder. Popular parties are conveying the belief that the global financial crisis is to blame for all problems. This point of view prevents international regulation of the financial markets.

In the developing and threshold countries, the governments are refusing to liberalise their economies. As examples Littlewood named the banking system in China and the tax hikes in Russia. According to him, those are signs that these countries are departing from reforms for the liberalisation of trade and markets.

## Politics Does Not Act Transparently

Looking at today's taxation there is a quite non-uniform picture worldwide. In the past two decades individual taxation decreased in the industrialised nations. Since the governments of Thatcher and Schröder, tax rates also decreased in Great Britain and Germany. In the USA income tax was reduced, but not business tax. But this at first glance balanced picture exhibits one mistake: The USA is angling their politics towards a more just taxation.

Everybody is supposed to pay their fair share. But the amount is not being defined. Littlewood thus concludes that everybody is supposed to pay more, not less taxes. In this politics is not acting transparently: It always conveys to the target group it is talking to at the time that this respective group is not affected by the changes, but that the measures are directed at others, and thus disguises its true goals. Another political approach is especially troubling: Taxes are not only levied in order to cover necessary costs, but also as means to change the behaviour of the people. Tax is becoming a moral authority. Littlewood mentions the planned sugar tax in Great Britain.

Other examples are the top tax rate and company taxation. There is a controversial discussion in Great Britain: How are enterprises like Google, Amazon, and Starbucks to be taxed? This is how the impression is conveyed that the most important task of large enterprises is to contribute as much as possible to the tax revenue. Google has increased productivity with its free service. This is not praised by politics. Instead, Google is only criticised for its handling of company tax.

In the 1930s, the tax on profits was introduced. This is no longer appropriate, according to Littlewood. 100 years ago it was easy to determine where business activity had taken place. In a globalised world, connected by the internet, this is no longer that simple. At home, at the computer, an order is generated. It is accepted on a server in Los Angeles. The goods are shipped from Dublin. Littlewood asks: Where has the business activity taken place? Attempts by governments to regulate business activities globally, he calls deadly.



Mark Littlewood

## Lacking Financial Vigilance

Taking Great Britain as example, Littlewood analyses the financial policy that is conveyable to the rest of Europe. Necessary and important tasks are financed in boom times. This way one wants to prevent a looming disaster in a recession like in the year 2008. The public households ran into debt back then. Today, one has to look for quite some time to find the spendings introduced back then, which were afterwards reduced again by the government. Littlewood deduces: “Politicians like to talk about financial vigilance, but are very bad at it.” The current Finance Minister of the United Kingdom has been in office for six years and still there is a large deficit in the British state budget. With many political topics cuts are categorically ruled out: Health, pensions, development aid, education and defence. Littlewood asks: “How does one want to balance a deficit that way?”

Populism is on the rise worldwide. A reason for concern, so the expert, since it is an enemy of free markets. The danger is that populist encounter a mainstream of a political class which is talking more about changing the tax system than really doing it.

Littlewood vehemently defended capitalism. For him, capitalism is the guarantee for fighting poverty with a parallel growing global population. We have it to thank for the internet and the worldwide access to services and good with the simple pressing of a button. There is a populist movement in almost every country, which does not advocate the interests of the taxpayers. In the USA it is the currently leading Republican candidates.

Donald Trump does not convey clearly recognisable political goals, India has not been successful in ensuring deregulation, lowering taxes or fighting corruption. There is still a public deficit, the Indian banks are managed by the state, and privatisation has not prevailed. China is planning a tax reform - including changes for businesses - but that is connected to the introduction of a financial transaction tax. China has invested billions in impulse projects with questionable economic value and tightened regulation of the financial sector. In

Russia, tax on gas and diesel has been increased by 25 percent.

## Total Revenue Remains the Same

Littlewood demonstrated based on numbers and facts since 1969 in Great Britain that there is a direct correlation between tax revenue and public spending. Since 1970 any and all kind of possible variations of tax measures have been tried. In 1970, the top tax rate reached a high of 83 percent, decreased to 60, 40, increased again to 50, and is currently at 45 percent. Similar fluctuations can also be observed with other kind of taxes, for example value added tax and business tax.

It doesn't matter which taxes are levied, which governments with different political direction are in power, the tax rate remains almost always the same at about 35 percent. Littlewood asks provocatively: Wouldn't it be easier to introduce a voluntary tax of 35 percent? This doesn't just hold true for the United Kingdom, but also the USA. In the USA this value lies at 16-18 percent and in Germany at 23-24 of the GDP.

Littlewood derives from this that there is a limit for the tax revenue to be attained by a state. The amount of public spending is limited by the tax rate. It is not true that one could not spend more than one takes in, for there are also other sources of income by a state. Why the highest value varies from country to country is not researched. Littlewood sees the solution in a simpler system: Governments should not let their wishes lead the way, but first determine how much money is available to them and then limit the spending to this amount.

This is where Littlewood sees the role of the taxpayer organisations. Due to the internet the taxpayers will in the future enjoy more personal freedom of choice. Shares and bonds can be bought, but also sold by one click. This leads to more freedom of choice for the individual. For the taxpayers' movement Littlewood sees the chances in liberalism against populists and social democrats. At the end of his presentation Littlewood called out to the audience: “Freedom will prevail!”





Dr. Ingo Friedrich, Matthew Tyrmand, Dr. Peter Grünfelder and Prof. Dr. Dr. h. c. Werner Weidenfeld

# GOOD GOVERNANCE

## The Freedom of Information Act in the USA

**Berlin** Matthew Tyrmand of Open The Books - American Transparency pointed out how difficult it is - despite the Freedom of Information Act - to obligate US states to transparency. He stated clearly: "Every cent has to be on the books, the government has to give account and all expenses have to be transparent."

The NSA scandal has changed a lot in America, reports Tyrmand. The controlling of governments is a complex task. For example, in North Carolina alone there are 90,000 government entities that all receive budgetary funds. Only by use of data bases one could maintain an overview when wanting to control the government. This is not possible though if, like in Pennsylvania for example, documentation is only available in paper form.

The authorities often refuse to hand over documents by claiming data protection. Tyrmand interjects polemically: "When they are taking the money of the taxpayers they do not grant any privacy to the citizens either." It is not presumptuous or inhuman to want to understand what the government does with its citizens' money. He advised the audience to remain persistent and insist in their rights, especially the Freedom of Information Act. Crowd sourcing is a good method for raising the necessary financial means to establish transparency and also carry through this demand. Tyrmand demanded modern means of communication from the state, like e.g. apps by which the citizens can ask politicians what funds are used for what, but also open source solutions by which simple controls of the government would be possible.

## An Era of Complexity in Europe

We live in an era of complexity and an era of confusion, Prof. Dr. Dr. h.c. Werner Weidenfeld, Director of the Centre for Applied Political Research (CAP) of the Ludwig-Maximilians-University of Munich, declared. There has been a transfer of power on the European level - away from the national states - which is interwoven with lack of transparency. There had been a legal vacuum after the European constitution had failed to pass due to the veto by France and the Netherlands. The Trea-

ty of Lisbon, ratified in 2009, closed this gap. But, stated Weidenfeld, neither governments nor judges understand those 416 pages of small-printed text. This is what leads to a lack of transparency. There are unclear leadership structures in Europe and on top of it fluid power structures between the European Council and the Parliament. This is not understood as "good governance". Francois Mitterrand and Helmut Kohl were good examples in the 80s, who together overcame the economic downfall back then.

### Good governance means:

1. Defining the problem precisely
2. Defining solution criteria
3. Developing a strategy from problem and solution

To implement good governance, one has to stay on top of things and participate in the operational implementation. 70 percent of the Europeans don't understand the European Union. This is a fact that fuels the desire for simple answers and thus populism, according to Weidenfeld.

This is why transparency is important. Issues like terrorism, security and migration are getting under peoples skin. On top of it there is the debt crisis, which is also still not solved. Here the political fundamental question poses itself, if situational crisis management can be successful? Right now there seems to be no strategic outline of answers to these questions, according to Weidenfeld, who also sees an explanation and interpretation deficit. Those who today can explain and interpret the situation have the power which Weidenfeld calls "smart power". This is in contrast to "hard power", which shows through military or economic power, or "soft power" exuded by a political economic order.

He advised the members of the taxpayer organisations: "Develop 'smart power', explain difficult areas of action and ensure transparency."

## Direct Democracy in Switzerland

Dr. Peter Grünfelder, State Chancellor of the Canton of Aargau, Switzerland, and designated Director of the Think Tank Avenir Suisse, explained the principle of direct democracy in Switzerland and

its tax culture. There is a federal culture of competition, Grünfelder explains. This is to be welcomed for only this way the individual cantons could learn from each other, and the ones in charge would get the incentive to govern and administrate better. The referenda carried out four times a year are the heart of the direct Swiss democracy. In them the citizens vote about what happens with their tax revenue. The public sector needs structural reforms from time to time, a debt ceiling, and long-term planning of the activities of the state. The goal: To create more value from the tax revenue, Grünfelder specified the concept.

He argued for a management information system for politicians, which gives them feedback on where they acted well and where they didn't. The quality of the work by a state shows in the transparent handling of publicised numbers and the trust that the people have in their politicians. For this it is necessary to establish a new culture, e.g. strengthen the competition between government agencies, but also to reduce government activities and absorb the risks - Grünfelder named the example of the energy sector - where they develop.

Dipl.-Ing. Mark Ferber, Member of the European Parliament, Deputy Chair of the Committee on Economic and Monetary Affairs of the European Parliament, stated in his key note speech at the panel on "Good Governance" that he does not see a uniform European tax law coming. He declared himself in favour of tax competition that remained fair. As example Ferber named "Lux Leaks," where it was illuminated how enterprises abused different tax systems in Europe.

This is not a good European tax policy of the national states and leads to problems of acceptance especially in times of tight budgets and investment deficit with a lot of states. Enterprises, which plan their taxes aggressively, are the problem, for which a European legal framework should be created. The member states need to exchange information and need to create more transparency. Businesses need to be taxed where their economic activity takes place.

Ferber named Amazon as an example, which does not pay value added tax, but the local book shops do. The goal has to be to establish a system within Europe that enables a fair, honest and just taxation.



Elmar Brok

# The EU – “Global Payer instead of Global Player”

Elmar Brok held a plea for more - rather than less Europe and substantiated his theses with the example of security policy.

**Berlin** The European Union is simply lacking the instruments for the crisis caused by the refugees, Elmar Brok, Member of the European Parliament and Chair of the Committee on Foreign Affairs of the European Parliament, soberly concluded. Thus, people often have the impression that the Union doesn't do anything and some things too slowly. Brok spoke out in favour of open borders within the Schengen area. The background to this is that 40 percent of the added value of Germany is created in export, and 60 percent thereof within the European internal market. “Nobody wants to wait two hours at the border again in order to be processed,” the European politician analysed and concluded: “A closing of the borders within Schengen will create an economic disaster.”

The Africa issue and the personnel and financing issue of a “European boarder control”, which Italy and Greece cannot handle themselves, are not solved. A protection zone of the external Schengen boarder is needed, mutually supported by all the states.

But Brok doesn't see only difficulties on the horizon, but also appealed to learn from the crisis. The protection of the external boarders rather than the internal borders is in sum less expensive. In foreign policy it is important to understand that

the USA and Russia make the strategic decisions on the sideline, while Europe just stands by and finances the humanitarian aid. Due to the lack of mutual political will the Europeans are lacking options and thus are “global payer but not global player”.

## High Defence Budget – Low Efficiency

And this in light of the fact that all states of the European Union spend more on their defence than Russia. Brok mentioned the sum of 190 billion Euros. A murmur spread through the room at the WTA conference in Berlin. Europe has more sol-

**“Nobody wants to wait two hours at the border again in order to be processed. A closing of the borders within Schengen will create an economic disaster.”**

diers under arms than the USA and is a washout when it comes to security policy, Brok determined. He criticised the lack of cooperation in procurement, lack of synergies in research, and immense overhead costs for the armies supported by the national states. With the German army these costs amount to 48 percent, a proportion that would make any enterprise bankrupt. If Germany

had 10,000 of its 170,000 soldiers in operation, the German armed forces would lack reserve assets. There are 250 tanks in Germany, of which no one knows how many of them still function. Brok recalls the six Tornados deployed to Syria which could not fly by night because it was too bright in the cabin. “These are no carnival jokes, but reality”, said Brok.

## “Between Aerial Act and Make a Wish”

Brok called the European Defence Agency with its 200 civil servants something “between an aerial act and make a wish”. Eight countries had not been able to realise a common plan for the military transporter A 400 M, of which one recently crashed. Every country wanted to see itself and its ideas realised which lead to the plane becoming too heavy for the engines that had been developed for it.

This is why the German armed forced fly with Transall machines, which are 40 years old, Brok remarked. Soldiers of the African Union refuse to use those machines during UN missions, because they no longer seem safe enough for them. Brok calls this a failed security policy and asks the question if it is right that the national states make lone decisions in these issues: “Isn't it too expensive to not have a European solution in this case?”

Brok mentioned the banking crisis and its rescue or the Irish state catastrophe as further examples and ended by saying: “Wouldn't it help to save the taxpayers a bit of money by creating a little bit more Europe?”





Prinz Michael von Liechtenstein, Michael Jäger, Georg Fahrenschon, Prof. Juraj Sipko and Rolf von Hohenhau.



# Sharp Criticism of the European Financial Policy

The Economic growth within the euro zone and the expansive monetary policy of the European Central Bank were the dominating topics of the panel regarding economic and financial policy. Criticism towards the ECB.

**Berlin** At the WTA Conference, Georg Fahrenschon, President of the German Savings Bank Association (Deutscher Sparkassen- und Giroverbandes), vehemently criticised the zero-interest-policy by the European Central Bank (ECB). He said that the ECB plays the taxpayers against the savers. The taxpayers pay interest and compounded interest for public debt. This also affects institutional investors. Fahrenschon also complained that month after month liquidity is pumped into saturated markets and calculated that within the hour that the panel lasted, 400 million Euros were released. Especially the lower and midsize incomes will suffer from this interest rate policy, Fahrenschon complained. Under regulatory policy viewpoints the ECB was practicing "crowding out" against better knowledge in order to buy time.

Nine European countries are still in deficit procedures in spite of the Stability and Growth Pact already having been lightened, the former Bavarian Finance Minister stated. The consolidation of the national budgets is extremely important. In this, investments into innovations should not be forgotten. Fahrenschon complained about overregulation of regional and local financial institutions, which thus cannot fulfil their appropriate task of financing the mid-sized sector. Fahrenschon vehemently objects to a "communitarised" deposit protection in Europe. "That is the wrong approach," he called out to the participants of the WTA Conference in Berlin and was applauded for it. It would be purely a redistribution, said Fahrenschon, if the taxpayers of one country are disburdened from the support measures of a bank and this burden then gets transferred to the savers in other countries. The responsibility is correctly regulated in Europe by it being in the hands of the banks and savings banks.

The purchasing programme of the ECB is a strong interference in the market, for the ECB doesn't just buy government bonds, but also corporate bonds. The result is that there are no longer real prices in the market and the interest rate not longer illustrates the risk. For now, the ECB is behind every valuation. Fahrenschon assessed this

kind of financial policy as helicopter money. It is important to create trust. Fahrenschon called Ludwig Erhard to mind and demanded an exit from the instrument case of crisis policy. The risks that the current monetary policy is piling up are icebergs ahead and no longer shallows that lie behind us, the finance expert reminded.

## No Abolition of Cash

Prince Michael von Liechtenstein, Chairman of the Geopolitical Information Service AG, clearly rejected the current efforts to have less or no more cash money. This way the states want to gain control over the people. If one has a liberal attitude, one has to be against that. Unfortunately he fears that the train to abolish cash money has already left the station and is on its way. The financial system is gambling away the trust of the people. The economic policy was adjusted to rescue the Euro. A cardinal mistake, according to von Liechtenstein, for not the economy has to be adjusted to the currency, but they should go hand in hand and the currency should support the economy. He also warned against the re-strengthening of the ideas of planned economy and expressed the fear that the

## Interjection by von Hohenhau: "Stop the ECB. It is destroying us."

erosion of savings due to the current interest rate policy has extremely negative effects and will lead to old age poverty.

## Dark Clouds in Europe's Sky

69 times have the stability rules been broken by countries of the European Union since the introduction of the Euro, Prof. Juraj Sipko from the Institute for Economic Research, Slovakian Academy of Sciences, injected into the discussion. Sip-

## Especially the low and middle incomes will suffer under this interest rate policy.

ko clearly noted that besides the lament about all countries breaking the Maastricht Treaty the strategy of the common currency is a positive achievement. Sipko sees the root of a lot of the problems in the fact that the administrations are not working correctly and that there is a lack of leadership personalities. The European fiscal policy currently finds itself in a kind of cul-de-sac, of which there is a way out though.

Sipko doesn't necessarily see rosy signals on the horizon for Europe when looking at the economic growth of the countries in the euro zone. The USA are at 3 percent, China at 6, but the countries of the euro zone only at 1.6 percent. He warned against underestimating China. There, Li Keqiang is currently turning the direction away from a purely export-oriented economy to one that also benefits from domestic consumption. The countries of the euro zone keep losing market shares. No country of the euro zone - Germany neither - can currently be found in the top ten of the countries worldwide that hold foreign exchange reserves. Even the BRIC states are in a better position. The expansive fiscal policy of the European countries is no contribution to the real economy.

The fact that government bonds earn negative returns worldwide is not a good sign for the world economy. The performance indicators for the economy in the USA and Japan, which suffered from deflation for many years, are pointing upwards. For Greece's economy the expert sees no light at the end of the tunnel at all. The national debt continues to increase and will continue to do so until 2020. Sipko showed a chart of the repayment plan for Greece until 2058. Greece is burdening the taxpayers of all member states of the EU. The economy of the USA is growing faster than that of the euro zone. The job market in the USA is more flexible. Europe has to strengthen its governability and competitive capacity, Sipko urged.

## There are Crises Every Day

Dr. Ralf Schneider, CEO rs Media Consulting and Member of the Board TAE, presented an extensive insight into the right communication strategy if an organisation or enterprise enters into a crisis situation. There are crises every day, and in many media outlet the motto still is: "Only bad news are good news." In a crisis the pressure on the ones in charge is especially high. The danger increases that one's own reputation, but also the one of the enterprise, decreases, if in this phase one doesn't communicate correctly. Schneider urged to be well prepared and advised to communicate well-dosed during a crisis.

To not communicate at all is just as much a mistake. In this case, the media starts looking for its own information channels. Especially in times of crisis the resources are lacking that can only be made up for through good preparation. Time management and a clear definition of responsibilities are important then. Schneider advised to have a crisis plan and play it through modelled on a real case. It is important to already approach multipliers with active press work and maintain an open communication. This not only has the advantage of having contact persons during a crisis, but also that the enterprise gets talked about.



## Protecting Intellectual Property

It is about intellectual property and the protection thereof. Dr. Barbara Kolm, Chairman of the Austrian Economics Centre (AEC) of the European Resource Bank, put it to the test. She bought a "Sachertorte" (a Viennese cake specialty) in Berlin in order to give it to Andrew Kovalcin, whose birthday it was. She got a cake, but it had as much in common with the Viennese specialty as a horse with a giraffe. The term "Sachertorte" stands for a special quality, said Kolm, but also the guarantee that the customer doesn't get poisoned by eating it.

But this is no longer warranted with plagiarism. The presenters on the panel, Andrew Kovalcin, Senior Director of Advocacy and External Affairs of the US Chamber of Commerce of the Global Intellectual Property Centre (GIPC), Philip Stevens, Director Geneva Network, and Prof. Edward Stringham of the Fayetteville State University, USA, all agreed that the protection of intellectual property secures jobs and drives innovations through the idea of competition. Stevens demonstrated by means of a diagram that the market in the USA of the S+P 500 had completely turned around since 1975. In 1975, the people took into their hands more than 80 percent of industrial production. Nowadays more than 80 percent of the

economic output is generated through service, which we no longer can take into our hands. The new economy is characterised by creativity, innovation and know-how. There was consensus in the group about brands creating trust. For the consumer, they are the guarantee for growth. Problems with IPR – Intellectual Property rights – occur if the processes to obtain patents take too long, if they then are too weak, and the legal enforcement is difficult. Especially small and mid-sized companies often have no access to IPR and thus bring fewer innovative products to market, so the expert panel.

The governments should guarantee a free market and should not determine which brands and logos are permitted in a country. The creators of Star Wars claimed to have invented the iPhone 40 years ago. For the records though it is to be said: Those who only have the idea, but not one that is ready to market, do not have a product. After his visit to India, Kovalcin found that IP plays more and more a role there as well. But when looking at the US Chamber international IP index, there are still problems in Asia and India. In India – especially because of the film industry in Bollywood – it is recognised that the strengthening of intellectual property means more economic strength and better paid jobs for the country.



## The Workshops

Further workshops dealt with the topics fundraising, campaigning and success stories or worldwide tax trends. Social media as well was thoroughly discussed. There were altogether six workshops that took place.

# WORKSHOPS



## Presenting Yourself Authentically

The workshop started with a game and ended with many questions from the audience. Jasmin Leheta talked about non-verbal communication via clothing and style. She playfully demonstrated that inner feeling and one's own presentation don't always immediately correspond with one's look. In only about 3 short seconds we and our opposite form an image of each other, and this already quite detailed. We determine if the other person is likeable and if we want to do business with him or her.

With the help of clothing we can send messages and emphasise our ego. It also makes communication easier, for example during difficult negotiations. In this, materials and especially colours play an important role. Those who are passionate should make red their colour. Those who do business abroad should find out beforehand about the colour codes that exist there and might be different. If one thinks of back, it is a symbol for elegance, but in Europe it also expresses grief. The message of Leheta: "Present yourself as attractive as possible if you get into contact with others.

### Three questions about brand personalities

Who wore a yellow slipover?

What bottle do you connect with a brand?

Who wore black turtle-necks?

And don't just do it with your God-given beauty, but underline your competency with details." If one wants to be convincing in regard to content one has to convey it with a high amount of authenticity. But not only the physical encounter should be well staged. There should also be a special focus on the presentation of one's own personality on one's homepage. And Leheta has a special suggestion on hand: "Invest in great press photos and don't just send a portrait. Great photos generally receive more space in the media." To sum it up, Leheta stated: "Boycott everything that makes you uglier."



# Subsidies Measured by ROI

The renowned penologist, Prof. Mansdörfer, spoke about complex cases of corruption and on how states can regulate subsidies fairly.

**Berlin** The old image of the corrupt civil servant, who receives an envelope full of money in the grubby backrooms of murky dives, and the entrepreneur, who receives benefits for it, is outdated and plays only a quite minor role in Germany, is the clear statement of Prof. Dr. Marco Mansdörfer, Chair of Criminal Law, including Commercial Criminal Law and Criminal Procedural Law at the University of the Saarland.

Nowadays, financial crime at the expense of the public domain establishes complex criminal structures. This takes place by means of arrangements, the creation of legal environments that make it hard to recognise the breach of law. Internationally, the situation is to be evaluated differently, because in many countries it is easier to buy a civil servant than to defraud him or her. In Europe this especially still holds true for Greece, the countries of the former Eastern bloc, and globally for the threshold countries. To the representatives of the taxpayer associations from those countries Mansdörfer gave the advice to fight corruption. It is a long way, but it is worth it.

## Complicated Cases of Fraud in Subsidies

In Germany the cases have become more complicated and the damages quickly reach millions of Euro. Mansdörfer presented a case from the Saarland. Via a middleman abroad a cycle was created by which one could defraud subsidies. Employees were supposed to be qualified, the government of the Saarland contributed subsidy money of 70 percent of the cost for each individual measure. The defrauding happened by means of inflated bills for trainings or further education measures, which had never taken place. In order for this to not be detected and questioned as quickly, the perpetrators used a reputable training provider, who had an excellent reputation. This provider did not know about the fraud. To uncover such a cycle is extremely difficult and complicated. In this case the fraud lead to the state financing the companies



Prof. Dr. Marco Mansdörfer, Chair of Criminal Law, including Commercial Criminal Law and Criminal Procedural Law at the University of the Saarland, demanded strengthening of the position of whistleblowers.

the entire costs of the measure – more so – the inflated costs.

Mansdörfer criticised that quite often there is a lack of public control and the official statistics do not display the real numbers. Thus, administration and politics often don't see the necessity for controls. But there are possibilities to achieve more capacity to act by the state. For one, it would be the introduction of risk based approaches, but also the strengthening of the position of whistleblowers;

**„Subsidies have to be time-limited, that way there are no sectors or regions that solely exist on subsidy monies.“**

thus people with a healthy sense of injustice, who help to uncover up highly complex defrauding structures to investigators. And also instruments that help to return embezzled funds. The penalties and the return have to already start while the preliminary proceedings are still ongoing.

In addition, the penologist clearly pointed out that a lot has happened in the last five to ten years in Germany when it comes to controls of sub-

sidies, which were missing in the times before that. Today there are internal and external controls and a neutral view on the efficiency of subsidies. But the measuring method is difficult and hardly scientific. One should measure subsidies based on the return on investment, the ROI. It is always good business if the return is at least 1.5 Euro for each Euro invested, Mansdörfer calculates. In Germany, one hasn't quite reached that point, but Mansdörfer sees the federal government on the right track. Subsidies have to be time-limited, so the expert, that way there are no sectors or regions that solely exist on subsidy monies. Criminal law is the ultima ratio. It is better to practice intensive crime prevention.

## Protecting Whistleblowers

Moderator, Pete Sepp, President of the National Taxpayers Union (NTU), added that this is not just a German phenomenon, but that there are similar cases in the USA. He agreed with Mansdörfer that there need to be laws protecting whistleblowers. But in the USA it is quite the other way around: The government is creating protection programmes in order to protect itself from whistleblowers. Sepp also disillusioned the participants of the WTA Conference a bit: He considers it an idealistic notion to think that there will be no more subsidies.





**Critic of the Green Movement**  
– James Delingpole, journalist, author and broadcaster. Delingpole won the Bastian Award for Journalism on the topic “The Global Warming Myth: Taxes and Other Political Attacks on Freedom, Economic Growth and Prosperity”.

## Tax Guzzler “Potemkin Industry”

Gala-Dinner and a sharp-tongued speech of the critic of the green movement, James Delingpole, sharpened and sweetened the evening in Tempelhof for the participants of the conference.

**Berlin** “The modern green political and environmental movement is the largest worldwide conspiracy against taxpayers in human history,” Delingpole calls out to the guests of the gala dinner, then adds: “1.5 billion US Dollar have thus far been swallowed up by the ‘global warming industry’.” The financing of the Potsdam Institute, ecological consultants, professors, and the CO2 emissions trade, which all engage themselves with the climate change, has the same market volume as the entire global e-commerce, the journalist calculates.

With one difference: One industry developed because it knew exactly what the consumer wanted: A perfect match between supply and demand. The other, the industry of climate change, is a “Potemkin” industry. It wouldn’t exist - not one “Penny”, one “Pfennig” would be invested in it - if there weren’t regulatory effects. Those are based on the belief that the global industry has to be decarbonised. This, according to Delingpole, is quite lacking substance. If looking back in history, there have been cases again and again in which people had to pay taxes - also unfair ones - and money was wasted, but never in this dimension, says the critic.

### The Moral Aspect of Taxes

Often, the morals aspect of taxes is held up to the people, namely that taxation is a necessary evil, because the governments need taxes in order to supply the needed resources for example for the defence industry and the defence of the country. Thus, in the past one knew what the taxes were spent on and taxes were not only considered something bad. With taxes today nobody knows what one pays so much for. It is not comprehensible why we should pay taxes now in order to

save the world, or for future generations. As per definition they don’t exist yet. Therefore, one pays tax for something that doesn’t exist. Compared to that, 350,000 Germans couldn’t pay their electricity bill anymore, for example, because the prices were artificially pushed up.

The Germans, just like the English, are destroying their landscape with wind parks. Park isn’t a good word, so Delingpole, because park means nature. “I call them eco crucifixes,” says Delingpole. We are finding ourselves in Berlin, the state of the Green. No country is greener than Germany. In no other country the Green Party has more power. Those Greens support the construction of those monstrous machines, which kill millions of birds. Each year.

And millions of bats. He has read a lot about bats. Delingpole: “I like nature and I take care of it. Bats have a high level of basic trust because they’re lacking natural enemies. Therefore, they have developed little sensitivity towards natural enemies, like for example rabbits. This is the reason why bats are so strongly protected by environmental laws. On the other side, we have the Greens who protect the wind turbines, which kill thousands of bats. It is crazy and shows the insanity of the green movement.”

According to Delingpole there are many examples that prove the corruption of the green movement. Delingpole accuses the Greens of having promoted the corruption in science, which thus finances its basic income through manipulation of results.

### Mistrust Towards Socialism

“This is my first time in Berlin since I was a child. Last time I was here, there was a wall. I took the

subway, saw soldiers on platforms with machine guns in position, who prevented people from leaving their country. This led to a strong mistrust towards socialism in me and to a deep love for free markets”, Delingpole described his connection to the venue of the World Taxpayers Conference.

The green washing that children receive in school nowadays reminds him of the Young Pioneers of the SED, and that is due to the green movement being so powerful. One only needs to look at the things that are going badly, like the environmental pollution through diesel engines.

A technology that was welcomed because it emitted less CO2. Added to this is the increasing poverty, the corruption of science, which recalls Stalin. “When looking at all that, I ask myself if the right side won after the fall of the Berlin Wall?” said the speaker.

### IMPRESSUM SPECIAL

#### Publisher

Bund der Steuerzahler in Bayern e.V.  
Dipl.-Kfm Michael Jäger  
www.steuerzahler-bayern.de

Taxpayers Association of Europe ( TAE ) e. V.  
Rolf von Hohenhau  
www.taxpayers-europe.com

Nymphenburgerstrasse 118  
80636 München

**Editorial staff:** Atelier Goral GmbH

**Translation:** Kerstin Kellis

**Pictures:** Picture TAE, Johannes Maruschzik und Prof. Rudolf G Maier; Paul Prescott/shutterstock, Privat





Staffan Wennberg and Hopesan Yaw Adorye.

# The African Perspective

Hopesan Yaw Adorye, Executive Director Taxpayers League Ghana, speaks about corruption and the wealth in Africa

**Please describe the situation in Ghana to us. Is there good governance?**

**Hopesan Yaw Adorye:** A successful government needs taxes. To pay taxes is generally not a bad thing. The question in Ghana, too, is what benefits it brings. Our value added tax once started at 17.5 percent, then went to 10 percent and is now at 15 percent.

Besides that, the government introduced direct and indirect taxes. We heard a lot about subsidies during this conference. The government of Ghana cut a lot of subsidies due to requirements dictated by the International Monetary Fund (IMF). Ghana can now take out loans via the IMF.

We are currently experiencing an economic collapse in Ghana. For example, the telecommunications sector has completely collapsed and even companies like Vodafone are struggling. High taxes combined with high energy costs are the problems that the people and businesses in Ghana have to struggle with.

Added to this is the system in Ghana. The people have no chance to complain. Our constitution is weak. The president holds a lot of power in his hands. What the president says is the law. The parliament cannot really fulfil its control function. No matter which majority has formed in the parliament or government and how it is assessed. The framework conditions for the Taxpayers League are complicated. But we are observing closely and want to motivate the government to cut taxes.

**Do you want to generate more economic growth through tax cuts? Especially in view of the tendencies of Africa possibly replacing China as the workbench of the world?**

It is a bit more complicated. We believe that with less of a tax burden people will have more money at their disposal. For services one is paying 10 percent tax right now. This has to be reduced to 4 percent. Not only the wealthy should pay tax, but everybody. There are people in Ghana right now who don't pay taxes at all.

The biggest problem why people in my country refuse to pay taxes is: Those taxes partially end up in the pockets of corrupt people. It is very interesting that companies which have a high tax burden to carry arrange themselves. An example: A com-

pany is supposed to pay 20,000 US Dollar in taxes. In the end 5,000 of this amount end up in the treasury and 15,000 US Dollar in private hands, because the responsible tax officers and staff members of the company share the profit. Here, we have to change the legal system. We need laws preventing this. This is a huge challenge for Ghana.

**Let's come back to the question of Africa becoming the extended workbench of the world?**

Let me give you an example: You want to have 5,000 t-shirts printed in Ghana. That is very expensive in Ghana. If I go to China with it, I can get 20,000 shirts printed for the same amount. China is still clearly in the advantage here. I'm not telling you anything new: Africa is a rich continent. We have large raw material reserves.

Our biggest problem is the bad administration. We need an administration that is not corruptible and has leadership qualities. Look at the corruption index of Africa. South Africa is the most corrupt country on the continent, followed by Ghana. It made me sad that we of all are at the top of the most corrupt countries. This also has an influence on people in my country to be willing to pay taxes.

Let me sum it up as follows: The administration needs to strive to serve the people and the benefit of the country. Then not as many people would feel bad about paying taxes - as it is unfortunately the case today.

**What was your experience with the conference in Berlin?**

The conference was excellently organised and it was the first taxpayers conference that I took part in. The speeches and topics of the speakers were all up to date. There was a little disappointment that topics and a discourse about the African continent were missing. One should have put a spotlight on Africa's problems, like our tax systems - but also the corruption.

We have had great dialogues here in Berlin, made new friends, and are taking new ideas back to Africa. It will help us there to strengthen our groups and fellow campaigners in Ghana. We are now hoping that the next conference will also open itself to African issues. We want to enter the African perspective into the discourse.





## “We need tax cuts”

Reiner Holznagel, President of the German Taxpayers Association (BdSt), explained the most important goals of the German Taxpayers Association and says: “We need tax cuts for more civic autonomy.”

Reiner Holznagel, President of the German Taxpayers Association (BdSt)

### How do you enthrall people with the complicated topic of tax policy?

**Reiner Holznagel:** Tax policy significantly interferes with the everyday life of the people and thus the people have a very keen sense for increases of the burden. Therefore, the discourse about a fair degree of burden is currently taking place with the people, not the political class, for they markedly feel that they have less and less money at their free disposal.

### Where is the tax burden tightening?

In housing: Politics has been promising cheaper housing, but if you look behind the advertising facade of rent control, you will realise: It is the state making housing more expensive through a variety of taxes and levies. And the spiral of burden is turning faster and faster. Energy for example: If in 1998 the government levies made up 25 percent of the electricity price, it is 54 percent nowadays. Property tax is also making housing drastically more expensive. This profiteering by the state hits families with low incomes especially hard.

### What do you suggest? More family support?

The best family support in this case is none. It is absurd that the state first takes the money away from the people only to distribute it in the form of support programmes. We need tax reductions for more civic autonomy. Curbing housing costs through reductions in taxes and levies is the ideal solution. And to finally get rid of the solidarity tax! Politics should get rid of it altogether. This way they wouldn't just keep their promise that the

solidarity tax is a time limited tax, but would at the same time reduce the burden on the people.

### Can the Federation, the Länder and the communities do without the revenue? Are your suggestions even financeable?

Never before have the Federation, the Länder and the communities had as much money at their disposal as in the coming years. The tax revenue keeps rising and rising, and in 2020 will total almost 800 billion Euro. Empty pockets are not whatsoever the case. There is enough money to tackle the necessary reforms and to reduce the burden on the people and companies.

### Which reforms are you thinking of specifically?

Despite and in addition to all the problems with the refugee policy and the internal and external security, the economic and financial policy must not be neglected. We have to get Germany back on

**“There is enough money to tackle the necessary reforms and to reduce the burden on the people and companies now.”**

the reform path now. Reductions of taxes and levies, the possibility of wealth creation for old age, less bureaucracy, more investments into the infrastructure, and sound government finances are the commandment of the hour.

I don't see why we, the people, should get used to crumbling roads and closed bridges, and forgo affordable living space. The creeping expropriation of the savers by the continuous low interest rate policy is something I view very critically as well, especially since the people have to make provisions for old age. And why should companies silently accept more and more bureaucracy? I am also not willing to question the debt ceiling albeit tax revenues being as high as never before. The people, the taxpayers can expect more from politics than is offered to them at the moment.

### What do you expect of politics?

It should let itself be blocked less by topical political issues and concentrate on fundamental choice of direction. The interests of the taxpayers, people and companies are to be included in the political decisions.

### How does the Taxpayers Association make sure of that?

With concrete suggestions for the solution of the respective problem. The best analysis is worthless if there are no feasible alternatives offered. Our solution approaches, for example the housing cost ceiling or tax ceiling are feasible and are geared towards the common good. Further suggestions are presented at the World Taxpayers Conference in Berlin from March 17 - 20.