IPkW

Initiative für Praxisphilosophie
und konkrete Wissenschaft

Marxismus und Philosophie Politische Ökonomie Gesellschafts- und Transformationsforschung

Zur Diskussion https://www.praxisphilosophie.de Mai 2020

Wealth & Inequality

Discussion with Piketty, Wagenknecht and De Masi

A prominent live discussion on May 19, 2020 will focus on the question: Could the Corona @-@ crisis be a turning point in taxing the top 1 percent and rebuilding Europe's economy?

I do not want to go back to this rhetorical question, but to take the opportunity to present fundamental questions and arguments on the tax, social and social policy of the left:

The previous proposals from the left focus on the collection of as progressive or weighty taxes on income, wealth, inheritance or property taxes as possible as well as corresponding concepts of redistribution. It is noticeable that claims for the introduction of a machine tax or so-called value added tax, which includes depreciation on working capital, are no longer mentioned.

These demands mean not only a redistribution, but also an intervention in systemic conditions. This has always been disputed and demonised by entrepreneurs. The oblivion of this approach or departure of the left is strange to this and has hardly ever been justified by this side. Why is that? In my view, the explanation for this is ultimately due to mistakes in thinking, not only in the general debate on taxation and distribution, but also in the underlying economic concepts.

The core of the problem appears to lie in blurring the differences between what could be called 'dead' assets, such as monetary or factual private assets or securitised property titles, which may also yield interest, and, on the other hand, operating assets. The latter is real, investive working capital. In both cases, however, taxes have completely different functions and consequences.

The main difference becomes invisible when the proposal for a "ownership tax of up to 60 %" on operating assets (Piketty) is rejected, arguing that "the lion's share of this property is not made up of liquid means but of operating assets. This would have to be sold to pay the tax..." (Wagenknecht).

Nothing needs to be "sold" or transferred in this way: Taxes on working capital are calculated as costs and are included in the sales prices. This is not a transfer of wealth that the welfare state could use directly to reduce inequality. What is at stake here is a "capital tax", for example in the type of investment tax on "capital" operating in business and economic terms. This is also something quite different from, for example, a financial transaction tax.

The "capital tax", completely ignored by left-wing political economists, proported economically and in no way up to 60 %, would empower the welfare state to properly finance socially necessary and desirable infrastructure investments from the real economic reproductive drive, i.e. to transfer practically. On the other hand, with any kind of wealthy or billionaire taxes, only a fraction of the social infrastructures will be able to support in addition.

If social investment is carried out in the “public” sector, which is best written in the sense of a “common economy”, the corresponding demand for the industrial sector arises. Therefore, the companies there do not collapse under the burden of the new capital tax. On the contrary, they can expect higher turnover with the corresponding domestic social-infrastructure institutions and for their services, balance them out in a coherent manner and would be less dependent on exports.
At the same time, it would be possible not only to reduce income-related taxation, including wages and VAT, but also to reduce it relatively. How can that be?

Due to the tax system unilaterally fixed on the national flows of “income”, this source in particular serves to finance the public social economy sector: It is easy to see that the “infrastructural society”, which is highly advanced in modern investment, cannot be enough. As a result of the blatant imbalance of the tax system, the welfare state and its municipalities who wish to perform their tasks are driven into debt and a policy of social austerity.

During this, the other main economic power, that active “capital”, finds its way into private capitalist accumulation, nourishes the growth of the commodity economy and the export of capital. For example, it moves to automobile factories on other continents instead of municipal educational, health and cultural institutions as well as environmental innovations on the ground. The other way, basically a “fiscal revolution” (Piketty), could, on the other hand, lead to a change in the economic and social-ecological process.

The consequence of this approach is at the same time an important contribution against social inequality: The one kind of policy against inequality is directed against the growing gaps in income and wealth, or participation in the ownership of means of production. The policy against inequality, which I am focusing on, aims at equal and free access to the general, public institutions and services of the community. Instead of privatisation, it would be possible to expand consistently, but this would only appear possible in the course of the outlined tax reform.

The current economic teachings obscure these connections and possibilities by allowing the achievements of the administrative, social-cultural and ecology-related infrastructure in their narrowed practical perspective to continue to be ranked negatively, as a cost factor, and not as equal value in relation to industry. The introduction of that capital tax in this respect, even without clapping hands from the balcony, meant practical recognition of the positive economic character of those productions. This includes the possibility of paying all workers in the social or public service sector accordingly.

I would very much like to see the subject of such a ‘capital (transfer) tax’ (Müller) and the seemingly necessary, deeper breakdown of the economic value and reproduction contexts, of the statistics and accounts submitted to it, on the agenda of the scientific, civil society and political opposition. This would also make a positive alternative to the seemingly concrete, theory-systematic unrealisation by liberalist economics more visible. Indeed: “By developing the legal and tax system, you can go much further than has happened so far.” (Piketty)

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Further information on the questions, arguments and consequences mentioned can be found in the article “The capital economy, the indebted tax and welfare state and the system alternative in the womb of modern infrastructure society”. Call at
https://www.praxisphilosophie.de/sozialstaat_infrastrukturgesellschaft_und_systemalternative.pdf