

Putting effective pressure on tax havens: Some lessons from the campaign against tax havens in Germany

What happened

The German secret service (BND) was offered a CD with data of about 1.400 tax offenders who created a foundation in Liechtenstein, of which about half are from Germany. The BND bought the CD for a bit more than 4 million € with funds of the government. This is at least the official story. There are also indications that more than one source of information is used. Anyway, since the middle of February the tax authorities are searching homes and offices of wealthy Germans and companies. They started with the CEO of Deutsche Post Zumwinkel who had to step down from his post afterwards.

Development of the public discourse

The whole scandal is highly mediatised. All national newspaper published several pages on the scandal. This created a huge public debate. First the debate concentrated on moralising the behaviour of Zumwinkel and others of the elite. Politicians from all parties, the federation of German industry, intellectuals and many others criticised Zumwinkel and tax evaders in harsh words. The public outcry was so loud, because the scandal echoed the already existing unease about the widening gap between the rich and the poor in Germany. Now, it became evident that many of them are not even ready to pay taxes on their growing income share. The fact that tax havens and tax evaders exist was known before but with Zumwinkel they had a face.

Later the debate shifted towards the tax havens and Liechtenstein in particular. For some days the neoliberal forces were totally paralysed. The media caused a huge pressure on politicians to take action.

In the beginning demands concentrated on higher punishments for tax offenders. This argument was also taken up by conservative forces in order to avoid a debate on more systemic issues. We tried hard to shift the discourse to the structures of tax evasion and tax criminality. In particular, when the prime minister of Liechtenstein Otmar Hasler came to visit Germany on the 20th of February including the finance minister and the chancellor, the debate shifted towards the question how to close the tax havens.

The neoliberals tried to respond with three arguments:

First, it is the German tax system itself that is responsible. If tax rates were lower and the system easier, capital would not move out of the country. This argument got important space in the media, but it did not win the debate. First, similar proposals had shaken the 2005 federal elections. Lowering top marginal income tax rates is simply unpopular in the face of growing inequalities. It is no option for the government. Second, the government has just lowered tax rates on capital income to 25% and closed some tax loophole for capital gains. This was and is responded by the owners of capital by a vague of investments in tax havens. This proved the neoliberal thesis wrong that rich individuals are ready to pay 25% on their capital income if they can pay nothing abroad while a strict banking secrecy protects their fraud.

Second, the neoliberals tried to shift the attention to the methods employed by the BND, the tax authorities and the government. They insisted that the state may not buy data obtained in an illegal way. Anyway, the large majority of the population supported the action of the state. Nevertheless, ethical doubts about the BND action remain.

Third, many members of the elite tried to insist that it is only a few offender who evade taxes while the majority of the economic elite contributes a considerable amount to public finances. Nevertheless, most Germans do not believe this as trust in the elite of the country is at a historic down since the second world war. The claim of the large ethical majority is also refuted by the at

least 400 bn € invested by Germans in the world's tax havens.

Despite strong efforts, these neoliberal responses could not change the debate fundamentally. There is a continued pressure on the government to take action against the tax havens. The topic will not disappear because the investigations against tax evaders will continue for at least one or two years, even if the space in the media is already shrinking. Thus, the government has put the topic on the agenda of the meeting of the EU council of Economic and Financial ministers on the 4th of March 2008 in Brussels. Furthermore, the topic was raised during the state visits of the prime minister of Liechtenstein and of the prince of Monaco in the end of February 2008. Unfortunately, the issue was not important during the visit of the prime minister of Ireland (also end of February 2008) that is one of the key countries obstructing progress in tax matters in the EU. Doubts about the consistency of the governments' activism also arises because of the demands put to Liechtenstein and Monaco. Basically, chancellor Merkel demanded that the tax havens should sign several international agreements including the EU's anti-fraud treaty and agree with the OECD's tax information sharing approach. But, the government did neither demand automatic information sharing of tax information nor minimum tax rates. Furthermore, there are different opinions whether sanctions should be used in order to render tax havens more co-operative. The finance minister Steinbrück has demanded these sanctions while the public discourse developed.

What Attac did

Attac, coordinated by its working group on tax evasion & policy, was the only non-governmental force which has been following the scandal actively over the whole period. Thus we got invited to at least 15 TV shows and statements. We published opinion pieces in national media and gave radio interviews. On the occasion of official visits of the prime minister of Liechtenstein and the prince of Monaco we organised two actions in front of the chancellery. The actions were strongly supported by activists of Attac Berlin. The images of these actions were widely published in German media. On the 1st of March Attac Switzerland, Austria, Germany and France organised a small demonstration in Liechtenstein to protest against all tax havens. The action was widely reported in Liechtenstein and Austria. European Attacs published a common declaration on tax havens. But most importantly, on the 22nd of February we published an „Attac action plan to close down tax havens“. Attac demands in the plan a combination of tough national and international measures in order to track down tax evaders and close the tax havens in co-operation with other countries but not waiting for the tax havens to agree with the measures. The plan was presented in a common press conference with the Attac members Björn Böhning, speaker of the social-democratic left, and Heiner Geißler, former general secretary of the conservative party, mirroring the party composition of the German government. On the internet we organised two signature campaigns (www.campact.de / www.attac.de) to support the plan's key demands) which have been signed by 8.500 citizens. The national teachers union, the federation of reformed churches, the development organisation medico international, the Youth organisation of the social democratic and the green party and several other organisations supported our action plan. The plan was widely taken up in the media. The German confederation of trade unions wrote an own plan based on our demands. The left party in the parliament supported the plan. We could discuss the demands in a widely recognised TV debate with the finance minister Peer Steinbrück. In the end of April we will meet Steinbrück officially to discuss the plan and the state of measures taken by the government to close down the havens.

Some first conclusions

The progressive forces won the debate on measures against tax havens because of the mediatised pressure which was caused by the tax fraud case itself in combination with general political atmosphere in Germany leaning towards social justice. Attac could play an important role in this discourse victory, also by co-ordinating with different social and political forces. It is the first time in Attac Germany's history that we could gain such a prominent role as experts in a particular policy

field. We had# an important influence on the development of the discourse in the media and in civil society. Despite, the victory in the public discourse we should not trust too much that the political consequences will go beyond symbolic politics. The EU's and OECD's as well as bilateral actions against the tax havens have all failed so far. The conflict with the tax havens needs a political conflict with the powerful interests who profit from international tax competition. It also needs a conflict in the EU with the countries who defend the tax havens or do not want to give up the tax haven as features of their own financial centres.

The tax justice network as well as Attac should rethink whether the struggle against tax havens should really be framed mainly as a development issue. Seen in the light of the German tax scandal the political potential of the issue seems much higher if it is framed as a question of social justice and of financing of public goods supported by democratic and development arguments.

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