

The Taxcast, edition #112, May 2021

Naomi: “Hello and welcome to the Taxcast from the Tax Justice Network – we’re all about fixing our economies so they work for all of us. I’m your host Naomi Fowler. You can find us on most podcast apps. If you want to make sure you never miss an episode, ping me an email me on naomi@taxjustice.net and I’ll put you on the subscriber’s list. Coming up later, the *real* American Dream – in Scandinavia:”

Clip: “The big difference between Iran or US, there’s not so big difference actually between those two countries because the people don’t pay so much taxes and the powerful just overrule everybody else. Denmark gave me actually all those things that US cannot give me, not so many countries of the world can give you. Please come to Denmark and I will show you.”

Naomi: “I’ll be talking to a millionaire who loves paying taxes, Djaffar Shalchi. He ’s campaigning for a 1% wealth tax on the world’s top 1% with the organisation Millionaires for Humanity. 1% seems pretty reasonable to me! Before that, let’s talk to John Christensen and see what his take is on this month.

Okay, John. So in the previous Taxcast edition 111, we were really excited that US President Joe Biden was pushing for a 21% global minimum corporate tax rate. That’s something we never thought we’d see coming from the United States. And we said back then in the Taxcast last month, that it lacked ambition, especially if you compare it as you did, to the average OECD tax rates back in the seventies, which were in the region of 45, 46%. And now we hear that Biden is dropping his proposal of 21% and talking about at least 15%. I’m bitterly disappointed, I mean, if a world superpower can’t be bold enough to do this under the, to do this properly under the desperate circumstances of the pandemic, when will they ever be able to do it? I mean, if not now, then when, for goodness sake?!”

John: “Yeah. Well, I totally share your frustration about this, but this backpedalling is sadly predictable. I mean since we recorded last month’s episode I’ve talked to particularly Irish commentators who said, well, of course, he’s going to drop it because there’s going to be so much pressure coming, not least from Ireland and Luxembourg and the European tax havens, pushing back against this. Too few voices have been raised to support even the 21% rate, and there’s no doubt that to Biden will be facing plenty of pushback from corporate lobbyists in the United States and even from within the Democratic party, the senators and Congress people who’ll be looking anxiously to the mid-term elections in 2022. And I think as far as I’m concerned, that just amplifies the case for having stronger tax justice voices in the United States to push back against these lobbyists.”

Naomi: “Yeah. And let’s talk a bit about the state and money, because I think people’s understanding is, I hope, changing a lot now that the pandemic’s shown us how much money governments of wealthy nations can suddenly find when they have to, to spend on things like furlough schemes, emergency welfare for employees who couldn’t work from home during lockdown, on the vaccine roll-outs, and I’ve always found it more useful to call government spending government investment, er, but anyway, these same governments for years have been telling us we had to cut

everything we couldn't afford but to have people sleeping in the streets and children without enough food to eat. And those lies have been revealed now about what the state really can do for people and always could have done. So on the one hand, we know how the state can act in the public interest, and I'm talking here about states that have their own central banks and strong currencies that they can digitally create more of - good investment brings good returns as everyone knows, but there is an increasing problem that is threatening what the state can actually usefully invest in, in terms of public services. And that's the phenomenon of 'death by consultancy' and outsourcing to profit making companies. We've seen examples of that sort of thing with the terrible COVID related procurement decisions by some governments and these things degrade people's faith in the state acting in the public interest and, and that degrades faith in tax justice, that our taxes will be used wisely, collected fairly, and used in the interest of the majority. And we've got situations now where the state is opening up for the worst kind of extraction by the private sector in areas that should never have been profit-making."

John: "Well, that's right. I mean, think about the last 10, 12 years, we've had two major crises, first of all, the great banking crisis of 2008, 2009, where the state actively intervened to prevent a major economic catastrophe, a huge collapse of economies, but all the benefits flowed to the very wealthiest of people, I mean, largely the quantitative easing programmes fed out through the banks into, you know, equity markets, bond securities, or whatever, and it was the very richest people who've benefited from this. And it seems to me that during the course of this pandemic far too much of the public expenditure has been towards, as you say, consulting services where huge sums have been spent on private companies that simply haven't delivered, and that's in country after country around the world. And it does call into question the way in which states interact with the private sector. It seems to me that one of the most curious aspects of neo-liberalism has been just the way in which the role of the state has been diverted away from serving public interest to serving corporate interests. The COVID pandemic has, I think, helped to reveal a scale of this problem and the costs it has imposed on society in terms of both the creation of really powerful, private monopolies, which extract wealth through over charging, for example, but also the shift of political power away from the public and into the hands of these unaccountable corporations. Many of what were previously public service utilities were outsourced to private companies, which are paid for, or subsidised by central governments or by local authorities, and these companies have cut wages and they've cut employment conditions. Loads of well-paid and previously secure jobs were simply got rid of. The result of course, has been that huge profits had been amassed by these big service providing companies and legions of consultants have been brought in to organise and monitor these outsourced services, creating a kind of bureaucracy, almost a Soviet style bureaucracy, which tries to create some sort of shadow market economy in areas where natural monopolies apply, I'm thinking about water, water supply, or energy supplier or rail services, for example. So in practice in many countries, the state has relinquished its direct control over these utility providers by handing over the licensing responsibilities to non-governmental regulators. It seems to me that these regulators have been captured by the private companies and the wider public

interest is simply being ignored. We need to re-democratise the economy. And part of that re democratising of the economy is to push back against the dominance of these huge private sector monopolies that have, I think, largely taken over control of the economy and in many respects taken over control of our democracies.”

Naomi: “Yeah, definitely so many services that never had any business being profit-making in the first place. But now that people in the wealthier world at least are understanding that they're not immune to catastrophic events, with so many people dying and national lockdowns and job and security losses, I think it's easier for us to see how the state is the only actor big enough to do what needs to be done in a major crisis. And that applies obviously to the climate crisis in a transition towards a caring economy. I think the pandemic is such a disrupting force that it, in some ways makes it easier now to talk about policies like de-growth, which before the pandemic seemed like crazy talk for tree huggers!”

John: “Yeah, well, I think to start the conversation, I think we need to recognise what I would call the problem of rich people, um, which we want to look at recent history and I'm talking about now, particularly at the last half century, but maybe go back 200 years to the, kind of the growth of capitalism, the growth of imperialism and colonialism, you see that most of the benefits of global growth have accrued to the richest countries and to the richest elite groups within those countries. And the vast majority of people have at the very best only had enjoyed modest improvement to their lives and many have become worse off. Quite a few episodes ago, you, you interviewed Andrew Sayer and you'll remember he wrote a book titled 'why we can't afford the rich.' So let's begin by recognising that any policy aimed at de-growth should be very carefully targeted at the lifestyle of rich elites. By all means de-grow the economy of private jets and the economy of private yachts and all the trappings of the richest people. But at the same time, we've got to recognise that huge numbers of people still don't have access to running water and huge numbers of elderly people on the planet need better care services and huge numbers of young people need access to more education and better training. And these are areas of activity where we need to focus on growing of investment. For me, the de-growth agenda is a class agenda, but it's also a tax justice agenda. So as far as I'm concerned the de-growth agenda must be focused on reducing the hugely polluting lifestyles of the richest people on the planet, let's say the top 10%, at the same time allowing for growth of health and education services, all the other services that can rapidly improve the wellbeing of the remaining 90% of the people. At its roots this should be an agenda for redistributing wealth and power, for reducing the conspicuous consumption of the elites and recognising that in a world of finite resources, we can only live in peace if we share resources more fairly, and don't perpetuate an economic system which distributes resources upwards into the pockets of a very tiny minority who mainly extract wealth rather than create wealth.”

Naomi: “Yeah. And we'll be talking about repricing and redistributive elements of tax in a future Taxcast. Anyway, let's talk about some good news because, uh, it's always needed in these times. And one thing that we are still happy about with US President Biden's proposals is that he wants to pick the US tax authority, the IRS off the floor, which is where it is after years of brutal cuts, and he wants to pump \$80

billion back into it, doubling eventually the size of the agency with 87,000 new staff. And for years across the world, we've been talking about this on the Taxcast, countries have been cutting back on their tax collectors and surprise, surprise that meant less and less audits, except for the lowest hanging fruit as I call it, so, I mean, in the US guess who they are, that's lower income earners and usually very often people of colour. And this new investment of the Biden administration will renew the focus, and intentionally renew the focus on the wealthiest and on corporate profits. And the Biden administration thinks as a result of all this the tax collectors there could pull in an additional \$700 billion over the next decade! As we're always saying on the Taxcast, investment in tax collectors pays for itself many times over. Put in 800, sorry, put in \$80 billion, the returns that generates could be \$700 billion. Why wouldn't you? And so let's hope that other countries post pandemic are going to see sense and invest too. And, uh, we should say as well, our tax collectors are the forgotten key workers, right up there with healthcare staff and all the key workers that we should be celebrating most highly.”

John: “Yeah, because if you don't have a functional tax collecting system, functional revenue authority, then tax justice is going to die. And we can see this across the world because the cutbacks in revenue authorities have helped multinational companies and wealthy elites. But it actually puts small companies, particularly micro businesses at a disadvantage because many of them actually rely very heavily upon having well-informed tax specialists at the revenue authority, particularly at local level, who they can seek advice from at key moments when they're preparing their own tax returns. So this is a huge tax justice issue.

The IRS used to be a gold standard service by any standard, and rebuilding its capabilities would be a major step forward. Other countries should follow suit. And as you say, there's a rule of thumb for every dollar that you spend on a tax authority, you get \$10 back in additional revenues. So this is a very good investment by any standard. In the last few decades there's been a deliberate push by conservatives to degrade tax authorities. Ultra conservatives in the United States talk about starving the beast. The beast they're talking about is the state and the way they plan to starve the beast is to cut off, or reduce tax revenues, and depleting the capabilities of tax authorities has been part of that project. So, the fact that Biden is now pushing back against this ultra conservative project and investing in the IRS is something we must welcome, and we need to see exactly the same thing happening in many European countries where we've seen a similar process of degrading the revenue authorities, but especially in developing countries, tax is actually a way of liberating countries from external debt and all the conditionalities that are imposed by external debt.”

Naomi: “Okycoky. I might just throw in, according to the IRS, the top 1% of taxpayers avoid paying taxes on at least 21% of their income.”

John: “Yeah, well, one of the things that has happened in the last few years and Trump kind of took the lead here was the cut backs to the large taxpayer units. You know, in other words, revenue authorities previously had quite significant numbers of people whose primary focus was on taxing wealthy people. And it's not surprising that the right wing have been particularly targeting those and trying to cut back in

that area precisely because it's the ultra rich who fund so many of these right-wing projects.”

Naomi: “Yeah. That's why we can't afford the rich!”

John: “That's why we can't afford the rich. Yep!”

Naomi: “Thanks John! John Christensen of the Tax Justice Network. And yes! When it comes to the super wealthy - how many Maseratis, how many yachts and homes can one person buy?! The head of the IRS recently told the Senate that the US misses out on as much as \$1 trillion a year because of those who cheat on their taxes. And the top 1% are the worst for doing that. Even *before* covid came along, asking the very wealthy to pay more taxes seemed like a no-brainer. This month, I'm talking to entrepreneur, millionaire and wealth tax campaigner Djaffar Shalchi. Born in Iran he and his family began living in Denmark in 1969. Here he is:”

Djaffar: “It actually didn't start so well because my parents was divorced soon after and me and some of my siblings were in the orphanage for about one year. But I only have good memories from that time actually because it was a good place and this was this beautiful old lady who took care of me and my siblings and we got to get closer to the Danish culture. And then after we went back to my mother and she had found a job and had an apartment and we could start living more or less like a normal family. And of course the beautiful thing about Denmark, or let's say Scandinavia, is that you have this beautiful welfare system where everybody get the same opportunities. So it was unnecessary for me and my siblings to have rich parents so we could study, because the schools, universities, and everything, everything is for free in Denmark because of our high taxes. So, of course, the society was, yeah, I would say nearly at that time perfect in Denmark.”

Naomi: “I also read something very sad, that two of your brothers returned to try to help to rebuild Iran, but very sadly they didn't make it. And I don't know if you see it this way, but I see your actions in campaigning for wealth taxes and for justice in society as honouring them as much as humanity in general. Do you see it that way?”

Djaffar: “Yes, more or less. When we came to Copenhagen it was in '69, it was actually precisely 10 years before the Iranian revolution. So the revolution came in in '79. And of course, when something happens in your country of birth, I was smaller and my brothers were bigger than me and they felt like, eh, they should go back and see what they could do for help the country. Yeah, my brothers went back but of course it's not so easy to come back in a revolution where everything is chaos. And then the Middle East is all about the oil. So like Obama said, we did a big mistake, he said, we should never have overthrown the democratically elected president in Iran in 1953. Because at that time we had actually democracy. The president's name was Mosaddegh and he wanted to nationalise that the oil, of course, because it was belonging to the Iranian people. So I saw, you know, and studied the history and saw that there was little justice actually, anywhere, it was just about how strong you are. And then you just take what you like.”

Naomi: “Yes, it's a sad reality. It's a curse, the gas, the oil.”

Djaffar: "Yeah. It's so terrible, it's just totally open now you know, you can just do what you want. About justice, about the rights of people, about the woman's right, about the child's rights, 6 million children on their sixth year dying every year, nobody talks about that. And the 1 billion people living in extreme poverty under \$2, you don't hear so much about that. So, uh, I just felt that I have to do something,"

Naomi: "Yes and you became very successful personally, and now you're very wealthy. I read that you described that in a way you had the American dream, only in Denmark. What did Denmark give you that perhaps Iran or the United States, the home of the dreamers, might not have given you?"

Djaffar: "The big difference between Iran or US, actually Iran and US are similar countries because the people don't pay so much taxes, and the powerful just overrule everybody else. So there's not so big difference actually between those two countries. So, compared to Scandinavian and Denmark, we have the welfare system, we pay high taxes. Everybody have the opportunity to go to schools, universities. If they go sick, you can go to the hospitals. I can get good workers to my business and so on. So Denmark gave me an education, a good healthcare system, and all the benefits that many in Denmark have worked for to get to their children. So for me, it was just of course, obvious that when I get successful, I never, never said that it was only because *I* was good. I said the society of course has a big part of it. And that's why I have to protect the welfare system and put as much as I can back inside the system and keep it as a minimum as I got it, more than five decades ago. But unfortunately the system in Denmark or in Scandinavia is going also down, because of the trickle down economics that came along in the eighties. So, uh, yeah Denmark gave me actually all those things that US cannot give me, or Iran, or actually not so many countries of the world can give you that."

Naomi: "Yes, do you think that you could have been so successful if you grew up in the United States or Iran?"

Djaffar: "Of course the chances had been much less because my parents were not wealthy, uh, we lived alone with my mother and she was working in a hotel, like a clean woman. So I will probably say no, uh, I would not because, how should I get the money to study, you know? Only the rich kids in Iran or in the US can go to schools and study at the university, the normal working class cannot afford it so, uh, that's why I'm saying the American dreams are in Scandinavia and not in the US or in Iran, yeah."

Naomi: "I have Danish friends who all have told me they're very proud of their high tax, good social programme country and the culture in Denmark but many people say, you know, the high tax society of Denmark - it's socialism and how can socialism be good for business?! What would you say to that?"

Djaffar: "I will say to that, please come to Denmark and I will show you, because people that say something like that, obviously don't know anything about how a welfare system is running, you know, and what it's all about. What is the purpose of the human beings on this planet? We have one thing in common, all of us humanity and that is only one thing. We all want to be happy. Nobody can say 'I don't want to

be happy.' And the only way to get happiness is actually to get access to everybody the same opportunities and to help other people to get the happiness. So, uh, we don't leave anybody behind in Scandinavia, you pay high taxes and you don't see people sitting in the streets or sleeping in the streets like I see in New York or in Iran, or actually in Rome in Italy, where I am right now. I would just say to them, come to Denmark and look around and see what it is about. The storytelling that it will kill entrepreneurship and so on, blah, blah, blah, blah, it's just a story that the elite have been so good to telling and convince people because it's not true. Nobody run away from their countries because they will pay a few percent more in taxes. Of course not! I'm happy, I get healthy employees, they can come safely to work, if they go sick, they can go to the hospital for free and so on and so on. So, uh, it's the opposite of what the storytelling is that it kills entrepreneurship. Totally the opposite."

Naomi: "I wanted to ask you - lots of very rich people give a lot of money to different charities. Why isn't that enough for you to achieve what you want to achieve for society? Bill Gates some years ago now started what he calls the giving pledge, asking billionaires to join him in giving away half their wealth. It all sounds great but it's never going to be enough without taxes:"

Djaffar: "Yeah. If you take the giving pledge that Bill Gates created in 2010, now 11 years ago and say to the 2000 billionaires, please pledge half of your wealth to your lifetime or after your death. At that time, Bill Gates had a total wealth of \$50 billion. Now 11 years after, he had only collected 6% of the world's billionaires in the giving pledge and the 6% he has collected don't show anything they have done. And the worst thing of all is Bill Gates was himself going out and say, give half of your wealth away. And at that time, 2010, he had \$50 billion in wealth. Today his wealth is about 125 billion. So you can see what is happening here. The man who started the giving pledge, going out and saying give the half has close to three times more today than he had 11 years ago. And he only collect a 6% of the world's billionaires. That is really something to think about."

Naomi: "Yes it is."

Djaffar: "Yeah."

Naomi: "Philanthropy, big as it is, *can't* raise what wealth taxes can. Bill Gates is 64 years old, and at the rate he's going he'll be worth \$250 billion or more by the time he's supposed to have given away at least half his wealth, depending on how his divorce goes. And just in the past year Bill Gates got \$41 billion richer. He's publicly rejected wealth tax proposals, even thought he could easily pay wealth taxes without blinking. And I've got to say, moving assets into foundations provides the very wealthy with super favourable tax benefits!"

Djaffar: "Yeah, if you see the overall how we are destroying our planet, you can check the 17 sustainable development goals that United Nations put on in 2015 and all 193 countries have signed it to achieve it. And these 17 sustainable development goals are poverty, hunger wars, environmental problems, climate change, and so on and so on. And the financing gap to achieve that is 3 trillion US dollars! And the philanthropy globally is something about 25 billion only. So it's just so small

compared to what kind of financing you have to get to achieve and save our planet and to save humanity. You have to have a systematic change. And that systematic change is that the rich people are going to pay their fair share of taxes. The total wealth of this planet is today about 400, 400 trillion US dollars. And the top 1% rich people in the world have more than 50% of that, so that's more than 200 trillion and a few years this 1%, will have 300 trillion in their hands. So imagine, a only 1% wealth tax can give you \$3 trillion to achieve all the beautiful work they're talking about - poverty, climate change and so on, and so on, all the 17 sustainable development goals.”

Naomi: “Right. And a lot of people argue that we should not have billionaires, perhaps not even millionaires. What do you think about this idea?”

Djaffar: “I think something is wrong with the system if you have, if you have a billionaire in US dollars because that kind of money you can only get if you get some kind of monopole on your business, and that is not good for the rest of the society, and it's actually not so much about having much money. The biggest problem I see is that the rich people are controlling the governments, in every country. Behind every Senator in the US is some very rich people donating to him. So it's more that our democracy is under really hard pressure.”

Naomi: “Absolutely, yeah. So what is the ultimate goal that you really want to achieve through the organisation you founded, Millionaires for Humanity?”

Djaffar: “For me, it's simple because that will be a 1% wealth tax on the top 1%, because that will give us the trillions we need to fix all our problems. So we are working on a solution through the UN that the UN go out and tell all the member States, please tax your top 1% at 1% to find the financing for the 17 sustainable development goals, because all the countries have signed it, so they are obligated to go and find a financing for it. So my dream is 1% wealth tax on the top 1% in each country, like, eh, many countries have done and like Argentina did it three months ago. Who can it hurt? It can definitely not hurt the rich people because they can afford 1%. So normal people have to go to their government and select some people that is going to the parliament that really want to change the system. We need younger people to come inside our governments, young people who really want, you know, the good for the people and the mindset that say, we are not going to leave anybody behind. Because there's so much wealth out there that is enough for all of us, all 8 billion people. So, there's not any question about we don't have the resources. We have so much of it. We have too much of it actually, but we can not share it. That is the problem.

I was born in '61 Naomi. And Martin Luther King said in '61 in the US, he said 'humanity has all the resources. They have the technology, but they don't have the human will.' And six decades we are still saying the same story. We have too many people on the planet. We cannot do it. It's too difficult. Blah, blah, blah. No, it's bullshit all of it because we have everything. If we just can find the human will, then it can be solved tomorrow. We have to have hundreds of billion of people in the streets demanding a systematic change.”

Naomi: "My thanks to Djaffar Shalchi of Millionaires for Humanity. You can find out more about them on www.millionairesforhumanity.org That's it for this episode of the Taxcast. Thanks for listening. We'll be back next month, bye for now."