

Deterritorialized Taxation (stub)

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Gabriel Zucman is an economist, colleague of Thomas Piketty, and author of *The Hidden Wealth of Nations*, a work that confronts the economic scourge of tax havens, estimating the size of their hidden wealth and proposing measures to hurry their demise. Zucman's reckoning—likely the best we have—“*indicates that globally around 8% of households' financial wealth is held in tax havens,*” and this is, he insists, *a minima*. Among his countermeasures: ending banking secrecy through stringent laws and a global financial register, corporate taxation no longer based on the home addresses of corporations and their subsidiaries, and enforcement through severe tariffs, penalties, and even embargoes by a tax cartel of unified nations. He emphasizes that countermeasures must not rely upon the good will of Swiss bankers and tax-haven microstates, as they historically have, but rather on the political will of a united global community. Without unity, evaders and avoiders can easily play states and “business-environments” against each other, setting in motion a race to the bottom for ever-lower rates and regulations. Without unity, evaders and avoiders can continue their shell games of wealth management, played across and off of the differentials of national laws and regulations. And without stiffer penalties, such as exclusion from entire markets, incentives for remaining an uncooperative tax-haven microstate still outweigh the drawbacks, especially as the number of other competing tax-havens dwindles. In other words, non-global solutions only make for flashier deceptions.

The register would not have to begin from scratch; Zucman points out that, in many cases, it would merely be a matter of countries disclosing and sharing what they already know—who owns what and how much—and getting remaining nations to comply. Zucman's proposals do not interfere with nations' sovereign discretion over its own tax regimes; however, he does bring up Piketty's proposal, from *Capital in the Twenty-First Century*, for a global tax on wealth at the source, as well as a tax on global profits for multinational corporations (which is then apportioned locally). This leads us to speculate on other possibilities for trans-national or non-national tax regimes—or when and how taxation should be altogether delinked from territory. This delinking would probably put the kibosh on tax havens, since the topography of tax-havens is an effect of territorial taxation and, in part, the nation-state system. But regardless of the levels of tax avoidance and compliance, the authors wonder whether deterritorialized taxation regimes, global or otherwise, are simply the requirement of a new global economic reality. Non-territorial taxation has been proposed before—global taxes on wealth, financial transaction or activities taxes, varying taxes on banks, sales, and flows—but are there other tax regimes that would be possible under radically different geopolitical realities? And if we could design them, how could we best do so to continue—and even intensify—the legacy of progressive taxation of the early twentieth century? Before we get to this, we should probably first address the question: what exactly *are* taxes?

The weaker yet standard conception of taxes, echoed even by Piketty in the foreword to Zucman's book, is that they are the prices of public goods and services. He writes: "*modern democracies are based on a fundamental social contract: everybody has to pay taxes on a fair and transparent basis, so as to finance access to a number of public goods and services.*" This is part of the meaning of taxes, no doubt, and Piketty admits that "*there is ample room for disagreement about what 'fair' and 'transparent' taxation means.*" In the end, however, this conception of taxes-as-prices does not counter the delegitimization of taxes spearheaded by conservative and neoliberal forces over the past few decades. In fact, it too-courteously adopts their rhetoric. If taxes are but prices, we naturally have a right to haggle, dodge, and even refuse their offer and void this "*fundamental social contract,*" as many conservative and neoliberal voices would have us do, especially considering their long campaign to defame and defund the very value of public goods and services.

Taxes are, in part, prices and revenue. However, taxes have another role, one with a greater moral force, as a corrective for the injustices of the market economy (and in some sense, of what Polanyi would call the "market society"). Market economies have proven themselves to be remarkably productive but, without social mediation, pretty terrible at the task of equitable distribution. Taxes, then, are paid not just for public goods and services but for *the social costs of markets themselves*. In this sense, they have much in common with Thomas Paine's idea of "groundrent" paid as a universal income to all citizens, by land owners and cultivators for the use and expropriation of our shared property, Earth. They also share some primordial continuity with harvest sacrifices, paid to the Earth for its continued fertility and plenitude. Scaled up to the global economy, taxes become a species of what we have called a "terrestrial dividend." Only, instead of use of natural resources, taxes are paid for the use—and often the exploitation—of human-made institutions. And also like Paine's groundrent, taxes are owed to the public "*not as charity but a right, not a bounty but justice,*" not as donations but as back payments for ill-gotten profits. This leaves no room for a right of refusal. Even the staunchest market fundamentalist maintains the state's role in supporting a functioning market: issuing and backing currencies, enforcing contracts, adjudicating disputes, protecting the rights of property, and in some cases, stabilizing markets. So even in this barest sense, the market—and its prime beneficiaries—must pay its dues to the state, and thus, to a public which at bottom maintains and owns the marketplace as a whole. However, as we've said, these taxes-as-groundrent must account for *all* costs and services. It has to compensate for externalities and force choices. It has to pay for its use of common property such as infrastructure, environments, general intellect, surplus cognitive and collective labor, and even the way markets structure society to their advantage. Equitable taxation must account for all the sources and junctures of wealth and value creation—and this accounting isn't something that can be left to the coordinating classes, to determine and self-report what they owe.

Therefore, the criteria of newer, better tax regimes would be that they could, one, comprehensively locate these “sources and junctures of wealth and value creation,” and two, help bring about the progressive distribution of that wealth and value. However, now come the harder questions: how could deterritorialized taxation help distribute taxation to cover all these sources and junctures without leaving tempting and exploitable gaps? Is it possible to make all taxes simultaneously “value-added” (in this sense) and progressive? How can newer technologies, such as blockchain, automate taxation and move us away from dependence on audits, declaration, and self-reporting? How does this interfere with the historical refusal to pay taxes as civil disobedience, especially in light of the history of taxes as primarily used to fund war efforts and state extravagances? In keeping with our line of inquiry, who are the bodies that collect and distribute taxes if not territorial states? Do they in fact have to be centralized at all if the taxation itself remains distributed— at the point of transaction, extraction, use, delivery, and so forth? Or rather than national centralization or territorial centralization, could they be organized and distributed by typology— for instance a tax on social media platforms or transportation companies, collected and distributed by a functioning body assigned to the task by a transnational or non-national polity? How much must be in the form of global taxation and how much can be equitably done from a patchwork of participating polities? Does taxation have to be in currency, or could their allocation come in other kinds of power? And if nations’ sovereign right to determine their own form of taxation is already eroding under neoliberalization (such as Luxembourg’s willingness to let outside economic actors tailor their taxes and regulations), is taxation already, at least for wealthier individuals and entities, moving through platforms rather than nation-states? If so, perhaps the task lies less with resuscitating and strengthening the sovereign tax regimes of nations and more with claiming and democratizing the control of these platforms. Put another way: do we have a *claim* on Luxembourg?

