

In the summer of 2000, there were anti-ETR demonstrations throughout Europe



Unlike many other EU governments, the red-green coalition didn't back down under pressure...

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COUNTERARGUMENTS

ETR proved that most former cons were wrong

Competitiveness	<ul style="list-style-type: none"> • Net relief of €1 bn yearly for German industry. • Today, we are still world export leader
Isolation	<ul style="list-style-type: none"> • Germany was in excellent company (Benelux, Scandinavia) • Never wait for a supra-national ETR if you really want it!
Higher taxes	<ul style="list-style-type: none"> • Tax quota 2004 much lower than 1998 • ETR can reduce government spending, i.e. less eco-subsidies
No elasticity!	<ul style="list-style-type: none"> • Reinforced by oil price increase, demand elasticity became obvious
Self-defeat	<ul style="list-style-type: none"> • ETR contributes nearly 20 bn. Euro to budget • Energy more stable than other tax bases – no Laffer effect!
Hits poor harder than rich	<ul style="list-style-type: none"> • Burden offset by general tax reform • Pension financing relieves employers, employees and retirees
Green Taxes, green projects	<ul style="list-style-type: none"> • Though popular demand, economically questionable • Revenue in Germany much to high for ecological earmarking • Pigou tax for internalization, fiscal revenue secondary

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Earmarking of green taxes works well for symbolical amounts, not for large steering volumes

Beer tax for beer drinkers?
Property tax for property owners?
Car tax only for roads?
Green taxes only for green projects?

There are strong arguments against earmarking and for budget neutrality/recycling:

- Budget sovereignty of democratic parliaments
- Tax- financed increase in state spending creates **inflation!**
- Need to **recycle the money** to business and consumers
- Earmarked receipts and needs \neq 1:1
- With enough green taxes, we need **less eco-subsidies**
- Inefficient allocation

P.S.: German ETR 5x > Japan's

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ADMINISTRATION COST OF DIFFERENT TAXES – PERCENT OF REVENUE

Bureaucracy? Ecotaxes with lowest admin costs

Tax Type	Administration Cost (% of Revenue)
Corporate income tax	5,0%
Car tax	2,9%
Income tax	2,2%
Trade tax	1,2%
Purchase tax	0,5%
Ecotaxes	0,13%
Average	1,6 %

The tax with the lowest admin costs gets the most bashing – are only old taxes good taxes?!?

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POSITIVE AND NEGATIVE EXPERIENCES FROM GERMAN ECOTAXES

Despite overall positive effects, German ETR leaves room for improvement...

- | | |
|---|--|
| <ul style="list-style-type: none">+ Actual law much simpler than former models (litre, not joule)+ Budget neutrality nearly realised+ Part of more general reform, net tax relief for most tax payers+ Therefore mainly winners, very few losers+ First positive results for environment and labour market+ Only small concessions to gas-price-riots in 2000+ Reversal in factor burden! | <ul style="list-style-type: none">- Bureaucracy, loopholes and exceptions - more than necessary- Coal totally excluded, heating oil and natural gas only in first step- Budget neutrality not accepted by public that wants eco-taxes devoted to eco-purposes- Winners (mainly industry) do not recognize relief and continue complaining- Only small cuts in huge anti-ecological subsidies |
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POLITICAL IMPLICATIONS OF BUNDESTAG ELECTIONS 2005

For the black-red grand coalition, environment is perhaps not top priority, but they too need money...

Situation after election

- Neo-liberal, anti-ETR coalition (black-yellow) defeated
- Numerical pro-ETR majority (red-red-green), but only virtual
- Grand coalition has “work and growth” as top goals
- No member has very strong eco-profile

Our recommendations

- Concentrate on new venues
 - tax air traffic (jet fuel, tickets, VAT)
 - expand toll (trucks → cars?)
 - reform vehicle tax
- Reduce harmful subsidies
- No all-out continuation of old ETR, but use opportunities to
 - cut diesel subsidy
 - reduce ETR-exemptions
 - optimize interface with ET
- Build on fiscal needs of State
- Fight for support and higher rates in EU

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