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Germany: An abortive tax reform

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COMMENTS

Germany

An Abortive Tax Reform

So far every Finance Minister of Germany has announced on assuming office that he intends to undertake a comprehensive tax reform. Such a reform has indeed been due because the tax system of the Federal Republic resembles a jungle rather than a system. There are about 50 individual taxes in which the tax-paying citizen sees himself helplessly entangled. As a rule several taxes are pressing in on him at the same time, and bases of tax assessment overlap, so that double and multiple tax burdens fall on one and the same tax object. Despite the urgency of reform, action has however been confined to predictions of reforms and the appointment of expert commissions.

When in the autumn of 1969 the SPD-FDP coalition took over the business of government, critics of the present tax system gathered fresh hope, for the new Government promised to enact the "law of the century" in the course of the current legislative period. But what has come out by now, after two and a half years of coalition government, is little — and that little is dangerous. The tax reform has, on the one hand, become a battleground of tax and social ideologies; and on the other, the tax reform plans are full of economic inconsistencies.

After the Federal Government had decided on the fundamentals of its plans for the future tax reform by fixing so-called "corner values", experts established that the resulting tax burden would in quite a few enterprises absorb nearly 100 p.c. of all profits. The Ministry of Economics and Finance tried to refute these calculations by counter-calculations, but one is left with the impression that undigested plans have been advertised as a political objective while economic realities have had to give way to the behests of social policy. The Federal Government would be well advised to take time over such an important reform, which is imperative, and defer its decision rather than risk killing the goose which lays the golden egg. ogm.

Great Britain

The Legacy of an Empire

Many Europeans welcome the British decision in favour of joining the EEC. The fact that the United Kingdom is the oldest European democracy and that it has a great experience as a world power makes for great hopes for drawing the Community together more closely economically and, above all, politically. Therefore many Europeans feel

shocked that the inheritance of the British Empire is still able to raise so much annoyance, specially in Northern Ireland and Rhodesia.

What started in October 1968, with Londonderry's march of protest organised by Northern Irish civil rights organisations under the slogan of "one man, one vote" as a class struggle, has long ago burst all attempts at controlling it and assumes progressively the features of religious and civil war. Even if the three governments involved should be able to hammer out a jointly-agreed solution, peace can be restored only on condition that the Ulster population which is riven by deep hatreds can find again a *modus vivendi*, for which much time and patience will be needed.

As to Rhodesia, Whitehall has repeatedly tried to obtain Rhodesian recognition for the British principles of decolonisation, since Salisbury proclaimed its Unilateral Declaration of Independence on November 11, 1965. This eventually produced the "Proposals for a Settlement", which should not be assessed according to what is desirable but according to what is possible. However, the British Fact-Finding Commission under Lord Pearce, which was charged with testing the views of the black population, met with an unexpectedly unanimous rebuff and became the trigger for the outbreak of wild riots.

There are, of course, in addition the difficulties on the British home front, mainly the, apparently intractable, problem of mass unemployment. All this might any British admirer of Heinrich Heine prompt to the sigh: "Nightmare is poisoning my sleep / for Britain's troubles I must weep." hg.

Monetary Policy

Narrower Exchange Rate Bands

At the monetary conference in Washington in December it was decided to widen the margins for exchange rate fluctuations from 1.5 p.c. of the parity rates against the dollar to 4.5 p.c. This widening of the bands allows non-dollar currencies, EEC currencies included, to fluctuate by up to 9 p.c. against each other. Such a wide margin for fluctuations obtains if at the start the dollar price of currency A is at the upper, and that of currency B at the lower intervention point and if later, owing to national or international developments, the dollar rates of both currencies are reversed, so that currency B moves to the upper, and currency A to the lower, intervention point. Such a development in the EEC—which is at least